



A Monthly E-Newsletter

Vol 06 Issue 10  
October 2025

# The Bottom Line

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## KEY METRICS

### Indices

BSE SENSEX	80,268	0.57%	▲
NSE NIFTY50	24,611	0.75%	▲
NASDAQ Composite	22,660	5.61%	▲
NIKKEI 225	44,933	5.18%	▲

### Currency

USD/INR	88.17	-0.76%	▼
Euro/INR	103.04	-1.17%	▼
GBP/INR	119.08	-0.32%	▼
JPY/INR	0.60	-0.18%	▼



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

# DIRECT TAX

## Circulars/Notifications

### Deadline to file Tax Audit Report extended

CBDT has extended the deadline for filing the tax audit report by a Company/Trust under the Income-tax Act for AY 2025–26 from September 30, to October 31, 2025.

*Circular no. 14 of 2025 dated September 25, 2025*

## Judicial Rulings

### No Transfer Pricing Adjustment required in absence of proof of cost-sharing agreement on AMP Expenses

The Tribunal delivered a significant ruling in favour of a multinational beauty products company, deleting a TP adjustment on AMP expenses for AY 2021-22. The officer had contended that the company's substantial marketing expenditure in India constituted an international transaction that benefited its foreign parent's brand, thereby warranting arm's length pricing adjustments. The Tribunal rejected this approach, holding that marketing expenses incurred wholly and exclusively for domestic business operations cannot be characterized as international transactions merely because the company operates under licensed trademarks. The ruling emphasized that tax authorities bear the burden of proving the existence of an actual agreement, and mere presumptions and inferences are insufficient to establish such arrangements.

*L'Oreal India (P.) Ltd. (Mumbai ITAT)*

### Salary reimbursements for seconded employees, not taxable as fees for technical services

The High Court dismissed the revenue's appeal against the assessee company, upholding the ITAT's decision that salary reimbursements for seconded employees to overseas entities do not constitute FTS as per the Act and the applicable DTAA. The Court held that these payments are pure reimbursements within an employer-employee relationship, containing no income element and thus not taxable in India. The revenue contended that the services satisfied FTS conditions under both the Act and the DTAA, however, the Court determined that no substantial question of law arose warranting further consideration. This decision reinforces the principle that cross-border employee



### Deadline to file Tax Audit Report extended

### No TP adjustment required in absence of Proof of Cost-Sharing Agreement on AMP Expenses

### Salary reimbursements for seconded employees not taxable as FTS

secondment cost recoveries, being pure reimbursement in nature, fall outside the FTS framework.

*Goldman Sachs Services Pvt. Ltd (Karnataka High Court)*

### Private trusts are also eligible for exemption under section 54F

The Tribunal upheld the decision of Commissioner (Appeals) granting Section 54F exemption to a private trust on long-term capital gains from the sale of residential flats. It clarified that the trust was not charitable and its income was taxable in the hands of identified beneficiaries. The Tribunal noted that the trust had invested capital gains in a residential property and rejected the contention that Section 54F applies only to individuals and HUFs. It emphasized that the exemption would have been available to the beneficiaries directly, had the trust not existed.

*Merilina Foundation (Delhi ITAT)*

# INDIRECT TAX

## Circulars / Notifications / Press Releases

### GST rate slabs rationalized

As recommended in the 56<sup>th</sup> GST Council meeting, the tax slab of 12% has been done away with and tax rates realigned to 5% or 18%. New slab of 40% has been introduced in place of 28% which additionally had Compensation Cess. The new rates are effective from September 22, 2025 vide various Notifications.

[Notification Nos. 09-17/2025-Central Tax \(Rate\) dated September 17, 2025](#)

### Taxability on Post sale discounts eased

Clarifications have been provided in relation to post sale discounts to ease the process for taxpayers. Now, the recipient will not be required to reverse ITC attributed to the discount provided on the basis of financial/ commercial credit notes. The discount extended by manufacturer to distributor also cannot be treated as consideration in lieu of the activities performed to promote the sale of goods. Further, it is no longer mandatory for post-sale discount to be established per an agreement executed on or before the date of supply.

