

# Tax Street

A flagship publication that captures key developments in the areas of Tax and Regulatory environment

February 2025



## Introduction

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We are pleased to present the latest edition of Tax Street – our newsletter that covers all the key developments and updates in the realm of taxation in India and across the globe for the month of February 2025.

- The 'Focus Point' recent updates on principal purpose test.
- Under the 'From the Judiciary' section, we provide in brief, the key rulings on important cases, and our take on the same.
- Our 'Tax Talk' provides key updates on the important tax-related news from India and across the globe.
- Under 'Compliance Calendar', we list down the important due dates with regard to direct tax, transfer pricing and indirect tax in the month.

We hope you find our newsletter useful and we look forward to your feedback.

You can write to us at [taxstreet@nexdigm.com](mailto:taxstreet@nexdigm.com). We would be happy to hear your thoughts on what more can we include in our newsletter and incorporate your feedback in our future editions.

Warm regards,  
The Nexdigm Team

## Focus Point

## Recent Updates on Principal Purpose Test

### Background

The OECD came up with 15 Action Plans on Base Erosion and Profit Shifting (BEPS). Action Plan 15 consisted of the implementation of a Multi-Lateral Instrument (MLI) to implement the treaty-based amendments in line with the BEPS Action plans. The MLI modifies some of India's Double Taxation Avoidance Agreements (DTAAs). MLI entered into force in India on 1 October 2019.

A key provision of the MLI is the Principal Purpose Test (PPT) which seeks to curb revenue leakage by preventing treaty abuse in line with Action Plan 6. While the PPT is included in most of India's DTAAs through the MLI, it is part of some other DTAAs through bilateral processes.

The PPT reads as follows:

"Notwithstanding the other provisions of this Convention (or Agreement), a benefit under this Convention (or Agreement) shall not be granted in respect of an item of income if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of this Convention (or Agreement)."

The determination of whether one of the principal purposes for entering transaction(s) or arrangement(s) is to obtain tax advantage(s) should be based on an objective assessment of the relevant facts and circumstances.

CBDT<sup>1</sup> has recently come up with a circular to provide clarity and certainty on the application of the PPT provision under India's DTAAs, the broad guidance provided is discussed below.

### Application of PPT

To ensure parity and uniformity in the application of the PPT provision under India's DTAAs, it is clarified that the PPT provision is intended to be applied **prospectively**. Accordingly, the PPT provision under India's DTAAs shall apply as follows:

Sr. No.	Perticulars	Application
1.	Treaties where PPT has been Incorporated through bilateral processes (Such as Chile, Hong Kong, Iran, China etc.)	From the date of entry into force of the DTAA or the amending protocol incorporating the PPT.
2.	Treaties where the PPT has been incorporated through the MLI.	<p><b>For taxes withheld at source:</b> MLI will apply from the previous year that begins after the latest date on which MLI comes into force for the countries involved in the DTAA.</p> <p><b>For all other taxes levied:</b> MLI will apply from the previous year beginning after a period of six calendar months after the latest date on which MLI comes into force for the countries involved in the DTAA.</p>

1 CBDT Circular No.01/2025 dated 21 January 2025

### The interplay of PPT and Certain Treaty-specific Bilateral Commitments

India has made certain treaty-specific bilateral commitments in the form of grandfathering provisions under the following DTAA's, as of date:

- i. India-Cyprus DTAA
- ii. India-Mauritius DTAA
- iii. India-Singapore DTAA

Under these three treaties, capital gains were taxable only in the resident state as per the erstwhile clauses. However, a grandfathering clause was introduced in all three treaties whereby shares acquired before 1 April 2017 would be exclusively taxed in the resident state. However, shares acquired after 1 April 2017 would also be taxed in the source state.

In view of the same, CBDT in its circular has clarified that the grandfathering clauses will remain outside the purview of PPT provisions and shall be governed by Specific Provisions of the respective Treaties.

