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DIRECT TAX

Case Laws



Case Law 1:

IN THE ITAT AHMEDABAD BENCH
BHAVNAGAR DASHASHRIMALI
KANTIBANDH TRUST v. CIT(Exemptions)
NOVEMBER 17, 2025

Facts:

The assessee, Bhavnagar Dashashrimali Kantibandh Trust, is a charitable trust that has been carrying out long-standing welfare activities such as extending financial assistance for food, clothing, education, and medical needs of economically weaker individuals. The trust already held registration under Section 12A and accordingly applied for fresh registration under Section 12AB in line with the requirements introduced by the Finance Act, 2020.

In response to notices issued by the CIT(E), the assessee submitted all relevant documents including the trust deed, audited

accounts, activity reports, bank statements, and details of donation utilisation. The CIT(E), however, considered the compliance incomplete and formed the view that the genuineness of activities had not been satisfactorily established. On this basis, he cancelled the trust's registration under Section 12AB.

The assessee contended before the Tribunal that there was full compliance, no specific defect was pointed out in the activities, and there was no allegation of diversion of funds or violation of Sections 11, 12, or 13. It argued that the cancellation was based merely on technical observations rather than substantive shortcomings.

Held:

The Tribunal observed that the assessee had uploaded all required information and that no negative finding existed regarding the genuineness of charitable work or its adherence to the stated objects. It reiterated that cancellation of registration under Section

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12AB can occur only when the activities are shown to be non-genuine or not aligned with the trust's stated charitable purposes. No such conclusion had been drawn by the CIT(E).

The Tribunal found that the CIT(E)'s decision was based on mere assumptions and minor procedural observations, without any demonstration that the trust's charitable functioning was in doubt. It held that technical or clerical shortcomings cannot justify withdrawal of long-standing charitable registration, especially when the assessee's activities and financial statements clearly reflect compliance with statutory requirements, and therefore the order restoring registration was warranted in the larger interest of fairness and proper application of law.

Case Law 2:

IN THE ITAT DELHI BENCH 'A' JAGDISH CHAND VERMA v. INCOME-TAX OFFICER NOVEMBER 12, 2025

Facts:

The assessee, a senior citizen who had relocated to Australia, sold a residential flat in Delhi in October 2013 and earned long-term capital gains of ₹54.35 lakhs. In March 2014, he utilised the capital gain to purchase a new residential house in Australia.

The assessment was framed under Section 144 due to non-response, where the Assessing Officer denied deduction under Section 54 for want of supporting documents and also made an addition under Section 68 towards cash deposits in the bank.

Before the CIT(A), the assessee furnished the Australian property purchase deed, loan Australian property purchase deed, loan statements, passport copies, and affidavits explaining the deposits. However, the CIT(A) rejected the Section 54 claim on the ground that the new house was located outside India, treating the amendment applicable from AY 2015-16 as clarificatory and hence applicable retrospectively. He also upheld the addition under Section 68.

The assessee appealed before the Tribunal.

Held:

The Tribunal noted that notices were sent to the assessee's Indian address even though he had moved abroad, which justified his non-appearance.

On the main issue, the Tribunal held that the amendment restricting the Section 54 exemption to residential property situated in India is prospective and applicable only from AY 2015-16, as clarified by CBDT Circular No. 1/2015. Since the assessee had purchased the property abroad in March 2014 (AY 2014-15), the exemption under Section 54 was clearly available. The view of the CIT(A) that the amendment was clarificatory was found incorrect.

Placing reliance on CIT v. Vinay Mishra, the Tribunal affirmed that prior to AY 2015-16, purchase of a residential house outside India qualified for Section 54 relief.

Regarding the Section 68 addition, the Tribunal held that the assessee did not maintain books of account and that a bank

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passbook is not regarded as “books” for the purpose of Section 68, in line with Baladin Ram and Mayawati. Consequently, the addition made merely on the basis of bank deposits had no legal foundation.

The Tribunal accordingly deleted both additions and observed that the assessee’s claim was fully in accordance with the law as it stood for the relevant year, making it clear that the assessment had been wrongly framed and required rectification in the interest of correct application of statutory provisions.

