

# MONTHLY NEWSLETTER

## Welcome to our monthly newsletter

We bring you a concise and noteworthy regulatory developments in Income Tax, Goods & Services Tax, Companies Act during October 2025. We had tried to cover all important updates occurred during October 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](mailto:info@nucleusadvisors.in).

## Direct Tax Updates

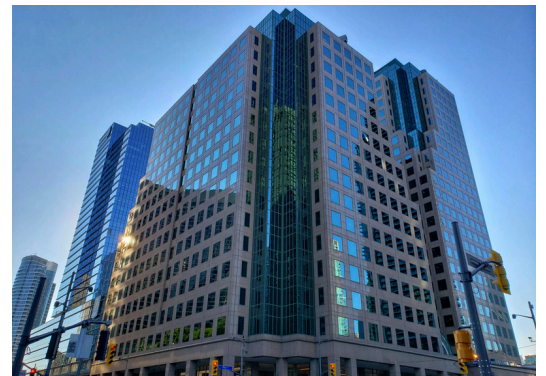
### Allahabad High Court: Refund Cannot Be Denied Merely Due to TDS Mismatch in Form 26AS

#### Background and Context

The petitioner (a business taxpayer) had been regularly assessed under the Income-tax Act, 1961. For multiple assessment years (A.Ys 2009-10 to 2015-16), the taxpayer claimed refunds aggregating about ₹ 1.5 crore based on tax deducted at source (TDS) by various parties who made payments to him.

Although the petitioner possessed all Form 16A TDS certificates issued by the deductors, the tax credit for some of those entries did not appear in Form 26AS (the consolidated TDS statement on the TRACES portal).

When the taxpayer filed returns, the Assessing Officer (AO) accepted the income computation but refused to grant TDS credit for the portions missing from 26AS. Consequently, the AO adjusted or withheld the refunds and even issued a demand notice under Section 226(3) to recover alleged shortfall.





### Facts of the Case:

1. Multiple years affected: Refunds for seven assessment years were blocked or adjusted.

2. Reason given: "TDS not reflected in Form 26AS; therefore, credit not verifiable."

3. Taxpayer's action:

- Submitted original TDS certificates (Form 16A) issued by the deductors.
- Produced deductors' PAN and TAN details and payment confirmations.
- Filed rectification applications under Section 154 and multiple written representations.

4. Department's stance: It claimed that unless the TDS appears in 26AS, the system does not permit granting credit. The AO also stated that the deductors might have failed to upload TDS statements or pay the deducted tax to the government.

5. Effect: Refund of around ₹ 1.5 crore was effectively frozen since 2018.

Prayer (Relief Sought) before the High Court

The petitioner approached the High Court under Article 226 of the Constitution of India, praying for:

1. Quashing of the recovery notice issued under Section 226(3).
2. Direction to grant TDS credit based on valid certificates (Form 16A).
3. Direction to release refund of ₹ 1.5 crore with statutory interest.
4. Order to dispose of pending rectification applications under Section 154 expeditiously.

Issues for Consideration

1. Can the Income-tax Department deny TDS credit merely because the amount is not visible in

Form 26AS, even when the taxpayer holds genuine certificates issued by deductors?

2. Does a mismatch between Form 26AS and Form 16A justify withholding or adjusting refunds?

3. What are the duties of the Assessing Officer when a mismatch arises — must the AO verify with the deductor, or can the burden remain on the taxpayer?







## Arguments

### Petitioner's Counsel

- Section 199(1) read with Rule 37BA of the Income-tax Rules makes it clear that credit for TDS must be given to the person from whose income tax has been deducted, once he produces evidence of deduction (Form 16A).
- The taxpayer cannot be penalised for deductor's failure to upload statements or deposit TDS correctly.
- Form 26AS is a mechanism of convenience, not a condition precedent to claim credit.
- The Department's refusal to issue refund violates Article 265 (no tax except by authority of law) and principles of natural justice.