Thus, the following is the state of taxability under the above three treaties:

Particulars	India-Mauritius Treaty	India-Singapore Treaty	India-Cyprus Treaty
Shares acquired before 1 April 2017	Not taxable	Not taxable	Not taxable
Whether Line Of Business (LOB) remains applicable to the above transactions?	No	Yes	No
Whether PPT remains applicable to the above transactions?	No	No	No
Share acquired after 1 April 2017	Taxable	Taxable	Taxable

### Sources of Guidance

As stated above, PPT is a context-specific, fact-based exercise to be carried out on a case-to-case basis. Therefore, CBDT has clarified that sources of guidance include Action Plan 6 of the final report (subject to India's reservations) as well as Commentary to Articles 1 and 29 of the UN Model Tax Convention.

### Our Comments

The CBDT's above guidance on the application of the PPT provisions is a positive step as it helps clarify its overall scope and applicability on tax treaties where MLI is applicable. With the MLI now in effect between India and most of its treaty partners, the PPT provisions are already applicable to many international tax agreements. This new guidance from the CBDT will assist businesses in understanding and dealing with the impact of the PPT on their cross-border transactions.

Additionally, the Circular clears up India's stance on providing "grandfathered" benefits to treaty residents from Mauritius, Singapore, and Cyprus. This means these countries' residents may still enjoy certain tax benefits under older rules.

### Quotes & Coverage

#### New Income Tax Bill Seeks To Simplify Compliance, Retain Core Tax Principles

13 February 2025

<https://tinyurl.com/34zvrfbv>

Business World | Sneha Pai

#### New Income Tax Bill 2025: Key Things to know

13 February 2025

<https://tinyurl.com/4ptrdbzj>

CNBC TV18 | Sneha Pai

#### New Income Tax Bill 2025 tabled in Lok Sabha; know what will change for taxpayers

13 February 2025

<https://tinyurl.com/37kru2ev>

ET Now | Sneha Pai

#### Income Tax Bill 2025: What It Means for Paycheck, Deductions & ITR Filing

13 February 2025

<https://tinyurl.com/uzxwbsep>

Outlook Business | Sneha Pai

#### New Income Tax Bill 2025 Live Updates: FM Nirmala Sitharaman tables the new income tax bill in Lok Sabha; tax bill 2025 vs income tax act 1961, Check key Changes

13 February 2025

<https://tinyurl.com/3s3dmapx>

The Economics Times | Sneha Pai





## From the Judiciary

### Direct Tax

#### Does the mere presence of a subsidiary or its activities automatically create a Permanent

Nokia Networks OY [TS-132-HC-2025(DEL)]

##### Facts

Nokia Networks OY, a Finnish Company (Assessee) engaged in supplying telecom equipment, has limited contractual engagements in India, with its Liaison Office (LO) serving as a communication link for marketing and business development without generating taxable income. Its subsidiary, Nokia India Private Limited (NIPL), operates independently, providing installation and maintenance services under separate contracts with Indian telecom operators.

The Assessing Officer (AO) concluded that Nokia had a Permanent Establishment (PE) in India through its LO and NIPL, imposing tax liabilities on income from hardware sales and services.

The Income Tax Appellate Tribunal (ITAT) disagreed, ruling that the LO did not constitute a PE under the India-Finland tax treaty. The Tribunal also clarified that while hardware sales occurred outside India, no taxable income was generated in India. However, it noted that NIPL's activities, such as network planning and contract signing, could potentially create a PE. The Tribunal stated that further analysis was needed on profit attribution to this potential PE.

The Revenue appealed to the Delhi High Court, challenging the Tribunal's conclusions. Under India's DTAAs, the broad guidance provided is discussed below.