1. Notification No. 161/2025 : Capital Gains Accounts (Second Amendment) Scheme, 2025

The Ministry of Finance, CBDT, has issued the Capital Gains Accounts (Second Amendment) Scheme, 2025, effective from its publication in the Official Gazette, amending the 1988 Scheme by including section 54GA alongside section 54G in relevant paragraphs and forms. “Deposit Office” now includes authorized branches of SBI, its subsidiaries, corresponding new banks, and any banking company notified by the Central Government. A new definition of “electronic mode” allows deposits via credit/debit cards, net banking, IMPS, UPI, RTGS, NEFT, and BHIM Aadhaar Pay. Deposits made by cheque, draft, or electronic mode are deemed effective on the date of receipt by the Deposit Office, subject to realisation. References to passbooks are expanded to include electronic statements, and withdrawals may also be made electronically. From 1 April 2027, closure of accounts (Forms G/H) must be submitted electronically with digital signature or EVC, with the Income-tax Systems Directorate empowered to specify procedures, verify forms, and manage security, archival, and retrieval. Forms A and C are updated to include section 54GA, electronic payment options, and RTGS/IMPS/NEFT transaction details, modernizing the Scheme to enable digital deposits, withdrawals, statements, and fully electronic account closure.

2. Notification No. 157/2025 : Arm's Length Price Notification for AY 2025-26

The Central Government, under section 92C(2) of the Income-tax Act, 1961 and rule 10CA(7) of the Income-tax Rules, 1962, has notified that for the assessment year 2025-26, if the difference between the arm's length price and the actual price of an international or specified domestic transaction does not exceed 1% for wholesale trading or 3% for all other cases, the actual transaction price shall be deemed the arm's length price. For this purpose, “wholesale trading” refers to transactions where the purchase cost of finished goods is 80% or more of total trading costs and the average monthly closing inventory is 10% or less of sales related to such activities.



Case Law 1:

Supreme Court of India- Safari Retreats Pvt. Ltd & Ors. v. Chief Commissioner of CGST & Ors.

Facts:

Safari Retreats Pvt. Ltd. constructed a commercial complex intended for leasing to various tenants. During construction, the company availed Input Tax Credit (ITC) on goods and services used for building the property. The tax authorities denied ITC, relying on Section 17(5)(d) of the CGST Act, 2017, which restricts ITC on goods or services used for the construction of an immovable property on one's own account. The company argued that since the property was constructed for business use (leasing, a taxable supply), the restriction should not apply.

Issue:

The key issue before the Court was whether ITC

is admissible on goods and services used for constructing an immovable property that is subsequently used for commercial leasing and whether the expression “on his own account” in Section 17(5)(d) should bar ITC even when the property is used in the course or furtherance of business. The case also raised interpretational ambiguity between the expressions “plant or machinery” and “immovable property,” and the meaning of the phrase “on its own account.”

Clarification / Judgement:

The Supreme Court clarified that the phrases “plant or machinery” and “immovable property” cannot be interpreted in isolation but must be understood in the context of their use and purpose. The Court observed that an asset’s classification should depend on its functional utility in business operations, not merely on its physical nature.

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The Court further emphasized that construction for business purposes, such as leasing, does not automatically constitute construction "on one's own account." Therefore, ITC should not be denied solely because the property is immovable in nature. The Court stated, Undefined terms, must be interpreted in light of legislative intent and the overall objective of the GST framework ensuring tax neutrality in business transactions

Conclusion:

This landmark judgment addressed long-standing ambiguity around ITC eligibility on immovable property. It established that denial of ITC should not be based purely on the immovable nature of an asset, but rather on its functional use and business purpose. The decision provides much-needed clarity for taxpayers engaged in construction and leasing of commercial properties and reinforces a purpose-based interpretation of GST provisions over a literal one

LEGAL & REGULATORY

Notifications

1. Companies (Meetings of Board and its Powers) Amendment Rules, 2025 (Notification number G.S.R. 811(E) dated November 03, 2025)

Pursuant to Notification G.S.R. 811(E) dated November 03, 2025, the Ministry of Corporate Affairs (MCA) has introduced the Companies (Meetings of Board and its Powers) Amendment Rules, 2025. These rules amend Rule 11 of the Companies (Meetings of Board and its Powers) Rules, 2014. The amendment defines and clarifies the expression “business of financing industrial enterprises” for the purpose of Section 186 of the Companies Act. It now explicitly covers lending and guarantee activities carried out by RBI-registered NBFCs in their ordinary course of business, and aligns the definition for IFSC-based Finance Companies with the IFSCA (Finance Company) Regulations, 2021.

These rules shall come into force with effect from November 03, 2025.

