INTERNATIONAL BUSINESS ADVISORS

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DIRECT TAX
Case Laws

Case Law 1:

IN THE DELHI HIGH COURT LG ELECTRONICS INDIA PVT. LTD. & ANR. V. DIRECTOR OF INCOME TAX (INTERNATIONAL TAXATION) & ANR. DECEMBER 24, 2025

Facts:

The Assessee, LG Electronics India Pvt. Ltd., entered into a Global Partnership Agreement dated 28 June 2002 with Global Cricket Corporation Pvt. Ltd., a Singapore-based entity that had acquired commercial and marketing rights in respect of cricketing events conducted under the aegis of the International Cricket Council (ICC). Under the said agreement, LG was appointed as a Global Partner for specified ICC events.

Pursuant to the agreement, the assessee obtained extensive sponsorship and advertising rights, including on-ground visibility through perimeter boards, electronic screens, event publications, tickets, and official websites. Additionally, the agreement expressly granted the assessee a non-exclusive right to use ICC trademarks and event marks on advertising and promotional materials across the licensed territory, which was defined as the entire world.

The total consideration under the agreement was USD 27.5 million, out of which USD 11 million was borne by LG Electronics India Pvt. Ltd. Before remitting the said amount, the assessee filed an application under Section 195 of the Income-tax Act, 1961, seeking permission to remit the payment without deduction of tax at source. The Assessing Officer rejected the application on the ground that the payment constituted royalty within the meaning of Section 9(1)(vi).

In revision proceedings under Section 264, the Director of Income Tax partly accepted the assessee's claim and held that the consideration was composite in nature. Two-thirds of the payment was attributed towards advertising and sponsorship activities, while one-third was attributed to the right to use ICC trademarks and event marks, taxable as royalty under

Article 12 of the Indo-Singapore Double Taxation Avoidance Agreement (DTAA).

Aggrieved by the attribution of one-third of the payment as royalty and the consequent requirement of withholding tax under Section 195, the assessee approached the High Court contending that the dominant purpose of the agreement was advertising and that the use of trademarks was merely incidental and ancillary to such sponsorship activities.

Held:

The High Court upheld the action of the tax authorities and dismissed the writ petition filed by the assessee. Upon a detailed examination of the Global Partnership Agreement, the Court held that the right to use ICC and event marks was not incidental but constituted a substantive and commercially valuable right granted to the assessee.

The Court observed that the licensed territory was global and that the permitted use of trademarks extended to websites and promotional material unrelated to the physical conduct of cricket matches. This demonstrated that the trademark rights were independent, enforceable, and capable of commercial exploitation, thereby squarely falling within the definition of “royalty” under Section 9(1)(vi) of the Income-tax Act as well as Article 12 of the Indo-Singapore DTAA.

Significant reliance was placed on the assessee’s own admission before the revisional authority that the agreement involved an element of trademark usage. Once such usage was admitted, the Court rejected the assessee’s contention that the use of trademarks was merely incidental to advertising activities.

The Court distinguished the decisions relied upon by the assessee, including Formula One World Championship Ltd. and Sheraton International Inc., on the ground that those cases were fact-specific and involved situations where trademark use was strictly limited and incidental to event promotion. In contrast, the assessee in the present case enjoyed wide and unrestricted rights to use ICC trademarks for its own branding and promotional purposes.

The apportionment of the composite consideration into advertising and royalty components was held to be reasonable and pragmatic. The Court reiterated that proceedings under Section 195 require a prima facie determination of taxability for withholding purposes and that such allocation does not amount to a final assessment of income.

Accordingly, the Court held that one-third of the amount paid by LG Electronics India Pvt. Ltd. constituted royalty, chargeable to tax in India, and was liable to withholding tax at the rate prescribed under the Indo-Singapore DTAA. The action of the Revenue authorities under Sections 195 and 264 was therefore upheld.

Case Law 2:

IN THE ITAT JABALPUR BENCH SUBHASH KUMAR AAHI V. ASSISTANT COMMISSIONER OF INCOME-TAX DECEMBER 12, 2025

Facts:

The assessee, Subhash Kumar Aahi, is the proprietor of a jewellery business engaged in trading of land, diamonds, gold and silver jewellery. For the assessment year 2013-14, he filed his return of income declaring total income of ₹42.48 lakh.

A survey under section 133A of the Income-tax Act, 1961 was conducted at the assessee's business premises on 30 May 2012. During the course of survey, discrepancies were noted relating to excess stock of gold jewellery, excess silver jewellery, excess cash, and alleged unexplained investment in renovation of a shop. On account of inability to reconcile these discrepancies on the date of survey, the assessee surrendered an aggregate amount of ₹89.29 lakh.