##### Held

The court reinforced that the existence of a PE cannot be determined based on subjective perceptions of "virtual projection" but must rely on objective, evidence-based standards as outlined in Article 5 of the tax treaty. The Tribunal had previously found that NIPL operated independently, without the authority to enter contracts

binding Nokia OY, and its activities were disconnected from those of Nokia OY. Consequently, the appellants did not demonstrate that NIPL constituted either a Fixed Place PE or a Dependent Agent PE. The court concurred with the Tribunal's findings and emphasized that the mere relationship of a subsidiary to its parent company does not in itself define PE status, underlining that a thorough factual analysis is necessary for determining such matters

##### Referred cases

- Director of Income Tax, International v. Western Union Financial
- Progress Rail (supra)
- Hyatt International Southwest Asia Ltd. Vs. Additional Director
- Formula One World Championship Ltd. v. CIT

##### Our Comments

This case highlights that merely having a subsidiary in a country does not automatically establish a PE for the parent company. Instead, a thorough analysis of the subsidiary's activities, its authority, and its relationship with the parent company is required.

#### Does salary reimbursement on seconded employees constitute Fees for Technical Services (FTS)?

Flipkart Internet Private Limited  
[TS-115-HC-2025(KAR)]

##### Facts

Assessee, an Indian Company is a subsidiary of a foreign entity in Singapore. The said foreign entity had entered into an Inter-Company Master Service Agreement with the holding company Walmart Inc., Delaware, which is a USA entity.

Accordingly, Walmart seconded its employees to the assessee. For the seconded service, the assessee

remitted the salary amount to the US entity by way of reimbursement. The Assessing Officer concluded that the amount earned as income by the foreign entity in India is liable for levy of tax under Section 195 of the 1961 Act, the said income not being the salary reimbursement of the employees concerned. AO recorded the finding that the services rendered by the seconded employees would fall within the precincts of Section 9(1)(vii) of the 1961 Act and that the payment made by the Assessee-Company is towards consideration for the technical services rendered by the foreign entity.

### Held

The Karnataka High Court noted that the Single Judge Bench had relied on the co-ordinate bench ruling in **Abbey Business Services**<sup>2</sup> India to conclude that the Secondment Agreement between Flipkart and Walmart constituted an independent contract of service.

The HC dismissed the Revenue's contention that the absence of termination power over the seconded employees disproved the employer-employee relationship. It observed that such arrangements are common in international business and do not necessarily follow the traditional indicators of control and supervision. The court emphasized that if the Triple Test (direct control, supervision, and direction) is satisfied, a strong case for the employer-employee relationship exists, even if some traditional indicators are missing. The HC confirmed that the reimbursement of amounts after deducting TDS was not disputed by the Revenue, and dismissed the writ appeal, clarifying that the doctrine of estoppel was not invoked.

### Our Comments

This judgment highlights that in international business arrangements, traditional employer-employee indicators may not always apply, and the Triple Test (control, supervision, and direction) can help establish such a relationship. It also emphasizes the need for flexible interpretation of tax laws in cross-border transactions involving reimbursements.

## Alerts

### Key Highlights GST Notifications and Clarification Circulars

4 March 2025

<https://tinyurl.com/yc42y69m>

Money Control | Sneha Pai



## Transfer Pricing

### HC: Stressing on 'importance of time', holds AO's order barred by limitation

Sterling Oil Resources Ltd [TS-41-HC-2025(BOM)-TP]

Assessment Year 2010-11

### Facts

The dispute revolves around the Assessing Officer (AO)'s final assessment order, which was passed pursuant to directions of the Dispute Resolution Panel (DRP). The DRP directions were received by the AO on 23 December 2014, wherein the DRP directed the AO to consider the State Bank of India (SBI) Prime Lending Rate (PLR) of FY 2009-10 as the arm's length price for evaluating the share application money transaction. The AO forwarded the directions to the TPO on 5 January 2015 and the TPO recomputed the total adjustment (INR 493.9 million) via an order dated 27 January 2015. Thereafter, AO passed the final assessment order on 27 February 2015.

On the taxpayer's appeal with the Income Tax Appellate Tribunal (ITAT), the ITAT held that the assessment order is beyond the limitation period of one month from the end of the month in which the DRP's directions were received by the AO.

Revenue filed an appeal before the High Court (HC) challenging the ITAT's order.