For more details:

<https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=NTg2ODYwMjY4&docCategory=Notifications&type=open>

2. Companies (Specification of definition details) Amendment Rules, 2025 (Notification number G.S.R. 880(E) dated December 01, 2025)

Pursuant to Notification G.S.R. 880(E) dated December 01, 2025, the Ministry of Corporate Affairs (MCA) has introduced the Companies (Specification of definition details) Amendment Rules, 2025. These rules amend the Companies (Specification of definition details) Rules, 2014 by re-defining the term “small company”. Under the revised provisions, the threshold limit for small companies is raised i.e. Paid-up Capital not exceeding Rs. 10 crores and Turnover not exceeding Rs. 100 crores, widening the coverage of small companies.

These rules shall come into force with effect from December 01, 2025

For more details:

<https://egazette.gov.in/WriteReadData/2025/268124.pdf>



Faceless Assessment: Success or Struggle?

Ayushi Goyal

In recent years, the Central Government has accelerated a series of structural and technology-driven reforms in the Income Tax framework, aiming to enhance transparency, efficiency, and taxpayer convenience. One of the most significant milestones in this reform journey has been the introduction of Faceless Assessments—a system designed to eliminate physical interface between taxpayers and tax authorities and transition towards a fully digital mode of scrutiny. Rolled out in a phased manner, this reform reflects India's commitment to building a modern, objective, and technology-backed tax administration.

Meaning:

Faceless assessment is a mechanism where the taxpayer does not interact with, or even know, the identity of the Assessing Officer handling the case. Every stage of the assessment—from case selection, issuance of notices, submission of responses, examination of records, to review of the draft order is carried out electronically through an automated, Artificial Intelligence system.

The framework utilises algorithm-based allocation of cases, automated examination tools, artificial intelligence and machine learning to minimise discretion, ensure uniformity, and optimise administrative resources. All proceedings take place through the e-Proceedings module of the Income Tax portal, establishing a transparent and traceable assessment ecosystem.

Benefits and limitations:

To critically assess the impact of this reform, it is useful to evaluate its achievements and challenges side-by-side

Success Points	Explanation
Enhanced Transparency	Complete electronic trail of notices, replies, and orders, improving accountability and auditability.
Elimination of Physical Interface	Removes the traditional one-to-one interaction, reducing scope for bias, influence, or inconsistency.
Technology Dependence	Portal slowdowns, upload errors, and limited system bandwidth can delay compliance.

Success Points	Explanation
Inadequate Consideration of Submissions	Mechanical additions or insufficient appreciation of detailed factual and legal submissions have been observed.
Sectoral Expertise Concerns	Random allocation does not always ensure industry-specific expertise for complex assessments.
Risk of Increased Litigation	Procedural gaps or misunderstood submissions may escalate disputes unnecessarily.

Challenges and Practical Struggles :

Struggle Points	Explanation
Technology Dependence	Portal slowdowns, upload errors, and limited system bandwidth can delay compliance.
Limited Clarification Mechanisms	Complex matters often require discussion, but the digital format restricts real-time explanations or interaction.
Standardised Notices	Standardised or template-based notices may not address the specific facts of each case.
Inadequate Consideration of Submissions	Mechanical additions or insufficient appreciation of detailed factual and legal submissions have been observed.
Sectoral Expertise Concerns	Random allocation does not always ensure industry-specific expertise for complex assessments.
Risk of Increased Litigation	Procedural gaps or misunderstood submissions may escalate disputes unnecessarily.

Steps Toward Strengthening the Framework :

The CBDT has undertaken several focused interventions to streamline the faceless assessment mechanism and address the practical challenges observed in its initial years. Notable improvements include:

- ❖ Enhanced Video Conferencing (VC) infrastructure, enabling more effective, transparent, and interactive hearings.
- ❖ Mandatory issuance of show-cause notices prior to any adverse variation, reinforcing principles of natural justice.
- ❖ Improved coordination and communication protocols among Assessment, Verification, Technical and Review Units

- ❖ **Comprehensive training and capacity-building initiatives** to equip officers with the skills required for a digital assessment environment
- ❖ **Greater flexibility in granting extensions**, wherever genuine hardship or technical difficulties are demonstrated

These measures underscore the administration's commitment to refining the system and responding proactively to stakeholder feedback.