Subsequently, while filing the return of income, the assessee retracted the surrender. In respect of excess gold jewellery of ₹54.59 lakh, it was explained that the stock included jewellery belonging to customers received for repair and remodelling, for which separate receipt books and remodelling registers were maintained and which were found during the survey. The assessee also pointed out that repair income had been disclosed in earlier years and that an employee engaged exclusively in repair and remodelling had confirmed this activity during the survey.

Regarding excess cash of ₹9.52 lakh, the assessee explained that the amount represented cash withdrawn from bank in three instalments shortly before the survey, which had not yet been entered in the cash book, and that there was no finding that such cash had been spent elsewhere.

As regards excess silver jewellery of 15.031 kg valued at ₹5.19 lakh, the assessee submitted that purchase bills for the same were found during the survey but had not been posted in the books as they were not updated till the survey date.

With respect to alleged unexplained investment of ₹14.22 lakh in renovation of a shop, the assessee contended that the property purchased already had a three-storey structure, that only renovation expenses of about ₹9.60 lakh had been incurred and duly recorded, and that the valuation report relied upon by the Assessing Officer failed to segregate old construction from actual renovation.

The Assessing Officer rejected the retraction, treating it as an afterthought, and made additions on account of excess gold jewellery, excess cash, excess silver jewellery, unexplained investment in shop renovation, and further estimated gross profit on alleged sale of excess stock. The Commissioner (Appeals) confirmed the additions. Aggrieved, the assessee appealed before the Tribunal.

Held:

The Tribunal observed that a statement recorded during survey under section 133A does not have evidentiary value by itself and cannot be the sole basis for making additions unless supported by corroborative material. In the present case, the Tribunal noted that the repair and remodelling register and receipt vouchers for customers' jewellery were found during the survey itself and clearly demonstrated that the assessee was receiving jewellery from customers for repair and remodelling. The statement of the employee engaged in such activity further corroborated the assessee's explanation. Accordingly, the addition on account of alleged excess gold jewellery was held to be unsustainable.

With regard to excess cash, the Tribunal found that the assessee had produced evidence of bank withdrawals aggregating ₹11.50 lakh made shortly prior to the survey, which had not been

entered in the cash book, and that neither the Assessing Officer nor the Commissioner (Appeals) had shown that the cash was utilised elsewhere. The addition on account of excess cash was therefore deleted.

In respect of excess silver jewellery, the Tribunal observed that purchase vouchers relating to the silver were found during the survey and were not disputed by the Assessing Officer. Since there was no finding that such purchases were made out of undisclosed income, the addition for excess silver jewellery was held to be unjustified.

On the issue of unexplained investment in renovation of the shop, the Tribunal noted that the registered sale deed evidenced the existence of a three-storey structure at the time of purchase and that the valuation report did not separately determine renovation cost. The assessee had also produced purchase bills for furniture and fixtures at lower values than estimated by the valuer. Further, the purchase and renovation pertained to different assessment years. Accordingly, the addition on this count was deleted.

Consequently, the Tribunal held that since the alleged excess stock itself was not proved, the estimation of gross profit on alleged sale of such stock was without basis and could not be sustained.

In view of the above findings, all substantive additions were deleted, and the appeal of the assessee was allowed on merits.

INDIRECT TAX

Case Laws

Case Law 1:

Vrinda Automation v. State of Uttar Pradesh [Allahabad High Court, Writ Tax No. 2006 of 2025, decided 14.05.2025]

Facts:

GST department issued Show Cause Notice (SCN) under Section 74 CGST Act proposing specific tax demand amount for certain alleged violations. During adjudication proceedings, the final order dated 30.12.2024 confirmed tax liability but raised substantially higher demand quantum than originally proposed in the SCN, without issuing any fresh SCN for the enhanced amount.

Issue:

Can GST authority pass final order with tax demand exceeding the amount specified in SCN? Does this violate Section 75(7) CGST Act which clearly states "the proper officer shall not adjudicate demand exceeding SCN amount".

Clarification / Judgement:

Allahabad High Court completely quashed the order ruling:

- Section 75(7) is mandatory provision - demand cannot exceed SCN quantum
- No inherent power to enhance tax liability during adjudication
- Violates natural justice - taxpayer gets no opportunity on higher demand
- Fresh SCN compulsory for any demand enhancement
- Court directed authorities to pass fresh order in accordance with law.

