

MONTHLY NEWSLETTER

July 2025 | F&A | Volume LIX

Welcome to our monthly newsletter

We bring you a concise and noteworthy regulatory developments in Income Tax, Goods & Services Tax, Companies Act during July 2025. We had tried to cover all important updates occurred during July 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

The Central Government has officially notified a new investment avenue for taxpayers seeking capital gains exemption under Section 54EC of the Income-tax Act, 1961.

Key Highlights of the Notification:

Issuer: Indian Renewable Energy Development Agency (IREDA) — a Public Limited Government Company functioning as a Non-Banking Financial Institution.

Nature of Bonds: Redeemable after five years.

Effective Date: Bonds issued on or after the date of this notification will qualify.

Classification: Recognised as 'Long-Term Specified Asset' for the purpose of Section 54EC.

Purpose & Conditions

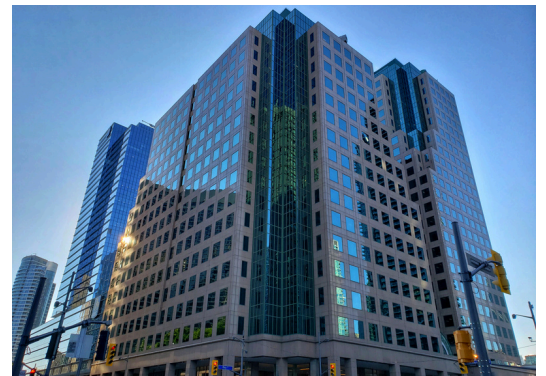
The proceeds from these bonds must be used exclusively for renewable energy projects that:

1. Can fully service their debt from project-generated revenues, and
2. Do not depend on State Government support for debt servicing.

Impact for Taxpayers

This notification provides another government-backed, low-risk investment option for taxpayers aiming to save long-term capital gains tax by reinvesting in eligible bonds under Section 54EC.

The 5-year lock-in aligns with the current tenure requirements for 54EC investments, while also promoting India's clean energy transition.





The Central Board of Direct Taxes (CBDT) has issued an important update concerning the consequences of PAN becoming inoperative under Rule 114AAA of the Income-tax Rules, 1962. This modification, issued in continuation of Circular No. 3 of 2023 (dated 28.03.2023) and Circular No. 6 of 2024 (dated 23.04.2024), aims to address taxpayer grievances and provide significant relief to deductors and collectors.

Background

- Circular No. 3/2023 had earlier clarified that the consequences of a PAN becoming inoperative would apply from 1 July 2023 until the PAN is made operative.
- Circular No. 6/2024 provided relief from higher TDS/TCS rates under Sections 206AA/206CC for transactions up to 31 March 2024, if the PAN was linked to Aadhaar and made operative by 31 May 2024.

However, taxpayers reported receiving notices alleging short deduction/collection of TDS/TCS where PANs were inoperative. This led to demands being raised during the processing of TDS/TCS statements, creating unnecessary hardships for compliant taxpayers.



Key Relief Announced

To address these issues, the CBDT has clarified that no liability for higher TDS/TCS rates under Sections 206AA/206CC will arise in the following scenarios:

Payments/Credits from 01 April 2024 to 31 July 2025

- If the PAN is made operative on or before 30 September 2025 (via Aadhaar linkage), higher TDS/TCS rates will not apply.

Payments/Credits on or after 01 August 2025

- If the PAN is made operative within two months from the end of the month in which the payment/credit is made, no higher deduction/collection will be required.

Note:

In these cases, normal TDS/TCS provisions under Chapter XVII-B / XVII-BB of the Income-tax Act will still apply.

Impact

This partial modification offers considerable relief for deductors and collectors, especially in cases where taxpayers have since rectified their PAN status. It ensures that procedural lapses in PAN-Aadhaar linkage do not lead to unwarranted demands, provided corrective action is taken within the prescribed timelines.



GST UPDATES



Advisory-1 GST Portal is now enabled to file appeal against waiver order (SPL 07).

- Taxpayers filing waiver applications in SPL-01/SPL-02 may receive SPL-05 (Acceptance) or SPL-07 (Rejection) orders.
- The GST Portal now allows filing APL-01 appeals against SPL-07 rejection orders.
- This facility enables taxpayers to challenge waiver application rejections online.
- Appeals under the waiver scheme cannot be withdrawn once submitted.
- Taxpayers should review all details carefully before filing.
- Those not appealing SPL-07 can restore their original appeal withdrawn for the waiver application.
- Restoration is possible through submission of an undertaking in the Waiver Application case folder.
- This update ensures a formal route to contest waiver rejections.
- It also provides an option to reinstate previous appeals if waiver is denied.

