

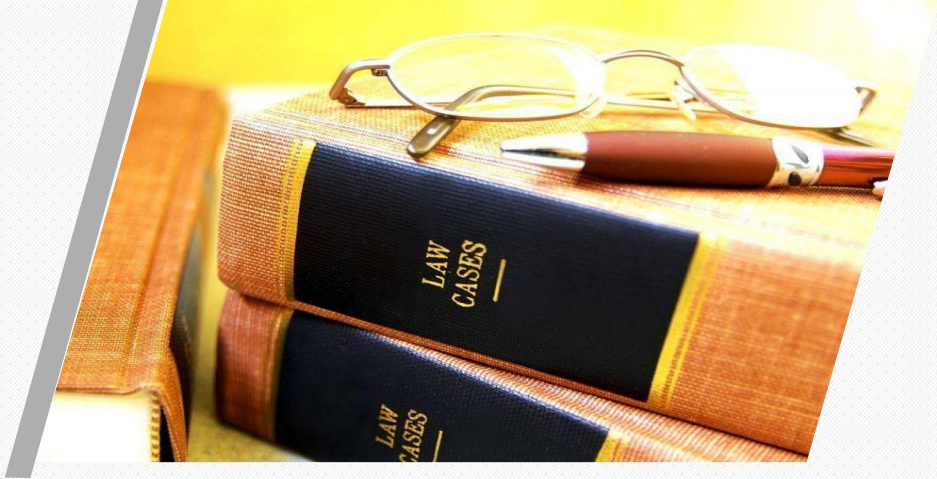


August 2025

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Direct Tax Case Laws



Case Law 1:

**IN THE SUPREME COURT OF INDIA
JUDGEMENT IN HYATT INTERNATIONAL
SOUTHWEST ASIA LTD. V. ADDITIONAL
DIRECTOR OF INCOME TAX, J.B. PARDIWALA
AND R. MAHADEVAN, JJ. CIVIL APPEAL NOS.
9766 TO 9773 OF 2025, JULY 24,2025**

FACTS :

The assessee, a company based in Dubai, signed agreements with an Indian hotel company to provide strategic advice and expert support for running their hotels in Delhi and Mumbai. Under these agreements, called Strategic Oversight Services Agreements (SOSA), Hyatt provided ongoing support in terms of strategic planning, staff training, quality management, and operational policies to ensure the hotels were run like top-tier international hotels. Although Hyatt didn't have a physical office in India but its staff were frequently involved in hotel operations, meetings, and decisions in India. Indian tax authorities believed Hyatt was heavily involved in the hotels' operations and should be taxed in India. They said Hyatt had a "Permanent Establishment" (or business presence) under international tax rules.

HELD :

The Indian tax department held that although assessee didn't have a formal office, it was deeply involved in the core hotel operations, including selecting senior staff, setting hotel policies, and ensuring standards were met. Because of this strong

and continuous involvement, the tax department claimed that assessee had a "Permanent Establishment" (PE) in India under Article 5(1) of the India-UAE tax treaty—which means assessee was effectively operating a business in India and should pay tax on its earnings here.

Hyatt challenged this, saying their involvement was only advisory and did not create a business presence. However, all lower tax authorities and the Delhi High Court agreed with the tax department. Finally, the Supreme Court also ruled in favour of the Income Tax Department, holding that Assessee's control over vital aspects of the Indian hotels' operations created a fixed business presence, even without an office.

So, the Court concluded that assessee's income from these services was taxable in India, setting an important example for other foreign companies working closely with Indian operations—even remotely or without a physical setup.

Case Law 2:

**IN THE DELHI HIGH COURT JUDGMENT IN
OVID TECHNOLOGIES INC. VS. DEPUTY
COMMISSIONER OF INCOME-TAX, JULY 11,
2025, VIBHU BAKHRU AND TEJAS KARIA, JJ.
W.P.(C) NO. 9692 OF 2025 CM APPL.40663,
40664 AND 40665 OF 2025, JULY 11,2025.**

FACTS

The assessee, a U.S.-based company, provided access to its international research database to Indian customers for a

Direct Tax : Case Laws

subscription fee. The company did not have any physical office or business setup (Permanent Establishment) in India. Believing that the income from these subscriptions should not be taxed in India as royalty or technical services, assessee applied to the tax department for a 'Nil' withholding certificate under Section 197.