### Revenue's contention before the HC

The Revenue argued that the time limit provided by Section 144C (13) of the Act is directory and not mandatory.

### Taxpayer's contention before HC

The Taxpayer submitted that provisions relating to limitation should be construed strictly and there is no provision for condoning the delay if the order is not passed within the time limit provided u/s 144C(13) of the Act, it is a clear-cut violation wherein the whole assessment order is bad in law and shall be quashed.

### Held by the HC

The HC rejected the Revenue's argument that the time limit u/s 144C(13) was merely a directory, clarifying that Section 144C(13) was designed to speed up the resolution of disputes. The HC emphasized that if the Revenue's view were accepted, it would not only create uncertainty regarding the timeline for completing assessments, contradicting the objectives of Section 144C but would also result in a delay in recovery of tax by the revenue.

The HC further stated that Section 144C(13) is the reincarnation of Section 153 which provides for a time limit for completion of the assessments. If the provisions of Section 153 are to be construed mandatorily, then the provisions of Section 144C(13) shall also be construed mandatorily.

The HC highlighted that the limitation period for the final assessment order u/s 144C(13) of the Act should be counted from the end of the month in which the DRP's directions were received by AO (23 December 2014) and not from the TPO's order of 27 January 2015. Therefore, the HC concluded that the assessment order passed by the AO is bad in law, as the same is barred by time limitations.

### Our Comments

It is of utmost importance on the part of the taxpayer/consultants, as a starting point, to appropriately check whether stipulated time limits are met by the authorities while passing the orders. In case an order is barred by time limitation, it might result in the quashing of the order since the same becomes a defunct order and makes it invalid in the eyes of law.

### ITAT: Directs AO/TPO to consider TP study report for de novo order u/s. 92CA

Senatech India Pvt Ltd [TS-47-ITAT-2025(DEL)-TP]

Assessment Year 2020-21

#### Facts

The assessee is engaged in manufacturing and processing various mobile die-cut tape parts like sponge tape, heat resistance tape, double-side tape, battery tape etc. which are used in mobile phones. The Assessee responded to various Notices u/s 92CA and furnished audited financial statements, Form 3CA-CD, Form 3CEB, Loan Agreement, Audit Report, and various other details. However, the assessee did not furnish the Transfer Pricing Study Report (TPSR).

The TPO selected the Transaction Net Margin method (TNMM), instead of the Resale Price Method (RPM) used by the assessee, as the most appropriate method and selected 10 comparables, thereby, arriving at a margin of 3.03% against the assessee's margin - 0.13% and made adjustment accordingly. The AO had passed the order incorporating TP adjustment, against which the assessee had filed an application before DRP.

The DRP rejected certain grounds of the assessee and directed a re-verification of comparables. The assessee then filed an appeal before the ITAT.

#### Taxpayer's contention before ITAT

The Assessee argued that it is a trader and not a manufacturer and it contested TPO's use of TNMM instead of RPM used by the assessee. It further submitted that TPO selected faulty comparables engaged in dissimilar activities than that of the assessee. Additionally, it contested the loss-making filter applied by the TPO, as the assessee itself has reported a loss in the current year.

#### Revenue's contention before the ITAT

Revenue highlighted that TPSR was furnished by the assessee only on 21 July 2023 and TPO had passed the

order u/s 92C(3) on 27 July 2023. Therefore, in such a short period the TPO had no occasion to study and verify the TPSR adequately.

#### Held by the ITAT

Considering the TPO did not have adequate time to study the TPSR, ITAT set aside the order and remitted the matter back to the file of the AO/TPO for fresh consideration of TPSR.

### Our Comments

The ruling highlights the importance of submitting the proper documentation whenever requested by the tax authorities and on a timely basis, as delay in submission can lead to the matter being remitted back for fresh consideration, which not only may result in a delay in the conclusion of assessment and administrative inconvenience caused by it but also might lead to additional adjustments and unfavourable outcomes for the taxpayer.