[Circular No. 251/08/2025-GST dated September 12, 2025 & 252/09/2025-GST dated September 23, 2025](#)

### Exemption from filing annual return

Registered persons having aggregate turnover up to INR 20 million shall be exempt from filing annual return for the Financial Year 2024-25.

[Notification No. 15/2025-Central Tax dated September 17, 2025](#)

### Specific provisions of Finance Act, 2025 made effective

Few changes made in Finance Act, 2025 have now been made effective from October 01, 2025. These include

- (i) No ITC available on goods or services used for construction of buildings even when it qualifies the definition of plant with retrospective effect from July 01, 2017.
- (ii) No reduction of tax liability allowed on credit notes if the ITC has not been reversed by the recipient.
- (iii) Appeal filing against an Order only of penalty to be allowed if 10% has been deposited.
- (iv) Trace and track mechanism implemented for specified goods.
- (v) Supply of goods from SEZ for exports or to DTA shall not be treated as supply.

[Notification No. 16/2025-Central Tax dated September 17, 2025](#)

### Filing of appeal before Appellate Tribunal

With the formation of Appellate Tribunal, the due dates for filing appeal are:

- (i) Where Order is communicated before April 01, 2026: June 30, 2026
- (ii) Where Order is communicated on or after April 01, 2026: 3 months from the date of communication of Order.

Further, specified appeals shall only be heard by the Principal Bench of Appellate Tribunal.

[Notifications dated September 17, 2025 by Ministry of Finance](#)

### GST rate slabs rationalized

### Taxability on Post sale discounts eased

### Recommending students to foreign university is export of services

### DIN not necessary in specific cases

Where communication issued by the GST department through eOffice of CBIC bear an automatically generated unique 'Issue number', quoting of DIN is not mandatory.

[Circular No. 252/09/2025-GST dated September 23, 2025](#)

### Judicial Rulings

### Recommending students to foreign university is export of services

The service of recommending students to foreign university shall qualify the definition of export of services as the place of supply of such services is outside India.

[KC Overseas Education Pvt Ltd \(Supreme Court of India\)](#)



# CORPORATE & ALLIED LAWS

## Circulars / Notifications

### Interest Rate on Advances (Amendment Directions), 2025

RBI has amended rules related to interest rates on loans, effective October 1, 2025. Key updates include:

- Banks can reduce the "other spread" (extra margin) earlier than the prior 3-year minimum to retain customers, following fair policies.
- Borrowers are no longer entitled to mandatory option to switch to fixed interest rates at reset; banks may offer this as an option. These changes provide flexibility to banks and borrowers in loan pricing.

*Notification no. RBI/2025 26/83 DOR. CRE.REC.51/13.03.00/2025 26, dated September 29, 2025*

### DIR 3 KYC Filing Extension by ROC

MCA has extended the deadline for directors to file their DIR-3 KYC and DIR-3 KYC WEB forms without incurring any late fees to October 15, 2025. DIR-3 KYC is a mandatory annual compliance where all directors must update their KYC details with the ROC to maintain active status. This extension provides relief to directors who missed the earlier deadline, helping them avoid penalties and ensuring they remain compliant with MCA regulations.

*General Circular No. 04/2025, dated September 29, 2025*

### Amendment to Companies (Compromises, Arrangements & Amalgamations) Rules, 2025

The Companies Act, 2013 regulates

company mergers under Section 233, allowing fast-track mergers between small companies or a holding company and its wholly owned subsidiary. The MCA can expand eligible companies via rules. In 2021, the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 were amended to include start-up companies in the fast-track process. In 2024, the rules allowed reverse-flip mergers between foreign holding companies and Indian subsidiaries. Following the 2025 Budget announcement, the rules have now been further amended to broaden eligibility under Rule 25, allowing fast-track mergers/demergers for:

- Unlisted companies (excluding Section 8), meeting financial thresholds;

**RBI updates rules on Interest Rates and Loan Spreads**

**MCA extends DIR 3 KYC filing deadline to October 15, 2025**

**MCA broadens scope for Fast-Track merger rules**

- Holding companies and subsidiaries (excluding listed transferors); and
- Subsidiaries of the same holding company (excluding listed transferors).