### Respondent (Income-tax Department)

- Form 26AS is generated from data uploaded by deductors and represents the official record of TDS deposited.
- If the amount does not appear there, the credit is unverifiable, and refund cannot be granted until reconciliation occurs.
- The AO followed system-based instructions and therefore acted correctly.

### Judgment and Reasoning

The Allahabad High Court rejected the Department's position and allowed the writ petition.

### Key Findings:

#### 1. Form 26AS is not conclusive proof

- It is an information statement generated by the TRACES system; it does not override statutory evidence such as TDS certificates (Form 16A).





## 2. Burden of verification lies with the AO, not taxpayer

- Once the taxpayer produces authentic certificates and deductor details, the AO must verify directly with the deductor or the TDS officer rather than penalising the assessee.

## 3. Refund cannot be withheld indefinitely

- Section 237 and 240 of the Act mandate the Department to grant refund once excess tax is established. Delaying refund due to technical mismatches is unjustified.

## 4. Reliance on precedent:

- The Court referred to Delhi High Court's decision in *Court on its Motion v. CIT* (2013) 354 ITR 292, and its own earlier ruling in *Rakesh Kumar Gupta v. Union of India* (2014), both holding that taxpayers must not suffer for deductors' defaults.

## 5. Systemic obligation:

- CBDT and Income-tax Department must create a mechanism to cross-verify mismatched TDS entries without denying legitimate refunds.

## Final Directions

- The Assessing Officer was directed to grant full TDS credit based on the Form 16A certificates submitted.
- The Department was ordered to release the refund of ₹ 1.5 crore with applicable interest under Section 244A within a stipulated period (six weeks).
- The AO must rectify the records under Section 154 accordingly.
- The Court quashed the demand notice under Section 226(3) as unsustainable.

## Significance of the Judgment

- 1. Protection for honest taxpayers: Ensures refunds are not denied for reasons beyond taxpayers' control.
- 2. Clarifies evidentiary hierarchy: Form 16A (statutory certificate) outweighs system-generated Form 26AS.
- 3. Promotes administrative fairness: Forces the Department to act on merits rather than automated system restrictions.
- 4. Sets precedent for similar cases involving TDS mismatches, especially for older assessment years.

