

Tax Street

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

March 2025



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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 March 2025.

- The 'Focus Point' covers points to ponder on from a transfer pricing perspective as the financial year closes.
- 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

Financial Year (FY) end: Points to ponder from Transfer Pricing (TP) perspective

Background

Following the close of FY 2024–25, it is pragmatic for taxpayers to review effective implementation of their TP policies and ensure that financial statements are reflective of defined transfer pricing policies so as to mitigate differences, if any, arising on account of non-alignment with the arm's length principle. While closing the books of accounts for the year under consideration, the taxpayer may consider the following:

TP Checkpoints

- Value of international transactions disclosed in the related party schedule are meticulously reconciled with transactions accounted for in books of accounts.
- Appropriate provisions are recognized for ongoing TP litigations basis the likely outcomes in line with applicable accounting standards.
- Segmental financial information is prepared and maintained in case of taxpayers having multiple revenue streams and transactions with related parties and/or unrelated parties with adequate allocation of common cost using rational allocation ratios.
- All TP related supporting documents viz. invoices, workings, valid intercompany agreements etc are thoroughly maintained.
- Intercompany agreements are valid for the relevant period under consideration or renewed accordingly.

TP Adjustments

Taxpayers shall compare actual year-end financial results against the predetermined margins set in their TP policies. If discrepancies exist, adjustments (true-up or true-down) should be performed before finalizing financial statements.

The timing of these adjustments is critical, particularly concerning potential implications arising viz. withholding tax and Goods and Service tax (GST), Customs, Accounting Standards and Forex fluctuations etc.

Distributors' losses

Distribution business models, though seemingly simple, often pose challenges in implementing transfer pricing policies. Limited risk distributors must maintain assured net operating margins, while normal risk distributors can incur net losses with strong arm's length rationale. Losses incurred by normal risk distributors require robust documentation, analyzing whether they stem from market penetration strategies. They need to be supported by realistic projections, as for third-party distributors, incurring losses or investing for another third party is unlikely unless they perceive a realistic chance of recouping past losses and achieving a fair market return on their investments.

In case of losses, evaluating subvention or credit notes from Associated Enterprises (AE) and adjusting pricing in future budgets becomes necessary, particularly for exceptional years. Complications arise, especially when distributors undertake significant marketing functions, which is highly litigated by Indian tax authorities for the corresponding returns.

Free of Cost Goods/Services

Cost plus entities being captive service providers, contract manufacturers often face a dilemma from receipt of free of cost goods/services/assets. From an Indirect Tax perspective, the taxpayer is required to pay customs duty on goods/assets and GST on services on reverse charge basis (if not eligible to full Input Tax Credit), to avoid interest and penal implications.

Similarly, from a transfer pricing standpoint there is an expectation that these costs are considered in the cost base and recovered with a mark-up. While services such

as shareholder services should not be charged, there are other services such as management services or technical services which the taxpayer would have otherwise availed from third parties for providing the captive services, should be charged.

Similarly, laptops and off the shelf software such as Microsoft software should be charged to the taxpayer and these costs (in the profit and loss account) should be recovered with a mark-up from the AE in a captive scenario. The approach adopted from the GST perspective needs to be aligned from the TP perspective and appropriate disclosure needs to be made in the Form 3CEB for the relevant year under consideration to avoid any misreporting of such transactions from a completeness perspective.

Secondary Adjustments

Timely TP adjustments undertaken in the books of accounts would avoid triggering any suo-moto adjustments in the annual returns for the relevant year under consideration and secondary adjustment implications thereon.

Alternate Dispute Resolution Mechanism

Based on past litigation history, the taxpayer may evaluate to opt for any dispute resolution mechanism viz. safe harbour rules or advance pricing agreements. Further, the taxpayer may leverage on the rates prescribed under safe harbour as indicative rates and align its pricing policy based on the economies of scale to mitigate the risk of litigation in future.

Treatment Of Extraordinary Items

Examine any extraordinary income or expense items recorded during the fiscal year to determine their appropriate inclusion/exclusion from the cost base for mark-up calculations or revenue for margin computations. It is pertinent to note that there are a plethora of rulings already available in the Indian judiciary on the treatment of such costs and income while computing the margin earned by the tested party for the relevant year under consideration.

Deemed International Transactions (DIT)

Under Indian TP regulations, transactions undertaken between the taxpayer and independent party, wherein the key terms of such transactions are determined by the foreign AE - either through contractual arrangement or in substance, are construed as DIT. Akin to other international transactions, DIT transactions must adhere to the arm's length principle. Identifying DIT can be complex, requiring taxpayers to recognize, report, and justify such transactions. Thus, reviewing contracts with independent parties is crucial to determine DIT applicability to avoid any misreporting of such transactions.