HELD :

The tax department directed a 15% tax deduction, treating the subscription income as royalty. But the case being referred to the Delhi High Court held that this issue had already been decided by the Supreme Court in the case of Engineering Analysis Centre of Excellence, where such payments for accessing foreign databases were not considered royalty and were not taxable in India. The Court also pointed out that the tax officer wrongly ignored this Supreme Court decision, even though a review petition against it had been dismissed.

As a result, the Court cancelled the tax officer's order and directed them to reconsider assessee's application fairly and make a fresh decision within six weeks. Matter Remanded (Sent Back) to the Assessing Officer for fresh decision.

Direct Tax

Circulars & Notifications



S. No Circulars

1. Circular No. 08/2025 :

Clarification regarding CBDT's Circular No. 5/2025 dated 28.03.2025 for waiver on levy of interest under section 201(1A)(ii)/ 206C(7) of the Income-tax Act, 1961, as the case may be, in specific cases- reg.

The Central Board of Direct Taxes (CBDT) has issued a clarification on its earlier Circular No. 5/2025 dated 28th March 2025, regarding waiver of interest charged under sections 201(1A)(ii) or 206C(7) (related to late deposit of TDS or TCS). It states that senior tax officers (like CCIT or DGIT) can approve interest waivers even for older cases, not just those after 28th March 2025. However, the application for waiver must be submitted within one year from the end of the financial year in which the interest was charged. So, for example, if the interest relates to FY 2024–25, the waiver application must be filed by 31st March 2026.

2. Circular No. 09/2025 :

Partial Modification of Circular No. 3 of 2023 dated 28.03.2023 regarding consequences of PAN becoming inoperative as per Rule 114AAA of the Income-tax Rules, 1962 - reg.

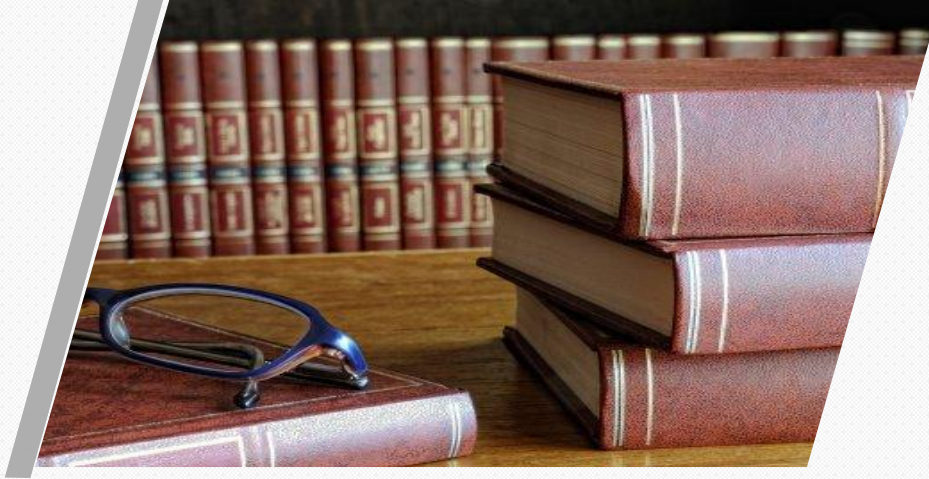
The Central Board of Direct Taxes (CBDT) has clarified that if someone's PAN was inoperative due to not being linked with Aadhaar, and tax was not deducted or collected at the higher rate as required, there will be no penalty or liability on the deductor or collector in certain cases. Specifically, this applies if the payment was made between 1st April 2024 and 31st July 2025, and the PAN is linked and becomes operative by 30th September 2025, or if the payment is made on or after 1st August 2025, and the PAN becomes operative within two months from the month of payment. This step has been taken to address complaints from taxpayers who received notices for short deduction or collection of tax.

3. Circular No. 10/2025 :

Relaxation of time limit for processing of returns of income filed electronically which were incorrectly invalidated by CPC – reg

The Central Board of Direct Taxes (CBDT) has decided to allow processing of income tax returns that were filed electronically by 31st March 2024 but were wrongly marked as invalid due to technical issues at the CPC (Central Processing Centre). Although the original time limit for processing such returns has expired, the department has now extended the deadline and will process these returns and issue notices under section 143(1) by 31st March 2026. If any refund is due, it will also be given with applicable interest. However, if the PAN is not linked with Aadhaar, no refund will be issued, as per earlier rules.

