

MONTHLY NEWSLETTER

May 2025 | F&A | Volume LVII

Welcome to our monthly newsletter

We bring you a concise and noteworthy regulatory developments in Income Tax, Goods & Services Tax, Companies Act during May 2025. We had tried to cover all important updates occurred during May 2025 in this volume of newsletter. The sole purpose of this circulation is to update finance professionals and business owners on direct & indirect taxes and other compliances. Feedbacks are welcome at info@nucleusadvisors.in.

Direct Tax Updates

Government Notifies Zero Coupon Bonds for IRFC and REC Ltd.

The Ministry of Finance has announced a new Zero-Coupon Bond issued by Rural Electrification Corporation Limited (REC). Here are the key details:

- ✓ Bond Name: 10-Year Zero Coupon Bond of REC
- ✓ Duration: 10 years and 6 months
- ✓ Issuance Deadline: On or before March 31, 2027
- ✓ Maturity Amount: ₹ 5,000 crores
- ✓ Discounted Price: ₹ 2,200 crores
- ✓ Total Bonds Issued: 5 lakh bonds

The Ministry of Finance has announced a new Zero-Coupon Bond issued by Indian Railway Finance Corporation Ltd. (IRFC). Here are the key details:

- ✓ Bond Name: 10-Year Zero Coupon Bond of IRFC
- ✓ Duration: 10 years
- ✓ Issuance Deadline: On or before March 31, 2027
- ✓ Maturity Amount: ₹ 10,000 crores
- ✓ Discounted Price: ₹ 4,916.51 crores
- ✓ Total Bonds Issued: 10 lakh bonds



Taxation on Capital Gains :

Since these bonds qualify as zero-coupon bonds under Section 2(48) and Rule 8B, investors will be taxed on capital gains (the difference between redemption value and issue price) instead of being taxed annually on interest income.

This structure allows for deferred taxation, making it a more tax-efficient investment option compared to interest-bearing bonds..

Extension of due date for furnishing return of income for the Assessment Year

The Income Tax Department (CBDT) has extended the deadline for filing Income Tax Returns for the financial year 2024-25 (Assessment Year 2025-26) for certain taxpayers.

Earlier, the last date to file the return was July 31, 2025, but now it has been extended to September 15, 2025.

GST UPDATES



Advisory-1 Reporting Guidelines for HSN Codes (Table 12) and Documents (Table 13) in GSTR-1/1A

Phase-3: Key Enhancements in Table-12 of GSTR-1/GSTR-1A (Effective from May 2025 Return Period)

1. Mandatory reporting of 4-digit HSN codes for goods and services for taxpayers with AATO of up-to 5 cr.
2. Mandatory reporting of 6-digit HSN codes for goods and services taxpayers with AATO of more than 5 cr.
3. Manual entry of HSN codes will not be allowed.
4. HSN codes must be selected from a dropdown menu only.
5. A new field called "Description as per HSN Code" will be auto-populated based on the HSN code selected from the master.

Table-12 Value Validations (Effective May 2025):

1. B2B Validation:

Values in Table-12 (B2B) will be matched with values reported in Tables 4A, 4B, 6B, 6C, 8 (registered), 9A, 9B, 9C, 15 & 15A (registered).

2. B2C Validation:

Values in Table-12 (B2C) will be cross-checked with Tables 5A, 6A, 7A, 7B, 8 (unregistered), 9A (exports/B2CL), 9B, 9C, 10, 15 & 15A (unregistered).