Overdue Receivables

Litigation over overdue receivables has intensified, with tax authorities often imputing notional interest charges on such overdue receivables. Taxpayers in such cases

shall pro-actively ensure that outstanding receivables are settled within agreed credit periods. Aligning credit policies with those offered to independent parties and maintaining strong documentation such as purchase orders, invoices, and agreements can help substantiate compliance. Judicial precedents have favored taxpayers with well-documented cases, reinforcing the importance of thorough record-keeping.

Need-Benefit Test for Availing Intragroup Services

Tax authorities frequently scrutinize intragroup services, questioning their necessity and benefits. To substantiate these services, taxpayers must maintain detailed records, including emails, meeting minutes, internal memos, and timesheets. Additionally, documentation should outline cost details, allocation methods, and benchmarking studies supporting mark-ups. Delays in compiling this information - especially when key employees leave or historical data is inaccessible - can lead to disallowances, attracting additional tax, interest, and penalties. To mitigate risks, it is prudent to maintain documentation on a real-time basis.

Foreign entities TP compliance in India

In case the foreign AE of the taxpayer earns taxable income, viz. fees for technical services, royalty, interest etc. in India then, the foreign AE is required to file its return of income and undertake prescribed TP compliances i.e., Form 3CEB and maintain the transfer pricing study report in India. Further, the taxpayer needs to obtain a Permanent Account Number (PAN), evaluate and opt between withholding tax provisions as prescribed by the Income-tax Act, 1961 (ITA) vis-à-vis Double Taxation Avoidance Agreement (DTAA) provisions while making payments to foreign entities. A reconciliation of total value income derived by foreign entities and 26AS of AE should be maintained.

As the financial year closes, addressing key transfer pricing considerations is crucial to ensure compliance, mitigate risks, and align business strategies. By systematically addressing the above areas, Multi-national Enterprises (MNEs) can strengthen their compliance framework, reduce disputes, and build a robust defense mechanism during TP audits. A proactive approach, including early planning for the next financial year, enables businesses to anticipate challenges, implement timely solutions, and maintain operational efficiency.

From the Judiciary

Indirect Tax

Whether IGST and Cess can be additionally levied under the Customs legislation on re-imported goods sent outside India for repair and maintenance, when IGST has already been paid on the service imports?

Interglobe Aviation Ltd. vs. Principal Commissioner of Customs ACC [W.P. (C) 934/2023]

Facts

The petitioner had sent aircraft engines and parts outside India for maintenance, repair, and overhaul. However, upon re-import, such repaired goods were subjected to Customs duty on the value of repairs, insurance, and freight, in terms of Notification No. 45/2017-Customs.

As per the petitioner, the export of subject goods for repair outside India and their subsequent re-import fell within the category of "supply of services" by virtue of Schedule II to the CGST Act, 2017 and therefore, no further impost (levy of IGST and Cess) as envisaged under Section 3(7) of the Customs Tariff Act would stand attracted.

On the other hand, the Revenue relied on the 'aspect theory' to argue that the levy under Section 3(7) of the Customs Tariff Act stood attracted on the physical re-import of repaired goods, which is independent of the tax liability payable under Section 5(1) of the IGST Act on the repair services.

Given this, the petitioner approached Delhi HC challenging the amendment to Notification No. 45/2017-Customs vide Notification No. 36/2021-Customs followed by Circular No. 16/2021-Customs which justified the additional levy of IGST and Cess as clarificatory in nature.

Ruling

HC observed that the transaction of sending goods abroad for repairs/refurbishment and their subsequent re-import has been conferred the character of supply of services under Schedule II of the CGST Act. Once classified as a service, it cannot be recharacterized as a supply of goods for the purpose of imposing additional duties.

Referring to the SC judgement in Mohit Minerals [TS-246-SC-2022-GST], HC opined that the Revenue had failed to consider the indubitable fact of rendition of services being embedded in the reimported goods and thus, there being no dichotomy which could have been possibly introduced.

As regards the 'aspect theory,' HC clarified that the work expended by the MROs on the goods constituted the principal purpose of their movement/departure from the Indian shores and therefore, this was not a case where one could legitimately assume or perceive the existence of two separate or disconnected taxable events.

Further, discerning the intent of an 'Explanation', HC observed that Notification No. 45/2017-Customs as it originally stood, only spoke of duty of Customs which was referable to Section 12 of the Customs Act, i.e. Basic Customs Duty (BCD). Thus, the amendment sought to be introduced by Notification No. 36/2021-Customs could not be viewed as being either in the nature of an explanation, a removal of doubt clause, or clarificatory.