### Quotes & Coverage

How will senior citizens benefit from increased TDS limits?

6 February 2025

<https://tinyurl.com/3492c5fu>

India Today | Sneha Pai

Centre sets new five-year target to cut debt to half of GDP; signals robust capital spending, support to states

2 February 2025

<https://tinyurl.com/4m8wbhhsa>

Mint | Subodh Dandawate

Union Budget 2025: Govt committed to ensuring regulations keep pace with global technological advancements, says Sitharaman

2 February 2025

<https://tinyurl.com/54wzavus>

The Economic Times | Sanjay Chhabria

Development of top tourist destinations to fuel hotel supply, e-visa to make India more attractive

1 February 2025

<https://tinyurl.com/2s3s8293>

Money Control | Sneha Pai



## Tax Talk

### Indian Developments

#### Direct Tax

##### The CBDT has prescribed a due date for furnishing a statement by Non-Residents (NRs) having a liaison office in India through an amendment in Rule 114DA

Notification NO. G.S.R. 125(E) [NO. 14/2025/F.NO. 370142/2/2025-TPL], dated 7 February 2025

- As per Rule 114DA, non-resident entities are required to file an annual statement in Form No. 49C under Section 285 for each financial year and such statement is furnished in Form 49C which Rule 114DA prescribes.
- The CBDT has amended Rule 114DA to specify that the due date for furnishing Form 49C, which was previously sixty days from the end of the financial year under Section 285, shall now be extended to eight months from the end of the financial year.

##### Income-tax rule 2F amended for infrastructure debt funds

- Central Board of Direct Taxes specifies that Infrastructure Debt Funds (IDFs) must operate as Non-Banking Financial Companies (NBFCs).
- Investment by IDFs is now restricted to infrastructure projects that have been operational for at least a year or toll-operate-transfer projects as direct lenders.
- IDFs can raise funds through rupee or foreign currency bonds, zero-coupon bonds, or external commercial borrowings (ECBs), subject to Reserve bank of India (RBI) and Foreign Exchange Management Act, 1999 (FEMA) regulations.
- External commercial borrowing tenors must be at least five years, and funds cannot be sourced from foreign branches of Indian banks.
- The amendments also introduce restrictions on IDF investments in projects where their significant shareholders or associated enterprises hold substantial interests. Additionally, the definition of "specified shareholder" has been revised to include entities holding at least 30% voting power in an IDF.

##### Amendment in form no. 10JH, substitution of rules 12CA, 12CC and form nos. 64A, 64B, 64C, 64D 64E and 64F

Notification G.S.R. 145(E) [NO. 17/2025/F. NO. 370142/28/2024-TPL], dated 24 February 2025

- The amendments discussed in the below points primarily focus on revising reporting requirements for business trusts and securitization trusts.
- Under Rule 12CA, the statement of income distributed by a business trust to its unit holder shall be furnished to:
  - The Principal Commissioner or the Commissioner of Income-tax, as the case may be, within whose jurisdiction the principal office of the business trust is situated by the 15th day of June of the financial year following the previous year during which the income is distributed electronically under digital signature, in Form No. 64A duly verified by an accountant; and
  - The unit holder by the 30th day of June of the financial year following the previous year during which the income is distributed in Form No. 64B.
- Under Rule 12CC, the statement of income paid or credited by a securitization trust to its investor shall be furnished to:
  - The Principal Commissioner or the Commissioner of Income-tax, as the case may be, within whose jurisdiction the principal office of the securitization trust is situated by the 15th day of June of the financial year following the previous year during which the income is paid or credited electronically under digital signature, in Form No. 64E duly verified by an accountant; and
  - The investor by the 30th day of June of the financial year following the previous year during which the income is paid or credited in Form No. 64F.



4. The said notification also updates Form No. 10IH and replaces Forms 64A to 64F with revised formats in Appendix-II, streamlining the reporting of income distributions and payments by these trusts. These changes aim to enhance transparency and compliance in the taxation of income distributed by business trusts and securitization trusts to their unit holders and investors.