Conclusion:

Departments were freely upgrading demands during hearings without new notice. These ruling locks the gate - SCN amount = Absolute ceiling. Small taxpayers facing "magical demand multiplication" now have bulletproof defense. GST officers must issue separate SCN for every rupee enhancement, giving businesses proper time and opportunity to respond.

INDIRECT TAX
Notifications

1. Notification No. 19/2025 (dated 31st December 2025):

Central Board of Indirect Taxes and Customs (CBIC) issued Notification No. 19/2025-Central Tax on 31st December 2025 through official Gazette of India (Extraordinary, Part II, Section 3, Sub-section (i)). This notification exercises powers conferred by Section 15(5) of the CGST Act, 2017 (12 of 2017), establishing mandatory Retail Sale Price (RSP)-based valuation for specified goods. Effective date remains 1st February 2026 with nationwide applicability.

Core Function: Formally notifies goods exactly as specified in the Table of Notification No. 20/2025-Central Tax for exclusive RSP valuation methodology. Serves as parent notification creating direct statutory linkage between Section 15(5) enablement powers and Rule 31D operational execution.

Creates "notwithstanding anything contained in other provisions" override ensuring RSP valuation supersedes all Chapter IV valuation rules (Rules 27-35 CGST Rules, 2017). Eliminates any valuation discretion for manufacturers, wholesalers, distributors, job workers, and retailers dealing in Table-specified categories.

Technical & Compliance Parameters:

- G.S.R. number confirms authentic Gazette publication
- Uniform national implementation across all States/UTs
- No standalone HSN list—precision reference to Notification 20 Table only
- Statutory backing for Rule 31D tax computation formula
- Perfect synergy with Legal Metrology Act RSP declaration requirements

2. Notification No. 20/2025 (dated 31st December 2025):

CGST (Fifth Amendment) Rules, 2025 notified on same date (31.12.2025) through Notification No. 20/2025-Central Tax. Short title: Central Goods and Services Tax Fifth Amendment Rules, 2025. Effective 1st February 2026. Makes two substantive amendments.

❖ **Insertion of Rule 31D (after Rule 31C): Value of supply of goods on basis of retail sale price**

Rule 31D(1): Notwithstanding Chapter provisions, value of supply for Table goods = retail sale price declared on such goods less amount of applicable tax.

Complete Table of Specified Goods :

S. No.	Chapter/Heading/ Sub-heading/Tariff item	Description of Goods
1	2106 90 20	Pan masala
2	2401	Unmanufactured tobacco; tobacco refuse (other than tobacco leaves)
3	2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
4	2403	Other manufactured tobacco and manufactured tobacco substitutes; homogenised or reconstituted tobacco; tobacco extracts and essences (other than biris)
5	2404 11 00	Products containing tobacco or reconstituted tobacco intended for inhalation without combustion
6	2404 19 00	Products containing tobacco or nicotine substitutes intended for inhalation without combustion

Rule 31D(2) Tax Computation Formula :

Tax amount = [Retail sale price × tax rate % of applicable taxes] ÷ [100 + sum of applicable tax rates].

Rule 86B Amendment : Inserts clause (f) in first proviso: "registered person other than manufacturer exempted from Rule 86B restrictions for goods specified under Rule 31D where supplier paid tax on RSP basis".

LEGAL & REGULATORY

Notifications

1. Companies (Removal of Names of Companies from the Register of Companies) Amendment Rules, 2025 (Notification number G.S.R. 940(E) dated December 31, 2025)

Pursuant to Notification G.S.R. 940(E) dated December 31, 2025, the Ministry of Corporate Affairs (MCA) has introduced the Companies (Removal of Names of Companies from the Register of Companies) Amendment Rules, 2025 amending the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016. The amendment adds a proviso to Rule 4(3) stipulating that, in the case of a government company or its subsidiary applying for removal of name, the indemnity bond in Form STK-3A relating to government-nominated directors shall be executed by an authorised officer of the concerned administrative Ministry or Department, not below the rank of Under Secretary or equivalent, on behalf of the company.

These rules shall come into force with effect from December 31, 2025.

For more details:

https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=NjExMzk4OTEz&docCategory=Notifications&type=open

2. Companies (Appointment and Qualification of Directors) Amendment Rules, 2025. (Notification number G.S.R. 943(E) dated December 31, 2025)

Pursuant to Notification G.S.R. 943(E) dated December 31, 2025, the Ministry of Corporate Affairs (MCA) has introduced the Companies (Appointment and Qualification of Directors) Amendment Rules, 2025. This amendment introduces key procedural changes to director KYC compliance. The amendment revises Rule 12A to include the following changes:

- the annual DIR-3 KYC filing requirement from the earlier annual periodicity to every 3 years.
- changes in a director's personal particulars such as mobile number, email ID, or address would need to be reported within 30 days of any change through this form.
- separate forms DIR-3 KYC and DIR-3 KYC-Web have been consolidated into a single DIR-3 KYC Web form.
- minor nomenclature change has also been made under Rule 11 relating to the Regional Director's designation.