As per the Court, the amendments were clearly intended to expand the tax net and attempted to remove the basis on which Principal Bench of CESTAT had rendered its decision (in the petitioner's own case) on a reading of Notification No. 45/2017-Customs. This amounted to a legislative overreach by an authority exercising the power of framing subordinate legislation, held the HC.

Consequently, HC held that Notification No. 36/2021-Customs insofar as it purports to impose an additional levy over and above the IGST imposed under Section 5(1) was ultra vires and unconstitutional. Accordingly, it quashed Circular No. 16/2021-Customs as well as the orders of Commissioner of Customs (Appeals) which had distinguished the CESTAT decision in light of the amendments.

Our Comments

The decision essentially holds that levy of IGST under Section 3(7) of the Customs Tariff Act would sustain only

where the transaction qualifies as 'supply of goods in the course of import into India' under Section 5 of the IGST Act. This proposition could have wider ramifications and open a Pandora's box. For instance, could one argue that IGST levied on royalty and/or license fee qualifying as 'import of service' under Section 5(1) should not attract the levy under Section 3(7) vis-à-vis imported goods by virtue of Rule 10(1)(c) of the Customs Valuation Rules?

This judgment could lead to multiple scenarios prone to litigation, where dual IGST levy arises – as part of Customs duty, and as reverse charge IGST levy.

However, this begs the question as to how the Government would respond to the Delhi HC verdict.

Given that an appeal against CESTAT's decision lies pending before the Supreme Court, this issue could attain finality only with the Apex Court's decision.

Direct Tax

Whether capital gains from the sale of rights entitlement are akin to shares of Indian company under the India-Ireland DTAA?

Vanguard Emerging Markets Stock Index Fund a Series of VISPLC [TS-231-ITAT-2025(Mum)]

Facts

Vanguard Emerging Markets Stock Index Fund a Series of VISPLC C/o. (assessee), a tax resident of Ireland is registered under SEBI as a Foreign Portfolio Investor (FPI). In the relevant financial year, the assessee earned short-term capital gains through the sale of rights entitlement (RE) in shares of an Indian company. The assessee had also incurred capital loss from transfer of Indian company shares which was carried forward to subsequent years. The Assessing Officer (AO) treated the rights entitlement as being similar to shares, thereby bringing the gains under the scope of Article 13(5), making them subject to taxation in India. Additionally, the AO offset the Short-Term Capital Gains (STCG) from the rights entitlement against the Short-Term Capital Loss (STCL) from shares, asserting that before granting relief under the DTAA, income must first be computed in accordance with the normal provisions of the ITA. The assessee made an appeal to the DRP, which held that RE and equity shares were closely related assets. Aggrieved by this, the assessee appealed to the Mumbai Tribunal.

Key areas of conflict:

- Whether RE is similar to shares.
- Whether the capital gains earned by the assessee from the sale of RE can be exempted under Article 13(6) of the India-Ireland DTAA.
- Whether short-term capital gains from RE can be set off against short-term capital loss.

Held

The Tribunal upheld the assessee's claim for exemption from tax in India, ruling that the RE should be treated as a separate asset, thus falling under the provisions of Article 13(6) of the India-Ireland DTAA. In light of the following findings, the Tribunal concluded that the capital gains from the sale of RE do not fall under Article 13(5) of the DTAA, which applies to shares, & instead fall under residual clause Article 13(6), making them taxable only in Ireland and thus cannot be set off against STCL:

- Section 2(84) and Section 62 of the Companies Act, 2013: Shares have a restrictive definition which does not include RE. RE is a right to subscribe the shares and not actual ownership.
- SEBI and NSE circulars: SEBI and the NSE recognize RE as a distinct security, assigned its own ISIN.

Quotes & Coverage

RoCs Step up compliance drive; basic company law breaches common among small businesses

24 March 2025

<https://tinyurl.com/393jchw>

Mint | Vikash Thakur



- Finance Act, 2004: By defining the option in securities, RE was held as an option to purchase security, not in line with shares. Trading in RE is subject to Securities Transaction Tax (STT) at a rate applicable to options in securities, rather than shares.
- ¹Ruling in *Navin Jindal v. Asst. CIT*: The Supreme Court stated that RE obtains the exercisable right to subscribe to shares which are different from shares.
- Section 2(42A) and Section 55(2) (aa) of the ITA: Right to subscribe to any financial asset is distinct from financial asset.
- DTAA includes 'comparable interests' under Article 13(4), but not under Article 13(5), implying an intentional exclusion of RE from taxation under Article 13(5). Article 13(4) specifically pertains to the taxation of shares whose value is derived from immovable property. A clarification issued in relation to the India-Mauritius tax treaty further emphasized that it was only shares in a company (and not derivatives or rights entitlements) that were meant to be taxed in the source country.