Indirect Tax : Case Laws



Case Law 1:

Delhi High Court: B. Braun Medical India Pvt. Ltd. vs. Union of India

Facts of the Case:

- B. Braun Medical India Pvt. Ltd. is a reputed medical device manufacturer with multiple offices in India.
- The company procured goods from a supplier who mistakenly mentioned the GSTIN of B. Braun's Mumbai branch instead of the Delhi branch (where the goods were received and accounted for).
- The tax department disallowed the Input Tax Credit claimed by B. Braun on the basis that the GSTIN on the invoice did not match the GSTIN of the branch claiming the credit.
- The department argued that the invoice was not a valid document for ITC claim as per the GST law since it did not reflect the correct GSTIN of the recipient.

Arguments Presented:

Revenue's Stand : The department stressed that strict compliance with invoice requirements is mandatory and the ITC claim must be denied if the GSTIN is incorrect or mismatched.

Taxpayer's Stand : The company argued that the GSTIN error was a clerical mistake by the supplier and did not affect the genuineness or substance of the transaction.

They emphasized that the goods were received, accounted for, and the tax was paid correctly.

Court's Analysis:

- The Delhi High Court observed that GST law should be interpreted in a manner that furthers the purpose of the legislation — facilitating credit flow and avoiding technical denials for minor errors.
- It distinguished between substantial compliance and technical non-compliance. The Court noted that the invoice's primary purpose — evidencing a taxable supply — was satisfied.
- The error in GSTIN was deemed inadvertent and non-prejudicial to the tax administration since the transaction details and payment of tax were transparent and accounted for.
- The Court held that denying ITC for such an inconsequential clerical mistake would be harsh and unjust, especially when the taxpayer had otherwise complied with all statutory requirements.

Judgment:

- The Court ruled in favor of B. Braun Medical India Pvt. Ltd., quashed the impugned order for denial of ITC.
- The Court allowed B. Braun Medical India Pvt. Ltd to avail the Input tax credit.

Indirect Tax : Case Laws

Department's Stand :

- ITC was inadmissible as tax collected by the supplier was not deposited with the government.
- As per Section 16(2)(c) of the CGST Act, ITC can only be availed if the tax has been paid to the government.

Petitioner's Argument:

- All conditions for availing ITC were fulfilled: valid invoices, tax charged, and payment made via banking channel.
- The purchaser has no control over the supplier's filing of returns or tax payment.
- Cited Supreme Court and High Court rulings in Suncraft Energy Pvt. Ltd. and D.Y. Beathel Enterprises supporting that buyers shouldn't suffer for supplier defaults.

Court's Observations:

- It was undisputed that tax was charged and paid through RTGS.
- Purchaser cannot be penalized for supplier's non-compliance.
- Authorities failed to give weight to the fact that proceedings were already initiated against the supplier.
- Reinforced that responsibility lies with the department to act against the defaulting seller, not penalize the bona fide purchaser.

Judgment:

- Impugned orders were quashed.

- The matter was remanded for fresh adjudication after hearing all stakeholders.
- Directed to pass a reasoned and speaking order within two months.

Indirect Tax

Notifications & Circulars



S. No Circulars

1. Circular No. 249/06/2025 GST, Dated 9 June 2025 :

(DIN vs RFN in GST Portal Communications)

- Clarifies that for communications (e.g., SCNs, orders) generated via the GST Common Portal bearing a Reference Number (RFN), quoting an additional Document Identification Number (DIN) is not required.

Impact and Implications :

- Eliminates procedural duplication and simplifies validation for taxpayers and authorities.
- Ensure clarity: Use RFN for portal documents, DIN for offline formats.