Video Conferencing: A Practical Bridge in the Faceless System :

While faceless assessment aims to function entirely electronically, the framework recognises that certain issues require real-time clarification. To address this, the National Faceless Assessment Centre (NFAC) allows Video Conferencing (VC) for cases where written submissions may not sufficiently convey complex facts or legal nuances. This provides meaningful relief to taxpayers, especially those who find it easier to explain matters verbally. Eligible assesses can request a personal hearing through VC. When granted, it enables oral submissions and direct interaction with the assessment unit. To make the most of VC, taxpayers should prepare a clear agenda and submit all relevant documents in advance to ensure an effective and focused discussion.

Conclusion:

Faceless assessment represents a progressive shift towards transparency and digitisation in India's tax administration. While it has delivered clear benefits in uniformity, documentation, and process efficiency, practical challenges relating to technology, communication gaps, and sectoral complexities continue to surface.

Until then, the debate remains alive— is faceless assessment a success or a struggle?

In reality, it is both: a successful reform still navigating its inevitable implementation

IBA NEWS

Training: Purpose, Passion & Performance



Our team attended a valuable session by Puneet Sharma on how to bring Purpose, Passion, and Performance into our daily lives. The training encouraged everyone to identify their personal and Professional purpose, stay passionate about their growth, and consistently work towards improving their performance.

Small Acts, Big Impact



Our recent donation drive was a great success, with team members coming together to contribute generously. Their collective efforts made a meaningful impact, and we thank everyone for their heartfelt support.

UPCOMING COMPLIANCES

Date	Compliance
Dec 11, 2025	Due Date for filing of Form GSTR-1 for the tax period November 2025 for the registered taxpayers who have opted for monthly filing of GST Returns.
Dec 13, 2025	<p>Due Date for filing of IFF for the tax period November 2025 for the registered taxpayers who have opted for quarterly filing of GST Returns.</p> <p>Due Date for filing of Form GSTR-6 for the period November 2025 for the registered taxpayers who have obtained Input Service Distributor (ISD) registration</p>
Dec 15, 2025	<p>Uploading of declarations received in Form 27C from the buyer in the month of November, 2025.</p> <p>Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of November, 2025 has been paid without the production of a challan</p> <p>Third instalment of advance tax for the assessment year 2026-27</p> <p>Due date for issue of TDS Certificate for tax deducted under section 194-IA , section 194-IB , section 194M in the month of October, 2025</p> <p>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 November, 2025</p> <p>Due date for issue of TDS Certificate for tax deducted under section 194S (by specified person) in the month of October, 2025</p>
Dec 20, 2025	Due Date for filing of Form GSTR-3B for the period November 2025 for the registered taxpayers who have opted for monthly filing of GST Returns
Dec 30, 2025	<p>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 November, 2025.</p> <p>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 November, 2025</p> <p>Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194S (by specified person) in the month of November, 2025</p>

UPCOMING COMPLIANCES

Date	Compliance
	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194S (by specified person) in the month of November, 2025
Dec 30, 2025	Furnishing of report in Form No. 3CEAD for a reporting accounting year (assuming reporting accounting year is January 1, 2024 to December 31, 2024) by a constituent entity, resident in India, in respect of the international group of which it is a constituent if the parent entity is not obliged to file report under section 286(2) or the parent entity is resident of a country with which India does not have an agreement for exchange of the report etc.
Dec 31, 2025	Filing of belated/revised return of income for the assessment year 2025-26 for all assessee (provided assessment has not been completed before December 31, 2025)
	Due Date for filing of Form GSTR-9 for the FY 2024-25 for the registered taxpayers who have turnover of more than 2 Crores (Aggregate PAN Based)
	Due Date for filing of Form GSTR-9C for the FY 2024-25 for the registered taxpayers who have turnover of more than 5 Crores (Aggregate PAN Based)

Editorial Team



Harit Dhupar



Dipalee Verma



Lata Rana



Nishu Kumari

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 constitutes a young team of pathbreaking 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 200 members team. IBA continues to offer wholesome service experience to boost highly valued client relationships by combining the technical and industry expertise together with a personal commitment to optimize client service.

Contact Us



www.ibadvisors.co



+91-11-40946000



info@ibadvisors.co



S-217, Panchsheel Park
New Delhi, 110017

We have our branch offices in Gurugram, Mumbai, Bengaluru and New York and associate arrangements in other major cities of USA and India.

A joint initiative of International Business Advisors LLP (IBA) and
Nayyar Maniar Sharma & Associates LLP (NMSA).

Queries/Feedback/Suggestions on this newsletter may be addressed to:
info@ibadvisors.co

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