Our Comments

In conclusion, this ruling underscores the classification of rights entitlement as a derivative-like security for tax purposes and clarifies that capital gains from the sale of rights entitlement are exempt from tax in India under Article 13(6) of the India-Ireland DTAA.

Whether VoIP services can be classified as Fee for Technical Services (FTS) and are liable to TDS?

Novanet India Private Ltd [TS-203-ITAT-2025(Mum)]

Facts

Novanet India Pvt. Ltd., a company engaged in providing Voiceover Internet Protocol (VoIP) services to clients in India. VoIP allows users to make voice calls using the internet rather than traditional phone lines. The voice signals are converted into digital data and transmitted over the internet, resulting in lower costs and better quality.

The assessee had paid INR 34,482,784 to Novanet Singapore Pte. Ltd. (NSPL) towards communication charges (VoIP minutes) without deducting tax at source during Assessment Year (AY) 2018-19.

Consequently, the AO initiated proceedings under Section 148A. The AO argued that the payment to NSPL was for technical services and that the assessee should have deducted tax under Section 195. The AO further held that the assessee was a Permanent Establishment (PE) of NSPL and disallowed the entire amount of INR 34,482,784 under Section 40(a)(i) of the ITA. The CIT(A) upheld the AO's order, concluding that the payment to NSPL constituted a fee for technical services. Aggrieved, the assessee filed an appeal before Tribunal.

Held

The Tribunal noted that the payment to NSPL was for the purchase of VoIP minutes (network usage). NSPL acted as an intermediary to procure and sell the VoIP network to the assessee. The VoIP process was entirely automated without human intervention, where voice signals were converted into digital data, transmitted through the internet, and reconverted into voice at the receiving end. Relying on Delhi Tribunal ruling in *Bharti Cellular Ltd.*², *Vodafone Digilink Ltd.*³, and *Mumbai Tribunal ruling in Atos Information Technology HK Ltd.*⁴, the Tribunal concluded that the payment made by the assessee to NSPL was not for FTS, and hence, the assessee was not required to deduct tax at source. As a result, the Tribunal directed the AO to delete the disallowance under Section 40(a)(i) of the ITA.

¹ *Navin Jindal vs. Assistant Commissioner of Income-tax* [2010] 187 Taxman 283 (SC)/ [2010] 320 ITR 708 (SC)/ [2010] 228 CTR 478 (SC) [11-01-2010]

² *Commissioner of Income-tax vs. Bharti Cellular Ltd.* [2008] 175 Taxman 573 (Delhi)/ [2009] 319 ITR 139 (Delhi)/ [2008] 220 CTR 258 (Delhi) [31-10-2008]

³ *Vodafone Digilink Ltd. Vs. Commissioner of Income-Tax, (TDS)* [2017] 87 taxmann. com 315 (Delhi-Trib.)

⁴ *Atos Information Technology HK Ltd. Vs. Deputy Commissioner of Income-tax, (IT)-1* (1)(2), [2017] 79 taxmann.com 26 (Mumbai-Trib.)

Transfer Pricing

AO is duty bound to point out default by the assessee in order to initiate penalty u/s 271AA of the ITA

Best Oasis Limited [ITA Nos. 633 to 640 / Ahd / 2024]

AY 2012-13 to 2019-20

Facts

The assessee (a non-resident entity) being a wholly owned subsidiary of Priya Blue Industries Pvt. Ltd had entered into various international transactions with its Associated Enterprises (AEs). The case of the assessee was referred by the AO to the Transfer Pricing Officer (TPO) for AY 2012-13 to AY 2019-20 pursuant to search operation under Section 132 of the ITA on Priya Blue Group.

TPO determined all the international transactions to be at Arm's Length Price (ALP), except receipt of services and corporate guarantee. However, revision of the ALP of the said international transaction would result in reducing the income of assessee. Accordingly, no adjustment towards international transactions was proposed by the TPO. However, AO initiated separate penalty proceedings under Section (u/s) 271AA of the ITA for non-maintenance of documents prescribed u/s 92D of the ITA read with Rule 10D of the Income Tax Rules, 1962 (the Rules).

Aggrieved by the orders of AO, assessee filed appeal before the Commissioner of Income Tax (Appeals) (CIT(A)) wherein the CIT(A) deleted the penalty for the years under consideration. The Revenue however appealed against the order of the CIT(A).