### Clarification on income-tax deduction from salaries during financial year 2024-25 under section 192

Circular NO. 3/2025 [F. NO. 275/107/2024-IT(B)], dated 20 February 2025

This circular outlines the amendments made by the Finance (No. 2) Act of 2024, Finance (No. 1) Act of 2024, and Finance Act of 2023 regarding the income tax deduction rates under Section 192 for "Salaries." Where no amendments have been made, Circular No. 24 of 2022 will remain applicable for the Financial Year 2024-25.

### Quotes & Coverage

#### Budget 2025: MSME Sector Welcomes Credit Expansion, Calls For More Reforms

1 February 2025

<https://tinyurl.com/4b6fzc8x>

Business World | Sanjay Chhabria

#### Budget 2025: NPS Vatsalya to get Tax deduction benefit

1 February 2025

<https://tinyurl.com/mwdd83rc>

CNBC TV18 | Sneha Pai

#### Your Budget 2025 Guide: Income tax slabs, rates, and key benefits. All your queries answered

1 February 2025

<https://tinyurl.com/449ra9j5>

Mint | Sneha Pai

#### Union Budget 2025 Highlights & Announcements: Middle class-friendly Budget focuses on consumption boost, no income tax payable up to income of ₹12 lakh in New Tax regime

1 February 2025

<https://tinyurl.com/yc2rxfb7>

The Hindu | Subodh Dandawate



## Indirect Tax

### Customs

#### Automation of Customs Refunds

Circular No. 05/2025-Customs, dated 17 February 2025

The Central Board of Indirect Taxes and Customs (CBIC) has announced the automation of the procedure for claiming customs duty refunds through the Indian Customs Electronic Gateway (ICEGATE) portal. Said move seeks to enhance transparency and expedite the disbursal of refunds in electronic mode. Some of the key features of the new system include:

- Electronic filing of refund applications and generation of a unique Application Reference Number (ARN) for tracking purposes.
- Option to request re-assessment of bill of entry in case required before refund.
- Credit of approved refund to the applicant's bank account through the Public Financial Management System (PFMS) system.
- Realtime status updates, intimation of deficiency, issuance of show cause notice, if any, electronically through the ICEGATE portal.
- Post-audit mechanism, in place of concurrent audits for improved efficiency.

As a transitional measure, applicants may submit refund applications either manually or online until 31 March 2025. However, post the said date, no manual refund applications will be accepted unless explicitly permitted by the concerned Principal Commissioner/Commissioner of Customs, with the reasons recorded in writing.

#### CBIC introduces Single All-India Multipurpose Electronic Bond – 'Ekal Anubandh'

Circular No. 04/2025-Customs, dated 17 February 2025

The CBIC has introduced a Single All-India Multipurpose Electronic Bond (SEB) for importers and exporters in lieu of transaction-based Bonds being submitted across different ports, under the project 'Ekal Anubandh'. SEB can be used towards various obligations vis-à-vis provisional assessment (including CAROTAR, Chemical tests etc.), **export promotion schemes, re-exports, warehousing under Section 59 and Manufacturing & Other Operations in Warehouse Regulations, 2019 (MOOWR) Scheme**. Some of the key features are as follows:

- Importers and exporters can electronically submit bonds via the ICEGATE portal, with the flexibility to include additional obligations or bond amounts over time.
- Stamp duty payments and bond execution will be integrated with the National E-Governance Services Limited (NeSL), allowing electronic signatures and eliminating the need for notarization.

- Electronic Bank Guarantees (e-BGs) can be linked and verified online for seamless compliance.

However, the National Bond under the Import of Goods at Concessional Rate of Duty (IGCR) procedure would continue to be provided separately.

A detailed **advisory** has been provided for industry stakeholders, along with a **comprehensive guide** on the Bank Guarantee requirements. The project will be implemented **in phases** with regular advisories.