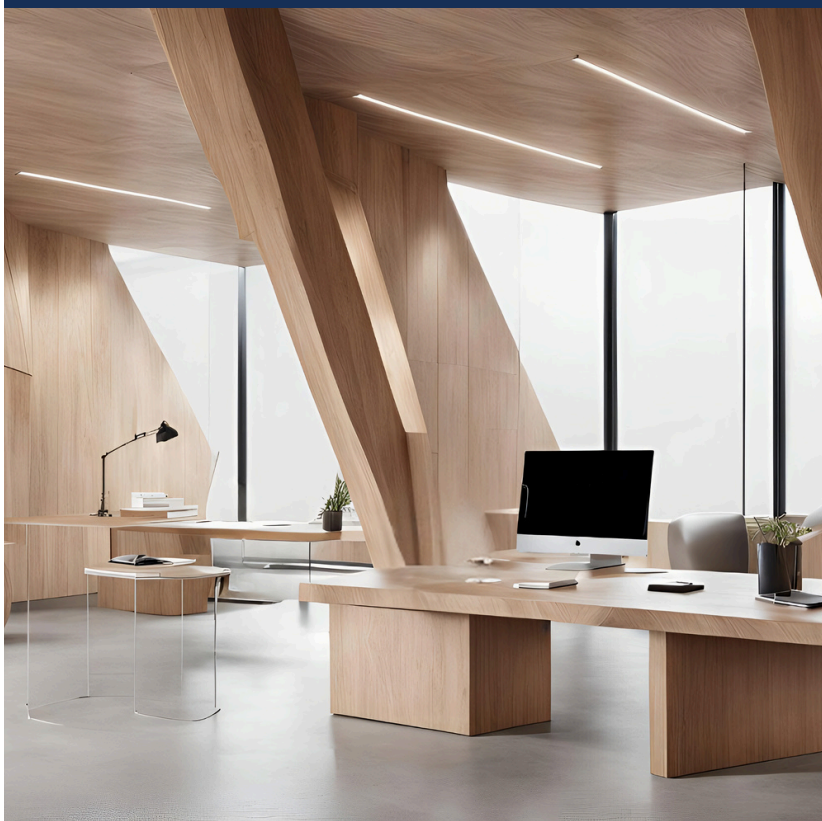




### In Simple Words

The Court basically said:

"If you, the taxpayer, have genuine TDS certificates proving that tax was deducted from your income, the Income-tax Department must give you credit and issue your refund — even if that TDS doesn't show up in Form 26AS. The department can't make you suffer for someone else's filing error."



## Extension of timelines for filing Income Tax Returns (ITRs) and Audit Reports for the Assessment Year 2025-26.

The Central Board of Direct Taxes (CBDT) has announced an extension of timelines for filing Income

Tax Returns (ITRs) and Audit Reports for the Assessment Year 2025-26.

Under the powers conferred by Section 119 of the Income-tax Act, 1961, the Board has extended the following due dates:

Due date for filing ITR (for assesses covered under clause (a) of Explanation 2 to Section

139(1)):

Extended from 31st October 2025 to 10th December 2025.

Due date for furnishing Tax Audit Report (under Section 44AB):

Extended from 30th September 2025 to 10th November 2025.

This extension provides much-needed relief to taxpayers and professionals, allowing additional time to complete audit formalities and ensure accurate filing of returns.



# GST UPDATES



## Advisories:

### 1. Important Advisory on IMS

#### No Change in ITC Auto-Population:

ITC will continue to auto-populate from GSTR-2B to GSTR-3B as before. The new Invoice Management System (IMS) does not change this process.

#### GSTR-2B Generation:

- GSTR-2B will still be generated automatically on the 14th of every month.
- Taxpayers can take actions in IMS even after generation and regenerate GSTR-2B if needed before filing GSTR-3B.

#### Credit Note Handling (from Oct 2025 period):

- Recipients can keep Credit Notes pending for a specified period.
- On acceptance, recipients can manually adjust ITC reversal only to the extent of ITC availed.

### 2. Advisory for GSTR 9/9C for FY 2024-25

- GSTR-9 and GSTR-9C for FY 2024-25 have been enabled on the GST portal from 12th October 2025.
- Taxpayers must ensure that all GSTR-1 and GSTR-3B returns for FY 2024-25 are filed to enable access to the GSTR-9/9C tile.

- A new feature has been introduced in the Invoice Management System (IMS) on the GST portal, allowing taxpayers to mark credit notes as "Pending" for one tax period. Additionally, the IMS functionality has been enhanced to provide flexibility for taxpayers to modify their ITC reversal upon acceptance of such credit notes, helping to resolve several business-related disputes.
- For a better understanding of this new facility, please [click here](#) to access the FAQs.

### 3. Introduction of Pending Option for Credit Notes and declaration of Reversal amount in IMS

A new feature has been introduced in the Invoice Management System (IMS) on the GST portal, allowing taxpayers to mark credit notes as "Pending" for one tax period. Additionally, the IMS functionality has been enhanced to provide taxpayers with the flexibility to modify their ITC reversal upon accepting such credit notes, helping to resolve various business-related discrepancies.

### 4. Introduction of Import of Goods details in IMS

IMS now includes Import of Goods (BoE) data beginning October 2025.

Taxpayers can review and act on each BoE directly within IMS.

No action = deemed acceptance of the BoE.

GSTR-2B will be auto-generated after considering the taxpayer's actions in IMS. Feature enhances transparency and alignment of import data with ITC claims.