The contentions of the assessee before the Income Tax Appellate Tribunal (ITAT) were as follows -

The assessee contended that the TPO did not propose any TP adjustment or initiate penalty proceedings u/s 271AA of the ITA. The TPO after examining all the requisite documents had determined the underlying international transactions to be at ALP.

The final order of the AO as well had no specific mention of non-maintenance of any documents by the assessee as prescribed under the ITA. The AO while passing the final AO order-initiated penalty proceedings u/s 271AA of the ITA on the grounds that the assessee has failed to maintain the requisite documents as specified u/s 92D read with Rule 10D of the Rules. Thereafter, a separate penalty order u/s 271AA of the ITA was passed for all the assessment years.

Held by the ITAT

The ITAT observed that AO did not outline any specific default by the assessee for non-maintenance of the prescribed documents.

Further, every person entering into international transactions is required to maintain documents as prescribed in Section 92D of the ITA read with Rule 10D of the Rules. The documents to be kept and maintained in relation to the international transactions fall into thirteen

categories as mentioned in Rule 10D of the Rules. The AO is duty bound to point out which specific document was not maintained by the assessee for initiating the penalty.

The AO had referred the case to TPO to determine the ALP of the international transactions. The TPO did not point out any default by the assessee.

ITAT placing reliance on various judicial precedents held that penalty u/s 271AA of the ITA cannot be levied without specifying the information/ documentation failed to be maintained by the assessee. Accordingly, the Revenue's appeal was dismissed.

Our Comments

Various judicial precedents in line with the transfer pricing regulations have always highlighted the importance of maintenance of robust documentation in support of the ALP of the international transactions. Section 92D of the ITA read with Rule 10D of the Rules also prescribe voluminous documents and information to be maintained by the assessee.

It becomes pivotal for the assessee (both resident and non-resident in India) to place reliance on such rulings to argue for non-initiation of penalty proceedings by the AO u/s 271G and 271AA of the ITA especially in the cases wherein such international transactions have already been determined to be at ALP by the jurisdictional TPO.

Past Webinars

Middle East CFO Summit 2025

17 April 2025

[Nexdigm](#) | [Nishit J Parikh](#)

UAE Tax Compliance & Update on Pillar 2

14 April 2025

[Nexdigm](#) | [Nishit J Parikh](#)

8th National Direct Tax Summit and Awards 2025

21 March 2025

[Nexdigm](#) | [Maulik Doshi](#)

The New Income Tax Bill 2025: Is It Really a Game Changer?

17 February 2025

[Nexdigm](#) | [Amit Amlani](#), [Sanjay Chhabria](#)



Tax Talk

Indian Developments

Indirect Tax

Customs

Introduction of Postal Imports Regulations, 2025 for Seamless Customs Clearance

Notification No. 18/2025-Customs (N.T) dated 28 March 2025

The Central Board of Indirect Taxes and Customs (CBIC) has introduced the Postal Imports Regulations, 2025 to streamline the clearance of goods via Foreign Post Offices under the Customs Act, 1962. Certain goods are prohibited from postal imports, including live animals, perishables, gold, silver, and items requiring sample testing.

Key highlights of the regulations include:

- **Mandatory electronic submission of Customs forms;**
- Introduction of **risk-based assessment protocols;**
- Detailed procedures for the clearance of goods;
- Strict conditions for clearance, penalties for non-compliance, and provisions for the **re-export or disposal of undelivered goods.**

The effective date for implementation will be announced separately by CBIC.

Government imposes Anti-Dumping Duty on various imports

Notification No.01/2025-Customs (ADD) dated 7 March 2025

Notification No.02/2025-Customs (ADD) dated 17 March 2025

Notification No.03/2025-Customs (ADD) dated 17 March 2025

Notification No.04/2025-Customs (ADD) dated 18 March 2025

Notification No.05/2025-Customs (ADD) dated 21 March 2025

Notification No.06/2025-Customs (ADD) dated 24 March 2025

Notification No.07/2025-Customs (ADD) dated 25 March 2025

The Ministry of Finance has announced levy of anti-dumping duties at varied rates on import of Trichloro Isocyanuric Acid, Aluminium Foil (up to 80 microns), Vacuum Flasks, Soft Ferrite Cores, Poly Vinyl Chloride (PVC) Paste Resin, Roller Chains, and Acrylic Solid Surfaces to curb unfair trade practices and protect domestic industries. The imposition primarily targets imports from China PR but also extend to Japan, Korea RP, Malaysia, Norway, Taiwan, and Thailand.

CBIC issues new guidelines for Import-Export via Personal Carriage

Circular No. 09/2025-Customs dated 28 March 2025

The CBIC introduced standardized procedures to regulate the import and export of goods through personal carriage, with a special focus on gems, jewelry, and prototypes.