*Notification no. G.S.R. 603(E), dated September 4, 2025*



# CFO WATCH

## Framework for responsible and ethical enablement of AI issued by RBI

RBI's FREE-AI report highlights the rapid evolution and use of AI in the financial sector. It identifies immense opportunities in inclusion, efficiency and innovation, while warning of risks such as bias, opacity, cybersecurity, and systemic vulnerabilities. The report proposes seven guiding principles or Sutras viz. trust, people-first, innovation, fairness, accountability, explainability and resilience and recommends 26 measures under six pillars Infrastructure, Policy, Capacity, Governance, Protection, Assurance. It stresses indigenous AI models, board-approved AI policies, stronger cybersecurity and audit mechanisms, and innovation sandboxes to ensure responsible, ethical, and inclusive AI adoption in India's financial ecosystem.

## ICDR Regulations amended by SEBI

SEBI ICDR (2nd Amendment) Regulations, 2025, introduced several key changes. The mandatory demat holding requirement was expanded beyond promoters to include key personnel, directors, and selling shareholders. The holding period for OFS securities exemption was extended to include equity shares converted from compulsory convertible securities. MPC relaxation now applies to all specified entities, not just promoters, under certain conditions. For the SSE, the definition of NPOs was broadened, eligible fundraising activities expanded, and a new assessor, SIAO, introduced. Finally, disclosure requirements in placement documents were streamlined, focusing only on material risks, summarised financials, and specific personnel details.

## New guidance for ISSA 5000 adoption and transition

IAASB has issued two key resources to facilitate the adoption and implementation of the ISSA 5000, which becomes effective in December 2026. These resources include extracts from ISSA 5000 for limited and reasonable assurance engagements, designed to simplify regulatory analysis without changing the full standard. Additionally, the IAASB published FAQs on ISAE 3000 (Revised) and ISAE 3410 to clarify that these standards will no longer apply to sustainability assurance engagements once ISSA 5000 is effective in jurisdictions adopting IAASB standards. These new tools aim to ensure a smooth transition and reinforce the IAASB's commitment to consistent, high-quality global sustainability assurance.

## Subsidiaries without public accountability get expanded disclosure relief

IASB has issued amendments to IFRS 19 (Subsidiaries without Public Accountability – Disclosures). Originally issued in May 2024, it permitted eligible subsidiaries to use

**RBI's FREE-AI report proposes principles and pillars for responsible AI adoption in finance**

## ICDR Regulations amended by SEBI

## Subsidiaries without public accountability get expanded disclosure relief

full IFRS Accounting Standards while benefiting from reduced disclosure requirements. The latest amendments extend these reduced disclosures to cover new and amended standards issued between February 2021 and May 2024. This includes key updates such as IFRS 18 (Presentation and Disclosure in Financial Statements), Supplier Finance Arrangements, and the International Tax Reform (Pillar Two Model Rules). These changes ensure IFRS 19 remains current and will be effective up to 1 January 2027.



# MERGERS & ACQUISITIONS

## SEBI's Equity Tag for REITs Set to Unlock New Investment Flows

In a landmark development, SEBI has reclassified REITs in India as equity instruments for mutual fund investments, while keeping InvITs in the hybrid category. This policy shift is being seen as a turning point for the country's real estate capital markets. It is expected to bring a significant transformation in the way domestic and global investors allocate funds to property-linked assets.