3. Amendments:

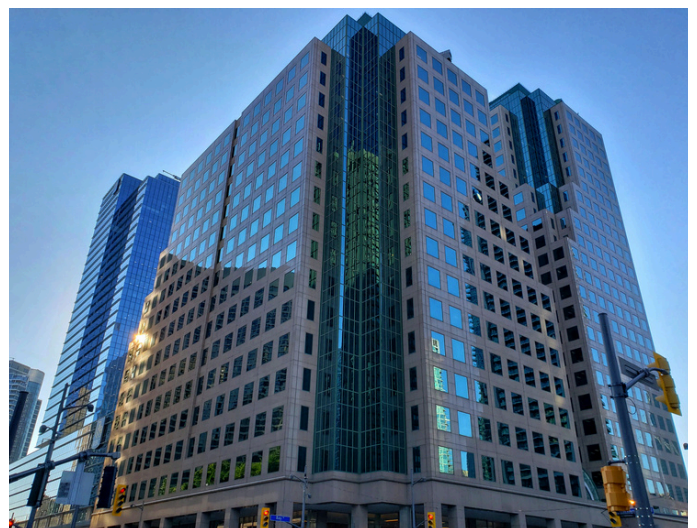
Only differential values will be validated in case of amendments.

4. Note:

- Validations are in warning mode—alerts will appear on mismatch, but filing is allowed.
- If B2B supplies are reported elsewhere, the B2B tab in Table-12 must not be left blank.

From the May 2025 return period onwards, Table 13, which captures details of documents issued, has been made mandatory.

- Taxpayers cannot leave this table blank and proceed with filing.
- If any B2B or B2C supplies are reported in GSTR-1 or GSTR-1A and Table 13 is not filled, an error message will be displayed, preventing submission.





Advisory-2 Revision in GSTR-7: New Invoice-wise Reporting Functionality

Background- GSTR-7 is a monthly return filed by individuals who deduct tax at source or TDS under the Goods and Services Tax (GST)

Effective Date: From the return period of April 2025 (filing from 1st May 2025).

Change: GSTR-7 will require invoice-wise reporting.

Implementation: To be enabled soon on the GST portal by GSTN.

Legal Basis: As per CGST Notification No. 09/2025 dated 11th February 2025.

Reference: Implements Clause 37 of CGST Notification No. 12/2024, amending the CGST Rules.

Advisory-3 Updates in Refund Filing Process for various refund categories-Reg (Effective May 8, 2025)

1. Applicable Refund Categories:

- Export of Services with payment of tax
- Supplies to SEZ Unit/Developer with payment of tax
- Refund by Supplier in case of Deemed Exports.

2. Removal of Tax Period Selection:

- Taxpayers are no longer required to select 'From' and 'To' tax periods.
- Refund application can be initiated directly by selecting the refund
- category and clicking "Create Refund Application."

3. Return Compliance Requirement:

- All relevant returns (e.g., GSTR-1, GSTR-3B) must be filed up to the date
- of filing the refund application.



4. Invoice-Based Filing Introduced:

Refund filing has shifted from tax period-based to invoice-based.

Invoices must be uploaded in the following statements:

Statement 2 – Export of Services with payment of tax

Statement 4 – SEZ Supplies with payment of tax

Statement 5B – Deemed Exports (filed by supplier)

5. Invoice Locking Mechanism:

Uploaded invoices will be locked and cannot be used for future refund claims.

Invoices will be unlocked only if:

The refund application is withdrawn, or

A deficiency memo is issued by the tax officer.

The CBDT has formally notified that TCS will be applicable on the sale of specific luxury goods where the transaction value exceeds ₹10 lakh.

This includes items listed in Notification 35/2025 and aims to improve compliance and reporting in high-consumption sectors often prone to underreporting or tax evasion. Sellers must ensure timely TCS deduction and proper record-keeping for such transactions.

Advisory-4 Updates in Refund Filing Process for Recipients of Deemed Exports (Effective May 8, 2025)

1. Refunds under the "Recipient of Deemed Exports" category no longer require selection of "From" and "To" tax periods.

2. Chronological order of refund filing is not mandatory for this category.

3. All returns (GSTR-1, GSTR-3B, etc.) must be filed up to the date of refund application.

4. The table "Amount Eligible for Refund" has been revised with detailed breakup across five columns.



6. Status change to “Appeal Withdrawn” fulfills this condition.
7. This ensures eligibility under the waiver scheme.
8. Taxpayers must ensure appeal is withdrawn before applying for waiver.
9. While filing or updating waiver applications, a screenshot must be uploaded.
10. Screenshot should show appeal folder with status as “Appeal Withdrawn.”