Under the new guidelines, foreign-bound passengers are permitted to carry gems and jewelry as personal cargo from designated airports. Additionally, the rules allow for re-import of duty-free rejected jewelry under specific conditions, simplifying the process for travelers and businesses.

Key features of the new procedure include:

- **Electronic Filing:** Mandatory submission of Bills of Entry and Shipping Bills through electronic platforms to enhance efficiency.
- **Operational Guidelines:** Jurisdictional commissioners will issue detailed operational guidelines to ensure smooth implementation and oversee compliance.
- **Infrastructure Development:** Emphasis on strengthening airport infrastructure to support the new procedures effectively.

Foreign Trade Policy

Annual RoDTEP Return deadline extended to 30 June 2025

Public Notice No. 51/2024-25 dated 19 March 2025

The Directorate General of Foreign Trade (DGFT) has extended the last date for filing the Annual RoDTEP Return (ARR) for FY 2023-24, applicable to all exports. Previously set for 31 March 2025, the new deadline is now 30 June 2025. The applicable grace period is also pushed from 30 June 2025 to 30 September 2025.

Alerts

Key Highlights GST Notifications and Clarification Circulars

7 April 2025

<https://tinyurl.com/ytt4kze5>

SEBI strengthens Corporate Governance framework for SME Listed and High-Value Debt Companies

4 April 2025

<https://tinyurl.com/yhbvrdez>

CBDT signs record 174 APAs and first ever Multilateral APA in FY 24-25

3 April 2025

<https://tinyurl.com/yc262add>

CBDT expands Safe Harbour Rules thresholds to INR 300 crores and other clarifications

26 March 2025

<https://tinyurl.com/mv3u7s5e>

Public Clarification issued for amendment in Executive Regulations of Federal Decree Law

26 March 2025

<https://tinyurl.com/29yxscma>

GST - Key Year End Activities FY 2025-26

18 March 2025

<https://tinyurl.com/35fn6248>



Direct Tax

Clarification on Application of Principal Purpose Test Under India's Double Taxation Avoidance Agreement

Press release dated 15 March 2025

1. CBDT further provides below clarification on Circular No. 1/2025, dated 21 January 2025 which was issued in the form of a guidance to provide clarity and certainty on the application of the Principal Purpose Test (PPT) provision.
 - a. The said Circular shall apply to the PPT provision in only those Indian DTAA's wherein such a provision exists.
 - b. The Circular is not intended to interfere or interact with any other provision of the Indian DTAA's and with anti-abuse rules under the domestic law such as General Anti-Abuse Rule (GAAR) and Specific Anti-Abuse Rules (SAAR).
 - c. The Circular applies only to the PPT without affecting other provisions of the Income-tax Act.

Expand the Scope of Safe Harbour Rules

NOTIFICATION NO. G.S.R. 193(E) [NO. 21/2025/F.NO. 370142/6/2025-TPL] And PRESS RELEASE

DATED 25 March 2025

1. Central Board of Direct Tax has expanded the scope of Safe Harbour rule by:
 - a. Increasing the threshold for availing safe harbour from INR 2 billion to INR 3 billion.
 - b. Including the "lithium ion batteries for use in electric or hybrid electric vehicles" in the definition of core auto components.
2. The above scope expansion is made by amending clause (b) of Rule 10TA and sub rule (2A) in Rule 10TD respectively and shall be applicable to two assessment years 2025-26 and 2026-27.

Amendment In Form Nos. 26Q And 27Q

NOTIFICATION G.S.R. 195(E) [NO. 22/2025/F.NO. 370142/08/2025-TPL]

DATED 27 March 2025

1. CBDT has amended Form 26Q and Form 27Q by inserting section 194T for reporting TDS deducted on payment of salary, remuneration, commission, bonus or interest to a partner of firm.

Waiver of interest levy under Section 201(1A) (ii) or 206C (7) in specific cases

CIRCULAR NO. 5/2025 [F.NO. 275/92/2024-IT (BUDGET)],

DATED 28 March 2025

1. In response to representations from taxpayers facing technical issues while making TDS and TCS payments, CBDT has issued a directive. If taxpayer initiates payment and the amount is debited from its bank accounts on or before the due date but face delays in the actual crediting to the government due to technical glitches, the Chief Commissioner of Income Tax (CCIT), Director General of Income Tax (DGIT), or Principal CCIT (PrCCIT) can reduce or waive the interest charges under sections 201(1A)(ii) and 206C(7) of the ITA.
2. Applications for interest waiver must be made within one year from the end of the financial year for which interest is charged and the same shall be resolved within six months.