Advisory-2 GSTR-3A Notices to Cancelled Composition Taxpayers

- Notices in Form GSTR-3A are issued for non-filing of GSTR-4. Due to a system glitch, such notices have been wrongly sent in some cases.
- Affected cases include taxpayers whose registrations were cancelled before FY 2024-25.

- The matter is under examination by the authorities. The technical team is working on corrective measures to avoid recurrence.
- Taxpayers who have already filed the return or had their registration cancelled before FY 2024-25 should ignore these notices. No action is required from such taxpayers in these cases.
- This is an inadvertent system issue, not a compliance lapse by taxpayers.

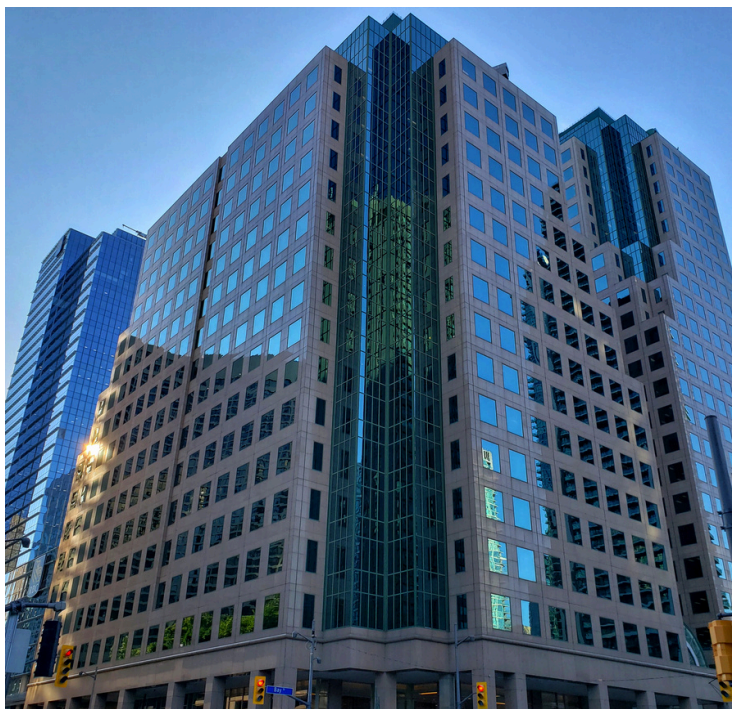
Advisory:3 Taxpayer Advisory on upcoming security enhancements

GSTN is introducing new features to boost data security and transparency for taxpayers using ASPs via GSPs. Taxpayers will get email/SMS alerts whenever OTP-based consent is granted to an ASP, with details like ASP/GSP name, consent date/time, and validity.

The GST Portal will show current and past ASP/GSP access records. Taxpayers will be able to revoke active consents directly from their dashboard. Rollout dates will be announced through future advisories. Taxpayers should upload supporting payment documents for verification by the jurisdictional officer.



SEBI UPDATES



Submission of Quarterly Compliance Report (QCR) to the Trustee by 31st July, 2025

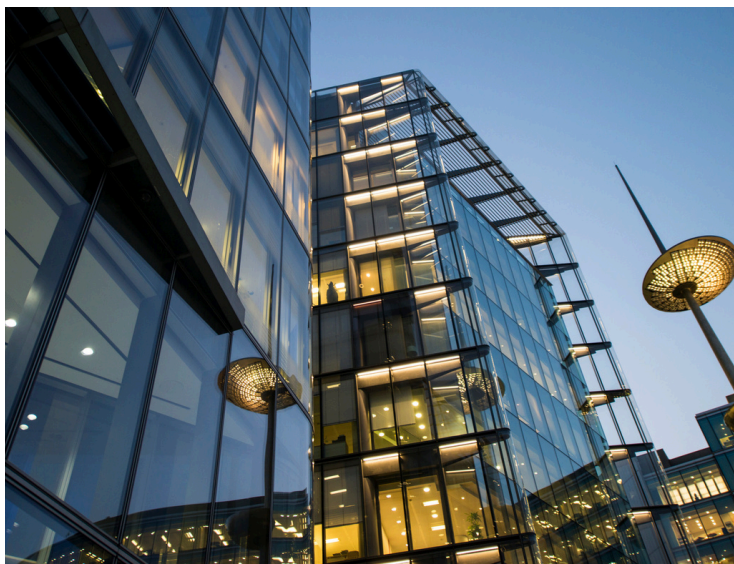
In line with the regulatory requirements set forth by the Securities and Exchange Board of India (SEBI), Trustees are mandated to exercise continuous oversight over the operations of the Fund and its Manager to ensure compliance with applicable laws and guidelines. To facilitate this process, a standardized format for the Quarterly Compliance Report (QCR) has been developed, which must be completed and submitted to the Trustee within the timelines prescribed. This report serves as a critical tool for the Trustee to assess adherence to regulatory and internal compliance standards. All concerned entities are therefore requested to ensure timely submission of the QCR, duly signed by the designated Compliance Officer, as an affirmation of the accuracy and completeness of the information provided. The last date to submit the report is 31st July, 2025