REITs inclusion in equity indices will enable index funds and ETFs to automatically deploy capital into them, creating steady and predictable demand. This is likely to improve

liquidity, enhance trading volumes, and broaden participation from both institutional and retail investors. For mutual fund managers, it also provides greater flexibility in portfolio design, as REITs can now contribute directly to equity allocations. InvITs, on the other hand, will continue to fall under hybrid limits, ensuring a clear regulatory distinction between the two categories.

The scale of REITs in India has already grown substantially. As of mid-2025, the combined market capitalisation of listed REITs and InvITs runs into lakhs of crores. REITs alone have crossed over Rs 1 lakh crore in market value, supported by steady rental income and robust occupancy in their underlying real estate assets. Experts

from the Indian REITs Association and major REIT entities have welcomed the move, citing it as aligned with global norms and crucial for enhancing participation from institutional as well as retail investors.

In the long run, this decision is expected to drive larger and more diversified capital flows into Indian real estate, encourage participation from pension and sovereign funds, and make REITs a mainstream investment avenue for everyday investors. The step not only strengthens the credibility of REITs but also positions India's property market more competitively on the global stage.





# IN THE NEWS

## Exclusive Interaction with NDTV on The Great India-China Reset

September 02, 2025

Ajay Sethi, Baker Tilly ASA India, was live on NDTV for The Great India-China Reset: US Tariffs Bring India & China Closer, sharing his perspective on how shifting US trade policies are reshaping alliances and what a closer India-China dynamic could mean for the global economy.

## ISACA Conference on AI, Cybersecurity and Privacy

September 12, 2025

Baker Tilly ASA India partnered in the ISACA Hyderabad Chapter's 25th Anniversary Conference on AI, Cybersecurity and Privacy. As part of the event, Shrikrishna Dikshit, Baker Tilly ASA India, joined the CISO Roundtable, sharing perspectives on governance and resilience in today's digital landscape.

## Baker Tilly Leadership Session 2 on AI as a Game Changer

September 12, 2025

Brett Johnstone, CIO of Pitcher Partners, led Session 2 of the Baker Tilly Leadership Series on AI as a Game Changer: Transforming Value Creation. His reflections explored how AI can drive smarter decisions and reimagine client service, sparking fresh perspectives on the future of value creation.

## Baker Tilly APAC Conference Hongkong

September 16, 2025

Ajay Sethi, Baker Tilly ASA India, attended the APAC Conference in Hong Kong, highlighting the spirit of collaboration, open dialogue, and the warm hospitality that made the gathering a memorable experience for all participants.

## Note on Income Tax Bill

September 24, 2025

*Author:* Sunil Arora, Bikramjit Singh Bedi, Pankaj Aneja, ASA

India's Income-tax Act, 2025, effective April 1, 2026, is more than a statutory update. It's an opportunity for businesses to simplify, align, and future-proof their tax positions. While the law brings clarity, its true impact will depend on how organizations adapt with stronger structures, sharper documentation, and proactive planning.