Amendment In Form No. 3CD

NOTIFICATION G.S.R. 207(E) [NO. 23/2025/F. NO. 370142/10/2025-TPL]

DATED 28 March 2025

1. CBDT has made the following rules further to amend the Income-tax Rules, 1962 to improve financial transparency and tax compliance.
 - a. Insertion of Section 44BBC in clause 12, where the Auditor needs to report profits and gains assessable from business of operation of cruise ships in case of non-residents.
 - b. In clause 19, deductions under Sections 32AC, 32AD, 35AC, and 35CCB have been removed
 - c. In clause 21, a row with the words "Expenditure incurred to settle proceedings initiated in relation to contravention under such law as notified by the Central Government in the Official Gazette in this behalf" shall be inserted.
 - d. The amendments also introduce detailed classifications for loans, deposits, and repayments, incorporating a dropdown code system.
 - e. Additionally, businesses must now report interest inadmissible under the Micro, Small, and Medium Enterprises Development (MSMED) Act, 2006.

Tax Talk

Global Developments

Indirect Tax

Announcement of VAT Increase in South Africa in 2025 and 2026

Excerpts from various sources

The South African Finance Minister has announced a phased increment in the country's VAT rate to address fiscal challenges and funding essential social programs. Effective 1 May 2025, the VAT rate will increase by 0.5%, raising the current rate from 15% to 15.5%. A further increase of 0.5% is scheduled for 1 April 2026, bringing the VAT rate to 16%.

Singapore Implements the GST InvoiceNow Requirement

Excerpts from various sources

Starting 1 November 2025, all newly incorporated companies that register for GST voluntarily will be required to transmit their invoice data directly to the Inland Revenue Authority of Singapore (IRAS) using the InvoiceNow-Ready Solutions through the InvoiceNow network.

The implementation timeline is as follows:

- **From 1 November 2025:** Mandatory for newly incorporated companies applying for GST registration voluntarily within 6 months of incorporation.
- **From 1 April 2026:** Mandatory for all new voluntary GST registrants, irrespective of date of incorporation.

A soft launch for early adopters will begin on 1 May 2025.

Transfer Pricing

UAE Transfer Pricing: Key Regulations and Advance Pricing Agreement (APA) Framework Updates

Organization for Economic Co-operation and Development (OECD) TP guidance on Dispute Resolution Mechanism: In July 2013, OECD published an Action Plan on Base Erosion and Profit Shifting (BEPS). This set out 15 BEPS actions with an intention to equip governments with the domestic and international instruments to ensure that profits are taxed where economic activity and value creation take place. These tools help to address the specific tax challenges arising from the digitalization of the economy and they give businesses greater certainty by reducing disputes over the application of international tax rules and standardizing compliance requirements. To address tax avoidance and enhance dispute resolution, OECD's BEPS Action Plan 14 introduced a minimum standard for resolving treaty-related tax disputes through the Mutual Agreement Procedure (MAP). This framework ensures timely, efficient, and effective resolution of tax disputes while fostering collaboration between tax authorities.

Chapter IV of the OECD TP Guidelines further explores Safe Harbour Rules and APAs as alternative dispute resolution mechanisms.

Introduction to APA

An APA is a formal arrangement between a taxpayer and one or more tax authorities, typically lasting multiple years that establishes the pricing methodology for transactions between related entities. By offering a structured framework, APAs help resolve transfer pricing issues proactively, reducing the likelihood of disputes and ensuring compliance with tax regulations.

APAs provide taxpayers and competent authorities with "advance" tax certainty, ensuring clarity on the tax treatment of covered transactions over a specified period. By addressing transfer pricing issues in advance, APAs complement traditional administrative, judicial, and treaty-based dispute resolution mechanisms by preventing disputes before they arise.

The OECD TP Guidelines outline three primary types of APAs

1. Unilateral APAs
2. Bilateral APAs (BAPAs)
3. Multilateral APAs

Implementation of APA in UAE

On 11 June 2024, the UAE Federal Tax Authority (FTA) issued Decision No. 4 of 2024, laying the groundwork for the implementation of an APA framework under the UAE Corporate Tax and Transfer Pricing Law (CT Law). This decision enables taxpayers to apply for an APA concerning proposed or existing transactions and arrangements. It further clarifies that the start date for accepting APA applications, along with the procedures for submission and issuance, will be announced by the FTA in the fourth quarter of 2024.

Building on this development, the FTA issued Decision No. 2 of 2025 on 19 February 2025, introducing key updates on tax clarifications and the APA framework's implementation. The decision, effective from 1 March 2025, establishes a general framework for the APA mechanism, offering taxpayers greater clarity and predictability in transfer pricing arrangements.