2. Circular No. 250/07/2025 GST , Dated 24 June 2025 :

(Review, Revision & Appeal Process for DGGI CAA Orders)

- Establishes that the Principal Commissioner or Commissioner of the Commissionerate under which a Common Adjudicating Authority (CAA – Joint/Additional Commissioner) is posted will:
 - ✓ Handle review under Sec 107 CGST
 - ✓ Exercise revisional powers under Sec 108 CGST
- Appeals against CAA Orders in Original will lie before the Commissioner of the same Commissionerate
- These officers will represent the department in appeals and may delegate to subordinate officers
- Review/revision processes may include consultation with the issuing DGGI formation for better consistency

Impact and Implications:

- Resolves long standing jurisdictional ambiguity in DGGI-led GST adjudications.
- Promotes uniform, efficient handling of appeals and revisions.
- Strengthens legal clarity and procedural integrity in multi jurisdictional case

Legal & Regulatory Notifications



S. No Notifications

1. Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025 (Notification number G.S.R. 452(E) dated July 7, 2025)

Pursuant to Notification G.S.R. 452(E) dated July 7, 2025, the Ministry of Corporate Affairs (MCA) has introduced the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025, effecting changes to the framework under the Companies (Incorporation) Rules, 2014. The amendment revises e-Form CSR-1, introducing real-time PAN/email verification, mandatory detailed disclosures of entity type, including approvals under Section 80G of the Income Tax Act and registrations under Section 12A or exemptions under Section 10(23C) and a three-year track record for non-company agencies. The form must be digitally signed by an authorised person and certified by a practising CA/CS/CMA, with stricter accountability under Sections 448 and 449 of the Companies Act, 2013. The changes aim to enhance due diligence, transparency, and credibility of CSR implementing agencies.

These amendments shall come into force with effect from July 14, 2025.

For more details:

<https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=NTQ5NjY0MzY5&docCategory=Notifications&type=open>

2. Companies (Listing of Equity Shares in Permissible Jurisdictions) Amendment Rules, 2025 (Notification number G.S.R. 443(E) dated July 3, 2025)

The Ministry of Corporate Affairs (MCA) issued a notification on July 3, 2025, enacting the Companies (Listing of Equity Shares in Permissible Jurisdictions) Amendment Rules, 2025, which amend the Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024. The amendment substitutes the existing Form LEAP-1 in the Second Schedule with a newly structured e-form for filing of prospectus with Registrar. Key updates include the standardized use of the term "eForm" throughout the form. The new form also retains mandatory attachments such as the approval of the securities regulator or stock exchange, the acknowledgment of filing, and the prospectus itself.

These amendments shall come into force with effect from July 3, 2025.

For more details:

<https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=NTQ5NjY5MjU2&docCategory=Notifications&type=open>

Legal & Regulatory Notifications

S. No Circulars

3. Companies (Incorporation) Amendment Rules, 2025 (Notification number G.S.R. 426(E) dated July 2025)

The Ministry of Corporate Affairs (MCA) issued the Companies (Incorporation) Amendment Rules, 2025 through Notification G.S.R. 426(E) dated July 2025, amending the Companies (Incorporation) Rules, 2014. The amendment substitutes the existing Form INC-22A with a revised e-form to improve the accuracy and disclosure of company management details.

Key updates include the addition of a new field 8(b), requiring companies to declare whether they have a Managing Director or Chief Executive Officer (CEO). Furthermore, the certification section now includes a digital signature block for a practicing professional Chartered Accountant, Cost Accountant, or Company Secretary (in whole-time practice) to enhance compliance verification.

These amendments shall come into force with effect from July 14, 2025.

For more details:

<https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=NTQ5NjcwMzU2&docCategory=Notifications&type=open>

4. Companies (Restriction on number of layers), Rules, 2017 (Notification Number G.S.R. 427(E) dated July 14, 2025)

The Ministry of Corporate Affairs (MCA) notified the Companies (Restriction on Number of Layers) Amendment Rules, 2025 via Notification G.S.R. 427(E) dated July 14, 2025, amending the Companies (Restriction on Number of Layers) Rules, 2017. The amendment substituted the Form CRL-1 in the Annexure of the Companies (Restriction on number of layers) Rules, 2017, with a new form. Key enhancements include detailed, layer wise disclosure of subsidiary companies such as name, CIN, percentage of ownership, structural layer, and date of incorporation or acquisition. The form also requires details of holding companies, including name, CIN, ultimate parent entity (if any), shareholding pattern, and the nature of control, particularly relevant for structures involving foreign ownership or indirect control.

These amendments shall come into force with effect from July 14, 2025.