# GST UPDATES



## Circulars

1. Regarding withdrawal of circular No. 212/6/2024-GST.

- The CBIC has withdrawn Circular No. 212/6/2024-GST dated 26 June 2024, which earlier prescribed the procedure for proving compliance of Section 15(3)(b)(ii) (post-sale discounts linked to agreements).
- With this withdrawal, taxpayers are no longer required to follow the documentary evidence procedure prescribed earlier regarding post-sale discounts. What is Section 15(3)(b)(ii) – Post-sale discounts through credit notes? For a supplier to reduce GST using a credit note for a post-sale discount, the law requires:

1. Discount must be established in terms of an agreement entered before or at the time of supply.

2. Recipient must reverse proportionate ITC related to the discount. The withdrawn circular had prescribed detailed documentation to prove eligibility of post-sale discounts under Section 15(3)(b)(ii).

- Suppliers needed agreements, email evidence, credit notes, and recipient declarations confirming ITC reversal.
- Recipients had to certify ITC reversal and confirm no extra consideration; CA/CMA certification was required where the discount exceeded ₹50,000 per recipient per financial year.
- The circular also explained how suppliers should report credit notes and how recipients should show ITC reversal on the GST portal.
- Officers could verify all such documents, including CA certificates, during scrutiny or audit.

2. Assigning proper officer under section 74A, section 75(2) and section 122 of the Central Goods and Services Tax Act, 2017 CBIC has assigned proper officers for Section 74A, Section 122, and Rule 142(1A).

Section 74A (new provision from FY 2024-25) determines tax not paid/short paid/wrongly availed ITC.

3. Officers notified: Superintendent, Deputy/Assistant Commissioner, Addl./Joint Commissioner.

4. Monetary limits prescribe which officer issues SCNs/orders — based on combined CGST + IGST amount.

5. Same limits apply for penalty proceedings under Section 122.

6. In Section 75(2) cases (fraud not established), original officer will adjudicate as Section 73.

7. Audit-issued SCNs: Statements for later periods will be issued by jurisdictional commissionerate.

8. Penalties are not included for deciding jurisdiction under 74A.

# GST UPDATES



## Notifications

1. Seeks to extend date of filing GSTR-3B.  
In exercise of the powers conferred by sub-section (6) of section 39, read with section 168 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Commissioner, on the recommendations of the Council, hereby extends the due date for furnishing FORM GSTR-3B electronically on the common portal by registered persons as follows:

- For taxpayers covered under section 39(1), the return for September 2025 may be furnished up to 25th October 2025.
- For taxpayers required to file quarterly returns under the proviso to section 39(1), the return for the quarter July 2025 to September 2025 may also be furnished up to 25th October 2025.

2. Seeks to notify the Central Goods and Services Tax (Fourth Amendment) Rules 2025

CGST (Fourth Amendment) Rules, 2025 –  
Key Regulatory Updates Effective 1 November 2025

The Government has notified the Central Goods and Services Tax (Fourth Amendment) Rules, 2025, introducing significant changes to GST registration processes and compliance obligations. These amendments aim to streamline registrations through automated systems and risk-based verification.





# GST UPDATES



## 1. Introduction of Rule 9A – Automatic Grant of Registration

A new mechanism under Rule 9A enables automatic electronic approval of GST registrations within three working days for applications filed under Rule 8, Rule 12, or Rule 17. This automated approval is based on:

- Data analytics, and
- Risk profiling by the GST common portal. This reduces officer intervention and speeds up the registration process.

2. New Registration Category – Rule 14A (For Low Output Tax Liability Applicants) Rule 14A introduces an optional fast-track registration facility for applicants whose monthly output tax liability does not exceed ₹2,50,000 on supplies made to registered persons.