### Customs (On-Arrival Movement for Storage & Clearance) Regulations 2025 for AEO T-2 & T-3 importers

Notification No. 11/2025-Customs (N.T.), dated 17 February 2025

The Central Government has introduced a new set of regulations to allow designated importers to store and clear goods at authorized premises instead of ports. The facility will apply to:

1. Importers satisfying the following conditions:
  - i. Importers recognized as AEO under Tier II or Tier III status.
  - ii. The designated storage location should be within an already licensed warehouse under Sections 58 (private warehouse), 58A (special warehouse), or 65 (MOOWR) of the Customs Act.
  - iii. Resultant goods pertain to goods classified under CTH 8517-8548.
2. Imported goods where no order is made under Section 47 (clearance for home consumption) or Section 60 (permission to deposit in a warehouse) and the importer intends to avail clearance at Authorized Importer Premises.

Failure to comply with the regulations can result in the suspension of the facility and imposition of a penalty which can extend up to INR 0.2 million.

#### Upcoming Webinars

##### 8th National Direct Tax Summit and Awards 2025

21 March 2025

Nexdigm | Maulik Doshi



## Foreign Trade Policy

### DGFT's guidelines for Advance Authorisation closure issues

Trade Notice No. 32/2024-25, dated 28 February 2025

Given the system constraints in capturing the complete description of export items (due to characters limit) in shipping bills thereby leading to raising of deficiencies by Regional Authorities, the Directorate General of Foreign Trade (DGFT) has directed to corroborate the same basis of the self-attested copies of GST system generated e-invoices. In such cases, the aforesaid documents may be uploaded along with all other prescribed documents for redemption/Export Obligation Discharge Certificate (EODC) of Advance Authorizations.

### DGFT digitizes the process of Enforcement-cum-Adjudication under the FTD&R Act

Trade Notice No. 29/2024-25, dated 11 February 2025

As part of the Government's paperless trade initiative associated with the lifecycle of Duty Exemption/Remission Authorizations, the DGFT has mandated online submission of replies to show cause notices and other information requests under Adjudication, Appeal, and Review processes of the Foreign Trade Development and Regulation (FTD&R) Act. Paper-based submissions will no longer be entertained.

Similarly, payment of penalties levied by orders under the FTD&R Act shall be mandatorily made online against Export Credit Agency (ECA)/Appeal or Review file as applicable. The use of the Miscellaneous payments feature may be avoided to ensure proper accounting of penalties paid and to avoid unintended future action.

#### Past Webinars

##### Recent Corporate tax assessment trends/ GST Litigation

4 March 2025

Nexdigm | Sneha Pai, Prabhat Ranjan

##### Union Budget 2025-MUFG

28 February 2025

Nexdigm | Nishit Parikh, Vikash Thakur

##### Structuring Opportunities with Mauritius VCCs in the Indian Market

27 February 2025

Nexdigm | Nishit Parikh



## Tax Talk

### Global Developments

#### Indirect Tax

##### EU adopts new legislation on electronic VAT Exemption Certificates

Excerpts from various sources

In February 2025, the European Council adopted a new legislative package to simplify tax procedures and reduce the administrative burden on businesses. The package revises the EU VAT Directive and the EU VAT Implementing Regulation, thereby replacing the current paper VAT exemption certificate with a digital version.

The new rules will be applied from 1 July 2026, giving adequate time to implement the new procedure. The electronic VAT exemption certificate will become mandatory from 30 June 2032. The European Commission will collaborate with Member States to ensure the seamless technical rollout of the new system.

##### Poland to implement E-Invoicing mandate from 2026

Excerpts from various sources

Poland is set to introduce new e-invoicing regulations in 2026, requiring businesses to transition to digital invoicing and enhanced compliance processes. The implementation will follow a phased approach, with larger taxpayers mandated to comply starting 1 February 2026.