For more details:

<https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=NTQ5NjcwMTE3&docCategory=Notifications&type=open>



Internal Financial Control

Sachin Rathi

IBA

Meaning of Internal Financial Control:

As per Section 134 of companies act, 2013 Internal Controls are to be an integral part of any organization's financial and business policies and procedures. Internal controls consist of all the measures taken by the organization for the purpose of:

- Protecting its resources against waste, fraud, and inefficiency
- Ensuring accuracy and reliability in accounting and operating data
- Securing compliance with the policies of the organization
- Evaluating the level of performance in all organizational units of the organization.

Objective:

Primary objective of IFC to identify opportunities for improvement and to draw up recommendations & good practices that can be used as a benchmark to develop or strengthen their internal control systems and enhance the reliability of their financial statements.

- Efficiency and effectiveness in operations
- Prevention and detection of fraud and error
- Safeguarding of assets
- Accuracy and completeness of accounting records
- Reliability of Financial Reporting

Board of Directors' Responsibilities :

- Section 134(5)(e): In the case of a listed company, the Directors' Responsibility states that directors, have laid down IFC to be followed by the company and that such controls are adequate and operating effectively.
- Rule 8(5)(viii) of the Companies (Accounts) Rules, 2014: The director's report should contain details in respect of adequacy of internal financial controls with reference to the financial reporting

Auditor's Responsibilities :

Section 143(3)(i): The auditor's report should also state whether the company has adequate IFC system in place and the operating effectiveness of such controls.

However, certain private companies are exempt from this auditor reporting requirement, as per the Ministry of Corporate Affairs (MCA) notification dated 13th June 2017 (G.S.R. 583(E)). Exemptions apply to:

- One Person Companies (OPCs) or small companies
- Companies with turnover less than Rs. 50 crores as per the latest audited financial statements
- Companies with aggregate borrowings from banks, financial institutions, or anybody corporate less than Rs. 25 crores at any point during the financial year.

These exemptions are void if the company defaults on filing financial statements under Section 137 or annual returns under Section 92 DPNC India, 2023.

Regulatory mandate under Companies Act 2013 :

- Section 177: Audit committee may call for comments of auditors about internal control systems before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company.
- Section 149(8) and Schedule IV independent director: The independent directors should satisfy themselves on the integrity of financial information and ensure that financial controls and systems of risk management are robust and defensible.

Distinguishing IFC and ICFR :

While IFCs cover a broad spectrum of controls, including operational and compliance aspects, ICFR specifically pertains to controls ensuring the reliability of financial reporting. The distinction is critical:

Aspect	Internal Financial Controls (IFC)	Internal Controls over Financial Reporting (ICFR)
Scope	Encompasses operational, financial, and compliance controls, including business efficiency and policy adherence.	Focuses solely on controls related to the preparation and reliability of financial statements
Regulatory Reference	Section 134(5)(e) – Board’s responsibility for all IFCs.	Section 143(3)(i) – Auditor’s reporting on controls related to financial statements.
Applicability	Mandatory for all companies under the Act.	Auditor reporting mandatory, except for exempt private companies.

The auditor’s focus on ICFR under Section 143(3)(i) is narrower, emphasizing financial statement accuracy, whereas the Board’s responsibility under Section 134(5)(e) is broader, covering the entire IFC framework.

Auditor’s Responsibilities in ICFR :

The auditor’s primary objective in ICFR is to express an opinion on the effectiveness of the company’s controls over financial reporting. This involves a structured process:

- **Planning:** Assessing the risk of material misstatement in financial statements due to control deficiencies.
- **Risk Assessment:** Identifying key controls that mitigate financial reporting risks.
- **Control Testing:** Evaluating the design and operating effectiveness of these controls through testing procedures.
- **Opinion Formation:** Concluding whether the ICFR is effective based on audit evidence.

Auditors must ensure that controls are not only well-designed but also consistently applied throughout the reporting period. This includes reviewing both standalone and consolidated financial statements, as per the Institute of Chartered Accountants of India (ICAI) guidance ICAI. Material weaknesses, such as inadequate segregation of duties or lack of documentation, must be reported, as they could lead to significant errors in financial reporting. The auditor's report enhances transparency, providing stakeholders with assurance about the reliability of financial statements.