SEBI Mandates Revised Quarterly Reporting Format for AIFs via Online Portal

SEBI, through Circular No. SEBI/HO/AFD/SEC-1/P/CIR/2023/0155 dated September 14, 2023, has mandated that all Alternative Investment Funds (AIFs) submit quarterly reports on their activities in a revised format via the SEBI Intermediary Portal (SI Portal). The report must be filed within 15 calendar days from the end of each quarter. This initiative aims to enhance transparency and ensure consistency in regulatory disclosures across the AIF industry. The revised reporting format is available for download at <https://www.ivca.in/regulatory-reports-sebi-circular>. Accordingly, for the quarter ending June 30, 2025, AIFs are required to submit their reports by July 15, 2025, through the SEBI portal.



NBFC UPDATES



New Guidelines on Pre-payment Charges for MSE Loans

Effective January 1, 2026, RBI has standardized pre-payment charges for loans sanctioned or renewed on or after that date. Highlights include:

No pre-payment charges on floating rate loans extended to individuals for non-business purposes.

Individuals and MSEs are exempt from pre-payment charges on loans from most commercial banks, select cooperative banks, NBFC-ULs, and financial institutions.

Small Finance Banks, RRBs, specific cooperatives, and NBFC-MLs cannot charge pre-payment fees for loans up to ₹50 lakh. The directions override any earlier guidelines, which will be repealed from January 1, 2026.

CareEdge Global IFSC Limited Recognized for Basel III Risk Assessment

RBI has permitted banks to use credit ratings from CareEdge Global IFSC Ltd. for risk weighting exposures to non-resident corporates based in IFSCs, alongside agencies like Fitch, Moody's, and S&P. Risk weights range from 20% (AAA) to 150% (BB and below), aiding better Basel III compliance.

Revised Directions on Investment in Alternative Investment Funds (AIFs)

RBI issued new comprehensive norms governing investments by Regulated Entities (REs) in AIFs, effective from January 1, 2026. Key provisions:

Individual REs cannot invest more than 10% of an AIF's corpus; joint RE investments capped at 20%. 100% provisioning is required if over 5% investment in an AIF results in indirect exposure to a debtor company. Subordinated unit investments must be deducted from capital.

Previous circulars dated Dec 2023 and Mar 2024 stand repealed from the effective date, with some transitional provisions allowed. These directions aim to improve risk management and transparency in RE participation in AIFs.



COMPLIANCE CALENDER



Indirect Taxes

August 10th , 2025

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

August 11th , 2025

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

August 13th , 2024

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

August 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

August 07, 2025

- Due date for deposit of Tax deducted/collected for the month of July, 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 July, 2025.

August 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 June, 2025.

August 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 July, 2025
- Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending June 30, 2025.
- Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of July, 2025 has been paid without the production of a challan.

August 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 July, 2025.


August 30, 2025

- Statement in Form no. 10 to be furnished to accumulate income for future application under Section 10(21) or Section 11(1) (if the assessee is required to submit return of income on October 31, 2025)



LINKEDIN ENGAGEMENT

MAY LINKEDIN UPDATE



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"Gift toh diya goodwill ke liye tha... Income Tax ne bol diya – TDS kaatna chahiye tha!"
"Foreign trip toh incentive tha... perquisite maana jaayega?" ...more

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Client paused. We paused. Silence. ...more

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New RBI Guidelines Alert!

Effective Jan 1, 2026, the RBI has rolled out key directives to ...more

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GST Update for Taxpayers

Taxpayers receiving rejection orders (SPL-07) for waiver applications ...more

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Accepting Mistakes Is Also a Mark of Professionalism

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Numbers can be manipulated. Controls can fail. Systems can crash. ...more

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