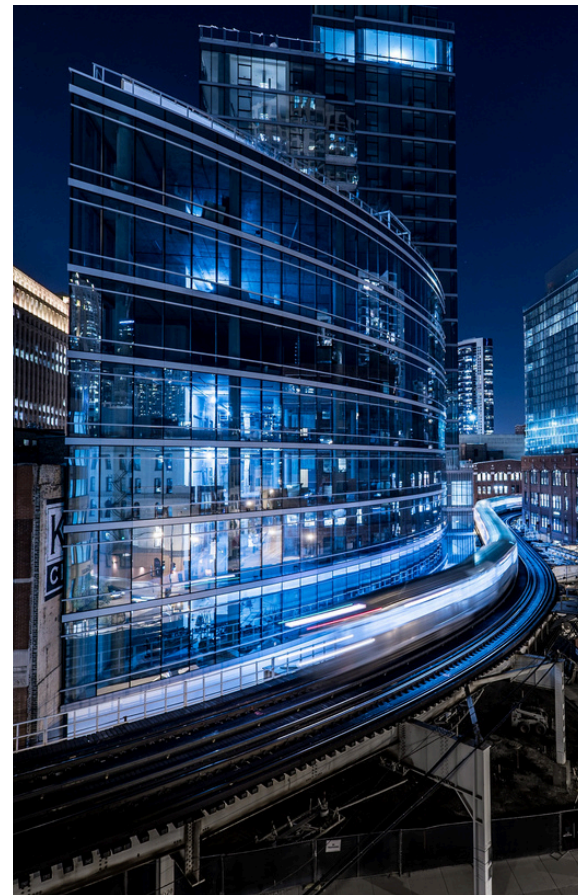
Advisory-6 Advisory on reporting values in Table 3.2 of GSTR-3B

Auto-populated values in Table 3.2 of GSTR-3B will remain editable for now, despite earlier plans to make them non-editable from April 2025. This decision follows taxpayer feedback. Taxpayers should ensure accurate reporting, and any future changes will be communicated separately.

5. Col. 1 shows auto-populated balance in Electronic Credit Ledger (ECL).
6. Col. 2 captures auto-populated Net ITC of deemed exports from Statement 5B.
7. Col. 3 reflects refund amount as per uploaded invoices—editable downward.
8. Col. 4 auto-populates the maximum eligible refund based on prescribed debit order.
9. Col. 5 shows ineligible refund amount due to insufficient ECL balance.
10. Enhanced functionality allows refund maximization based on total ITC across all heads, not limited to head-wise ECL balance.

Advisory-5 Appeal Withdrawal & Waiver Compliance with respect to Waiver scheme

1. If APL-01W (withdrawal) is filed before APL-02 (final acknowledgment), the system auto-withdraws the appeal.
2. Status changes from “Appeal Submitted” to “Appeal Withdrawn” automatically.
3. If APL-01W is filed after APL-02, withdrawal requires Appellate Authority’s approval.
4. Upon approval, the appeal status also updates to “Appeal Withdrawn”.
5. Section 128A waiver scheme requires no pending appeal against the demand order.



CASE STUDY

GST on Cab Recoveries from Employees? Not a Supply!

Case: M/s Integrated Decisions and Systems India Pvt Ltd

Ruling by: Maharashtra AAR | Date: 25-Feb-2020

Issue:

Is GST applicable on partial cab fare recovered from employees?

Facts in Brief:

IT company provides cab facility for employee safety.

Pays full amount to vendor → Recovers a small share from employees.

Not in transport business.

Applicant's View:

Recovery = Reimbursement, not supply.

Not in furtherance of business → So GST shouldn't apply.

Department's Take:

Employer = Supplier, Employee = Recipient.

Recovery = Consideration.

Transport = Incidental to business → GST applicable.

AAR Decision:

Not a supply → Just welfare, not core or ancillary business.

Recovery from employees is not taxable.

GST already paid to the cab vendor.

Final Verdict:

No GST on partial cab fare recovered from employees.

Why? It's not a business transaction = Not a supply.

Key Takeaway:

Providing cabs for employee welfare and recovering nominal costs?