Notifications

These rules shall come into force with effect from March 31, 2026.

For more details:

https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=NjExMzk5Mzk2&docCategory=Notifications&type=open

In addition to the above, following circular has been issued by MCA:

General Circular No.08/2025 dated December 30, 2025

The Ministry of Corporate Affairs has granted further relaxation of additional fees and extension of time for filing of e-forms MGT-7, MGT-7A, AOC-4, AOC-4 CFS, AOC-4 NBFC (Ind AS), AOC-4 CFS NBFC (Ind AS), AOC-4 (XBRL), pertaining to financial year 2024-25, up to 31st January 2026 without payment of additional fees.

For more details:

https://www.mca.gov.in/bin/dms/getdocument?mds=O%252BR6QnciZFAjhGuEaQwrcw%253D%253D&type=open

Preferential Allotment - A Compliance Guide

Dipalee Verma

Introduction :

Preferential allotment refers to the issue of shares or other securities by a company to a select group of persons on a preferential basis, instead of offering them to the general public. This method of raising capital is commonly used by companies to bring in strategic investors, promoters, or financial institutions in a quicker and more targeted manner.
In India, preferential allotment is governed by the provisions of the Companies Act, 2013, and related rules. In the case of listed companies, the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (SEBI ICDR Regulations) along with the Companies Act, 2013 and related rules.

Meaning of Preferential Allotment :

As per Section 62(1)(c) of the Companies Act, 2013, preferential allotment means the issue of shares or other securities by a company to any select person or group of persons on a preferential basis, either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report, which does not include a public issue, rights issue, or employee stock option scheme.

Securities Issued Under Preferential Allotment :

- Equity shares
- Fully or partly convertible debentures
- Compulsorily or optionally Convertible preference shares
- Any other securities convertible into equity shares

Legal Framework (Unlisted Companies) :

- Section 62(1)(c) of the Companies Act, 2013
- Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014
- Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014
- Section 42 of the Companies Act, 2013 (Private Placement)
- Additional sections may apply based on type of securities being issued.

Important pre-conditions for Preferential Allotment :

- Authorization in Articles of Association : The Articles of Association (AOA) of the company must authorize the issue. If not, the AOA must be altered before proceeding.

- **Special Resolution :** The company must obtain approval of shareholders by passing a special resolution in a general meeting.
- **Valuation Report :** The price of shares must be determined based on a valuation report obtained from a registered valuer.
- **Explanatory Statement :** The notice of the general meeting must contain certain disclosures
- **Time Limit for Allotment :** The company must allot the shares within 60 days of receiving the money, and the entire process must be completed within 12 months from the date of shareholders' approval.
- **Mode of Payment of consideration :** Subscription money must be received through banking channels only.

Conclusion :

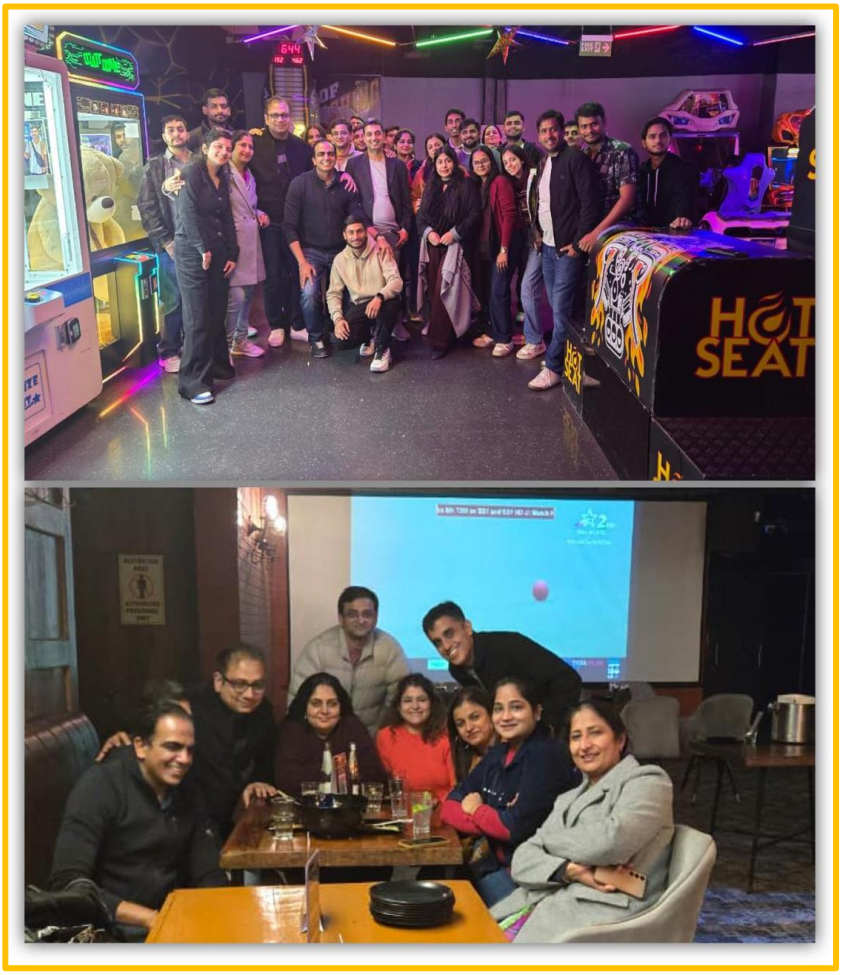
Preferential allotment is an effective capital-raising tool that allows companies to raise funds efficiently while maintaining control over investor selection. However, due to strict regulatory requirements under the Companies Act and SEBI regulations, careful planning, valuation, and compliance are essential to ensure the validity and success of the allotment.