## Eligibility Conditions

- Application must be filed under Rule 8.
- Aadhaar authentication is mandatory, except for persons notified under Section 25(6D).
- Only one registration per State/UT per PAN under this rule. Approval Timeline Upon successful Aadhaar authentication, registration will be granted electronically within 3 working days.

3. Withdrawal from Rule 14A (FORM GST REG-32) Taxpayers who wish to exit this optional scheme must file FORM GST REG-32, subject to the following:

## Pre-conditions

- All GST returns from the date of registration must be filed.
- Minimum return-filing period required:
- 3 months if withdrawal application is filed before 1 April 2026
- 1 tax period if filed on or after 1 April 2026
- No pending cancellation proceedings under Section 29. Post-withdrawal Impact From the next month after withdrawal approval:
- Taxpayers may report output tax exceeding ₹2,50,000 per month.
- Output tax liability for past periods cannot be revised upward beyond the prescribed limit.



# GST UPDATES



4.Aadhaar/ Biometric Validation for Withdrawal Applications Withdrawal applications may be routed through Aadhaar or biometric authentication, including photograph and document verification, based on risk parameters.

5.Amendments to Registration Forms Key form changes include:

## FORM GST REG-01

- New option added for Rule 14A registration.
- Applicant required to submit a declaration confirming compliance with Rule 14A conditions.

• OTP-based Aadhaar authentication made mandatory for Rule 14A applicants. FORM GST REG-02

• Updated references to include Rule 14A. FORM GST REG-03

• Completely substituted with a revised format (details provided in the notified form). Procedural Controls

• Ensure timely filing of returns to avoid restrictions while applying for withdrawal from Rule 14A.

• Maintain accurate reporting of output tax to prevent breaches of the prescribed monthly threshold.





# COMPLIANCE CALENDER



## Direct Taxes

November 07, 2025

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

November 14, 2025

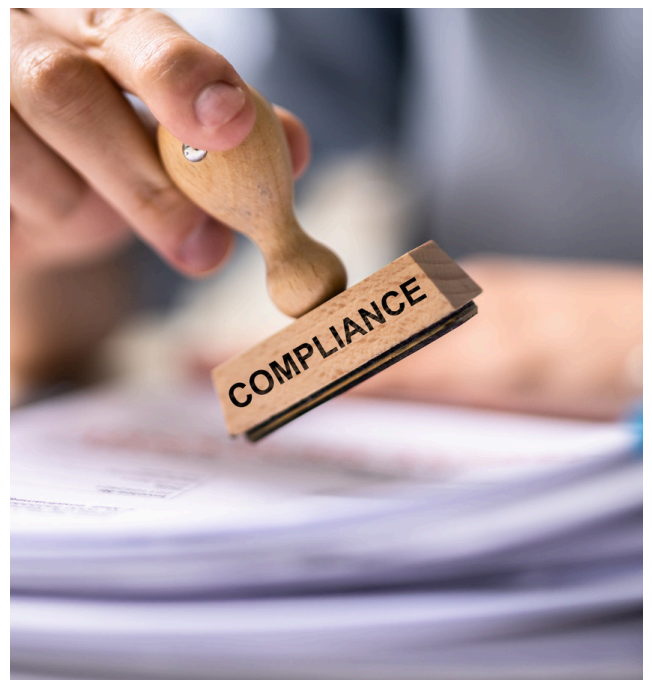
- Due date for issue of TDS Certificate for tax deducted under section 194-IA, section 194-IB, section 194M, section 194S (by specified person) in the month of September, 2025.

November 15, 2025

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

November 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 October, 2025.
- Return of income for the assessment year 2025-26 in the case of an assessee if he/it is required to submit a report under section 92E pertaining to international or specified domestic transaction(s).





# SEBI UPDATES

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Alternative Investment Funds (AIFs) registered with SEBI are required to submit the Quarterly Activity Report on a quarterly basis. The QAR 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 October 2025.





# LINKEDIN ENGAGEMENT

## MAY LINKEDIN UPDATE




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