Not a supply = No GST.



SEBI UPDATES



FATCA Reporting by AIFs: Annual Compliance Due by 31st May

Under the Foreign Account Tax Compliance Act (FATCA), Alternative Investment Funds (AIFs) are mandated to identify and report specified information pertaining to eligible foreign investors to the Indian tax authorities. Upon identification, the AIF is required to submit an annual FATCA return through the designated reporting portal (<https://report.insight.gov.in/>) maintained by the Central Board of Direct Taxes (CBDT). This filing generally needs to be completed by 31st May each year and includes details such as the investor's identity, account balance, income earned, and any redemptions or distributions made during the calendar year. Compliance with FATCA is mandatory and forms part of the KYC and regulatory obligations of the AIF. Non-compliance may lead to penalties and impact the fund's ability to accept investments from foreign investors.

Regulatory Compliance Summary – Quarterly TCR Submission by AIFs

Alternative Investment Funds (AIFs) registered with SEBI are required to submit the Trustee Compliance Report (TCR) on a quarterly basis. The TCR is a comprehensive regulatory filing that captures key compliance details of the fund, including adherence to SEBI's AIF Regulations, governance practices, fund structure, investment activity, investor disclosures, and statutory reporting obligations such as FATCA, ITR, and FLA filings. The report must be submitted by the AIF's trustee or designated compliance officer through the prescribed format and channel. It also includes confirmations related to due diligence on investors, adherence to investment norms, disclosures of conflicted transactions, and maintenance of internal policies and controls. The last date for filing the TCR was 15th of May 2025.



COMPLIANCE CALENDER



Indirect Taxes

June 10th , 2025

- Due date for filing GSTR-7 & GSTR-8 (May, 2025).

June 11th , 2025

- Due date for filing of GSTR-1 for turnover exceeding 5Cr or opted to file monthly return (May, 2025).

June 13th , 2024

- Due date for filing of GSTR-1 who opted for quarterly filing as per QRMP scheme (May, 2025).
- Due date for filing of GSTR-5 & GSTR-6 (May, 2025)

June 20, 2024

- Due date for filing of GSTR-3B for turnover exceeding 5Cr or opted to file monthly return.
- Due date for filing of GSTR-5A.

Direct Taxes

June 07, 2025

- Due date for deposit of Tax deducted/collected for the month of May, 2025. However, all sum deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day where tax is paid without production of an Income-tax Challan.
- Uploading of declarations received in Form 27C from the buyer in the month of May, 2025.

June 14, 2025

- Due date for issue of TDS Certificate for tax deducted u/s 194-IA, 194-IB, 194-M & 194S (by specified persons) in the month of April, 2025.

June 15, 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 May, 2025
- Quarterly TDS certificates (in respect of tax deducted for payments other than salary) for the quarter ending March, 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 May, 2025.

June 30, 2025

- Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194I-B, 194-M & 194-S (by specified persons) in the month of May, 2025
- Return in respect of securities transaction tax for the financial year 2024-25.
- Quarterly return of non-deduction of tax at source by a banking company from interest on time deposit in respect of the quarter ending March 31, 2025.
- Due date for furnishing of statement of income distributed by business trust to its unit holders during the financial year 2024-25. This statement is required to be furnished to the unit holders in form No. 64B
- Furnishing of statement containing the particulars of expenditures specified under section 35D(2)(a) (if the assessee is required to submit return of income by July 31, 2025).
- Annual statement pertaining to income distributed during year 2024-25 by a securitisation trust
- Furnishing of Equalisation Levy statement for the Financial Year 2024-25
- Statement to be furnished (in Form No. 64C) by Alternative Investment Fund (AIF) to units holders in respect of income distributed during the previous year 2024-25

LINKEDIN ENGAGEMENT


MAY LINKEDIN UPDATE



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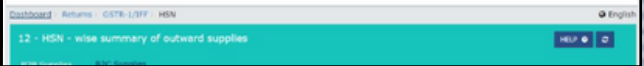



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Separate reporting of HSN under B2C enabled over the portal

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0124-4930078



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