IBA NEWS

Training on New Labour Codes

A brief training session on the New Labour Codes was conducted for employees by Ms. Surbhi Sharma, providing key insights into recent labour law changes and their impact on the workplace.

Team Outing at SMAAASH



We had a fun-filled party at **SMAAASH,** filled with games, laughter, and great team bonding. The energetic outing was a refreshing break and a wonderful way to celebrate together outside the workplace.

UPCOMING COMPLIANCES

Date	Compliance
Jan 11, 2026	Due Date for filing of Form GSTR-1 for the tax period December 2025 for the registered taxpayers who have opted for monthly filing of GST Returns.
Jan 13, 2026	Due Date for filing of GSTR1 for the tax period October 2025-December 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 December 2025 for the registered taxpayers who have obtained Input Service Distributor (ISD) registration
Jan 14, 2026	Due date for issue of TDS Certificate for tax deducted under section 194-IA , section 194-IB , section 194M and section 194S in the month of November, 2025
Jan 15, 2026	Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of December, 2025 has been paid without the production of a challan
	Quarterly statement of TCS for the quarter ending December 31, 2025
	Quarterly statement in respect of foreign remittances (to be furnished by authorized dealers) in Form No. 15CC for quarter ending December, 2025
	Due date for furnishing of Form 15G/15H declarations received during the quarter ending December, 2025
	Furnishing of statement in Form No. 49BA under Rule 114AAB (by specified fund) for the quarter ending December 31, 2025
Jan 20, 2026	Due Date for filing of Form GSTR-3B for the period December 2025 for the registered taxpayers who have opted for monthly filing of GST Returns
Jan 22, 2026	Due Date for filing of GSTR-3B and Challan Payment for the tax period October to December 2025 for the registered taxpayers who have opted for QRMP scheme (Chhattisgarh, Madhya Pradesh, Gujarat, Dadra and Nagar Haveli, Daman and Diu, Maharashtra, Karnataka, Goa, Lakshadweep, Kerala, Tamil Nadu, Puducherry, Andaman and Nicobar Islands, Telangana and Andhra Pradesh)
Jan 24, 2026	Due Date for filing of GSTR-3B and Challan Payment for the tax period October to December 2025 for the registered taxpayers who have opted for QRMP scheme (Jammu and Kashmir, Ladakh, Himachal Pradesh, Punjab, Chandigarh, Uttarakhand, Haryana, Delhi, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Mizoram, Manipur, Tripura, Meghalaya, Assam, West Bengal, Jharkhand and Odisha)

UPCOMING COMPLIANCES

Date	Compliance
Jan 30, 2026	Quarterly TCS certificate in respect of quarter ending December 31, 2025
	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, section 194-IB, section 194M and section 194S in the month of December, 2025
Jan 31, 2026	Quarterly statement of TDS for the quarter ending December 31, 2025
	Quarterly return of non-deduction of tax at source by a banking company from interest on time deposit in respect of the quarter ending December 31, 2025
	Intimation by Sovereign Wealth Fund in respect of investment made in India for quarter ending December, 2025
	Intimation by a pension fund in respect of investment made in India for quarter ending December 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 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.

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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).

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