## PF Claim Backlog

September 11, 2025

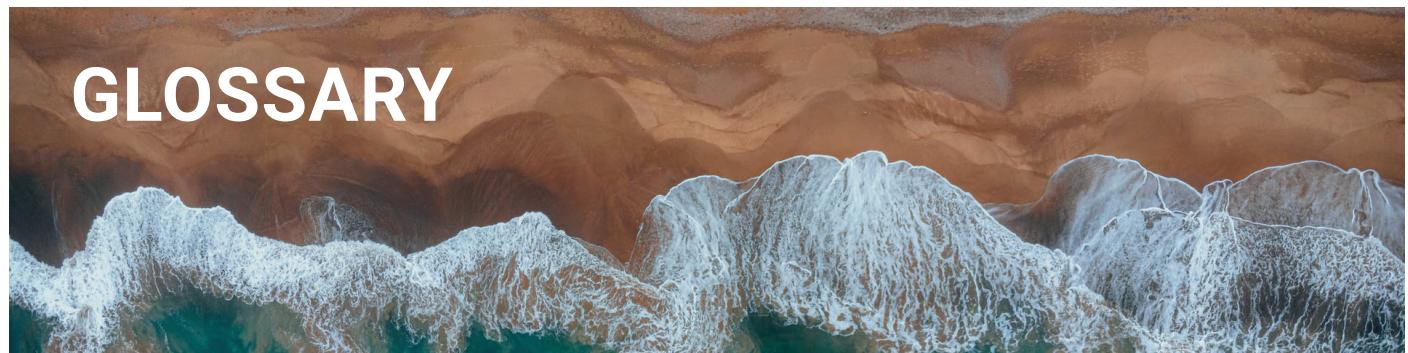
Pankaj Aneja, ASA & Associates LLP, notes in India Today that the biggest hurdles in accessing PF savings arise from incomplete KYC and mismatched Aadhaar, PAN, or bank details, underscoring how process inefficiencies rather than funds remain the real barrier for employees.

## Mergers & Alliances

September 22, 2025

Sundeep Gupta, Baker Tilly ASA India, observes in ET CFO that the proposed platform for CA firm collaboration "could be a game-changer, especially for firms in Tier-II and Tier-III cities," while cautioning that cultural differences, trust deficits, and concerns about autonomy may slow consolidation.





# GLOSSARY

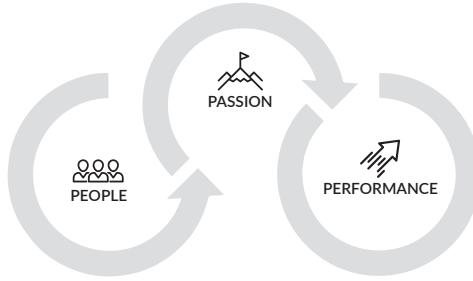
<b>AI</b> Artificial Intelligence	<b>FAQ</b> Frequently Asked Question	<b>IFRS</b> International Financial Reporting Standards	<b>MPC</b> Minimum Promoters' Contribution	<b>ROC</b> Registrar of Companies
<b>AMP</b> Advertising, Marketing and Promotion	<b>FREE-AI</b> Framework for Responsible and Ethical Enablement of Artificial Intelligence	<b>InvIT</b> Infrastructure Investment Trust	<b>NPO</b> Not-for-Profit Organisation	<b>SEBI</b> Securities and Exchange Board of India
<b>AY</b> Assessment Year			<b>OFS</b> Offer For Sale	<b>SEZ</b> Special Economic Zone
<b>CBDT</b> Central Board of Direct Taxes	<b>FTS</b> Fee for Technical Services	<b>ISAE</b> International Standard on Assurance Engagements	<b>PAN</b> Permanent Account Number	<b>SIAO</b> Social Impact Assessment Organisation
<b>CBIC</b> Central Board of Indirect Taxes	<b>GST</b> Goods & Services Tax	<b>ISSA</b> International Standard on Sustainability Assurance	<b>PF</b> Provident Fund	<b>SSE</b> Social Stock Exchange
<b>DIN</b> Document Identification Number	<b>HUF</b> Hindu Undivided Family	<b>ITAT</b> Income Tax Appellate Tribunal	<b>RBI</b> Reserve Bank of India	<b>TP</b> Transfer Pricing
<b>DTA</b> Document Identification Number	<b>IASB</b> International Accounting Standards Board	<b>ITC</b> Input Tax Credit	<b>REIT</b> Real Estate Investment Trust	
<b>DTAA</b> Double Taxation Avoidance Agreement	<b>IAASB</b> International Auditing and Assurance Standards Board	<b>KYC</b> Know Your Customer		
<b>ETF</b> Exchange Traded Fund	<b>ICDR</b> Issue of Capital and Disclosure Requirements	<b>MCA</b> Ministry of Corporate Affairs		

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