In alignment with Article 59 of the Federal Decree-Law No. 47 of 2022, the decision formally outlines the FTA's approach to APAs. The taxpayers can now apply for unilateral APAs, with applications being accepted from the fourth quarter of 2025. The timeline for submitting other types of APAs, potentially including BAPAs, will be announced subsequently. While unilateral APAs provide certainty on domestic tax treatment, BAPAs are generally preferred by multi-national businesses as they help reduce the risk of double taxation by ensuring agreement between tax jurisdictions.

The UAE FTA is expected to issue further guidance on key aspects of the APA framework, including eligibility criteria (thresholds), entry requirements, financial periods covered (including clarity on rollback provisions), and other compliance obligations detailing the entire process while opting for APAs.

As the UAE TP Guidelines largely align with the OECD TP Guidelines, it is anticipated that the UAE's APA program will also follow the principles outlined in Chapter IV of the OECD TP Guidelines.

Implications of the UAE APA Framework

Globally, APAs have been instrumental in mitigating tax disputes and TP litigation, providing taxpayers with a structured framework for achieving tax certainty and compliance efficiency.

The introduction of the APA framework in the UAE is expected to minimize tax risks and disputes by securing pre-approved transfer pricing methodologies,

enhancing tax certainty for taxpayers engaged in complex intercompany transactions, and reducing compliance burdens and administrative costs. Additionally, by aligning with international tax best practices, the APA framework will contribute to strengthening the UAE's investment attractiveness and fostering a stable and transparent tax environment.

Conclusion

Taxpayers who intend to apply for an APA will be required to maintain robust TP policy along with robust TP documentation that aligns with their commercial substance and backs the actual business practice, prepare intercompany agreement that encapsulates the TP policy and decide on the way forward of information exchange while dealing with the APA authorities.

Compliance Calendar

- Direct Tax
- Indirect Tax

7 April 2025

- Due date for deposit of Tax deducted/collected by an office of the government for the month of March, 2025. However, all sum deducted 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
- Uploading of declarations received in Form 27C from the buyer in the month of March, 2025

13 April 2025

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

15 April 2025

- Quarterly statement in respect of foreign remittances (to be furnished by authorized dealers) in Form No. 15CC for quarter ending March 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 March 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 March 2025

24 April 2025

- GSTR-3B for the quarter of January to March, 2025 to be filed by taxpayers under QRMP scheme, having principal place of business in Category 2 States

10 April 2025

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

11 April 2025

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

14 April 2025

- Form 16B - Due date for issue of TDS Certificate for tax deducted under Section 194-IA in the month of February 2025
- Form 16C - Due date for issue of TDS Certificate for tax deducted under Section 194-IB in the month of February 2025
- Form 16D - Due date for issue of TDS Certificate for tax deducted under Section 194M in the month of February 2025
- Form 16E - Due date for issue of TDS Certificate for tax deducted under Section 194S (by specified person) in the month of February, 2025

20 April 2025

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

22 April 2025

- GSTR-3B for the quarter of January 2025 to March 2025 to be filed by taxpayers under QRMP scheme and having principal place of business in Category 1 States

25 April 2025

- Payment of tax through GST PMT-06 by taxpayers under QRMP scheme for the month of January 2025

Compliance Calendar

● Direct Tax
● Indirect Tax

30 April 2025

- Form 26QB - Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194-IA in the month of March 2025
- Form 26QC - Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194-IB in the month of March 2025
- Form 26QD - Due date for furnishing of challan cum statement in respect of tax deducted under Section 194M in the month of March 2025
- Form 26QE - Due date for furnishing of challan cum statement in respect of tax deducted under Section 194S (by specified person) in the month of March 2025
- Due date for deposit of Tax deducted by an assessee other than an office of the Government for the month of March 2025
- Form II SWF - Intimation by Sovereign Wealth Fund of investment made in India under clause (23FE) of Section 10 of the ITA for the quarter ending 31 March 2025
- Form 61 - Due date for e-filing of a declaration in Form No. 61 containing particulars of Form No. 60 received during the period - 1 October 2024 to 31 March 2025
- Due date for uploading declarations received from recipients in Form. 15G/15H during the quarter ending March 2025
- Due date for deposit of TDS for the period January 2025 to March 2025 when Assessing Officer has permitted quarterly deposit of TDS under Section 192, 194A, 194D or 194H
- Form 10BBB - Intimation by Pension Fund in respect of investment made in India under clause (23FE) of Section 10 of ITA for the quarter ending 31 March 2025
- Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of March, 2025 has been paid without the production of a challan

10 May 2025

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

11 May 2025

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

13 May 2025

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

Category 1 states - Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep.

Category 2 states - Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi.

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

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