Conclusion :

Internal financial controls under the Companies Act 2013 are a vital component of corporate governance, ensuring operational efficiency, financial integrity, and regulatory compliance. The Board of Directors is responsible for establishing and monitoring these controls, while auditors play a critical role in assessing the effectiveness of ICFR. By adopting best practices, leveraging technology, and addressing implementation challenges, companies can strengthen their IFC frameworks, fostering trust and sustainability in India's corporate landscape.

Offsite : Nature, Fun & Team Bonding



Our recent offsite to the beautiful Bhimtal was the perfect blend of relaxation and excitement. Surrounded by nature, the team enjoyed a refreshing break filled with engaging activities like the Party, Master Chef competition, Antakshari, and an electrifying DJ night followed by a soulful live band performance

Annual Awards 2025 : Honoring Dedication



We recently celebrated our Annual Award Distribution, recognizing the hard work and dedication of our amazing team.

Congratulations to all the winners—your efforts continue to inspire us every day!.

Upcoming Compliances

Date	Compliance
Aug 11, 2025	Due Date for filing of Form GSTR-1 for the tax period July 2025 for the registered taxpayers who have opted for monthly filing of GST Returns
Aug 13, 2025	Due Date for filing of GSTR-1/IFF under QRMP scheme for the tax period July 2025 for the registered taxpayers who have opted for quarterly filing of GST Returns.
	Due Date for filing of Form GSTR-6 for the period July 2025 for the registered taxpayers who have obtained Input Service Distributor (ISD) registration
Aug 14, 2025	Due date for issue of TDS Certificate for tax deducted under Section 194-IA, section 194-IB, section 194M, section 194S, in the month of June, 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 July, 2025.
	Due date for furnishing statement by a recognised association in respect of transactions in which client codes been modified after registering in the system for the month of July, 2025
Aug 15, 2025	Statement regarding preliminary expenses incurred to be furnished under proviso to clause (a) of sub-section (2) of section 35D of the Income-tax Act, 1961 by the assessee (if due date of submission of return of income is July 31, 2025)
	Certificate to be issued by accountant under clause (23FF) of section 10 of the Income-tax Act, 1961 (if due date of submission of return of income is July 31, 2025).
	Verification by an Accountant under sub-rule (3) of rule 21A. Verification (if due date of submission of return of income is July 31, 2025)
	Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of July, 2025
	Monthly statement to be furnished by a stock exchange in respect of transactions in which client codes been modified after registering in the system for the month of July, 2025
	Monthly statement to be furnished by a recognised association in respect of transactions in which client codes have been modified after registering in the system for the month of July, 2025
	Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending June 30, 2025
Aug 20, 2025	Due Date for filing of Form GSTR-3B for the period July 2025 for the registered taxpayers who have opted for monthly filing of GST Returns

Upcoming Compliances

Date	Compliance
Aug 30, 2025	Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194-IA, section 194-IB, section 194M, section 194S for the month of July, 2025.
	Annual Compliance Report on Advance Pricing Agreement (if due date of submission of return of income is July 31, 2025)
Aug 31, 2025	Application for exercise of option under clause (2) of the Explanation to sub-section (1) of section 11 of the Income - tax Act, 1961 (if the assessee is required to submit return of income on October 31, 2025)
	Statement to be furnished to the Assessing Officer/Prescribed Authority under clause (a) of the Explanation 3 to the third proviso to clause (23C) of section 10 or under clause (a) of sub-section (2) of section 11 of the Income-tax Act, 1961 (if the assessee is required to submit return of income on October 31, 2025)

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About us:

IBA is a leading financial and legal advisory company with specialization in Assurance, Risk Consulting, Legal, Direct Tax, Indirect Tax (GST) and Corporate Advisory for midsize, SMEs and start-up firms. IBA constitute a young team of path breaking professionals, who believe in creating value through innovation and creativity to provide ultimate client satisfaction. Clients benefit from our fresh thinking, constructive challenge and practical understanding of the issues they face. We aim to alloy a perfect blend of professionalism with high standards of service, in our pursuit of excellence.

Founded in the Year 2003, the company witnessed immense growth from 2 members to currently a 100 members team, with its offices in Delhi, Mumbai and Bengaluru and its clients from across states. IBA continues to offer wholesome service experience to boost highly valued client relationships by combining the technical and industry expertise at par with well-placed firms together with a personal commitment to optimize client service.

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