#### Transfer Pricing

##### Australia introduces transfer pricing guidance for private groups receiving funding from foreign-related parties

The Australian Taxation Office (ATO) has released updated guidance for private groups receiving funding from overseas related parties, particularly in property and construction sectors. This guidance emphasizes compliance with transfer pricing rules to ensure funding arrangements adhere to the arm's length principle. It highlights the need to demonstrate the commerciality of funding arrangements, ensuring proper documentation and avoiding risk factors such as excessive debt, insufficient equity, high interest rates on subordinated or unsecured loans, and prolonged loan durations. Businesses should justify their financing choices, maintain clear evidence of the arm's length terms, and ensure accurate disclosure in their International Dealings Schedule.

##### Costa Rica Introduces Draft Resolution on Transfer Pricing Information Return Requirement

On 12 February 2025, Costa Rica's General Directorate of Taxation published a notice in the official gazette announcing a draft resolution regarding the mandatory submission of annual transfer pricing information returns. The proposed resolution would require taxpayers conducting transactions with related parties, either domestically or internationally, which are considered as Large Taxpayers or beneficiaries of the Free Trade Zone Regime and that such operations, separately or jointly, exceed one thousand base salaries (CRC 462,200,000). These returns must be filed within three months after the fiscal year ends via the TRIBU-CR online system. However, for the 2024 fiscal period, the return must be filed within six months from the effective date of notice. Failure to comply may result in a penalty of up to 2% of the taxpayer's gross income. Additionally, the notice establishes a standardized format and instructions for the return, replacing previous regulations.

# Compliance Calendar

- Direct Tax
- Indirect Tax

## 2 March 2025

- Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194-IA in January 2025 in Form 26QB.
- Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194-IB in January 2025 in Form 26QC.
- Due date for furnishing of challan cum statement in respect of tax deducted under Section 194M in January 2025 in Form 26QD.
- Due date for furnishing of challan cum statement in respect of tax deducted under Section 194S in January 2025 in Form 26QE.

## 10 March 2025

- GSTR-7 for February 2025 to be filed by persons liable to Tax Deduction at Source (TDS).
- GSTR-8 for February 2025 to be filed by E-Commerce Operators liable to Tax Collection at Source (TCS).

## 13 March 2025

- GSTR-6 for February 2025 to be filed by Input Service Distributors (ISDs).
- Uploading B2B invoices using Invoice Furnishing Facility (IFF) under QRMP scheme for the month of February 2025 by taxpayers with aggregate turnover of up to INR 50 million.
- GSTR-5 for February 2025 to be filed by Non-Resident Foreign Taxpayers).

## 17 March 2025

- Due date for issuing of TDS Certificate for tax deducted under Section 194-IA in January 2025 in Form 16B.
- Due date for issuing of TDS Certificate for tax deducted under Section 194-IB in January 2025 in Form 16C.
- Due date for issuing of TDS Certificate for tax deducted under Section 194M in January 2025 in Form 16D.
- Due date for issuing of TDS Certificate for tax deducted under Section 194S in January 2025 in Form 16E.

## 7 March 2025

- Securities Transaction Tax - Due date for deposit of tax collected for February 2025.
- Commodities Transaction Tax - Due date for deposit of tax collected for February 2025.
- Declaration under sub-section (1A) of Section 206C of the Income-tax Act, 1961 to be made by a buyer for obtaining goods without collection of tax for declarations received in February 2025 in Form 27C.
- Collection and recovery of equalization levy on specified services in February 2025.
- Due date for the deposit of Tax deducted/collected for February 2025. However, all sums 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 the production of an Income-tax Challan.

## 11 March 2025

- GSTR-1 for February 2025 to be filed by all registered taxpayers, not under the Quarterly Return Monthly Payment (QRMP) scheme.

## 15 March 2025

- Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for February 2025.
- Fourth instalment of advance tax for the assessment year 2025-26.
- Instalment of Advance Tax for assessee covered under presumptive income scheme of Section 44AD/44ADA.
- Due date for furnishing statement in Form No. 3BB by a stock exchange in respect of transactions in which client codes have been modified after registering in the system for February 2025.
- Due date for furnishing statement in Form No. 3BC by a recognized association in respect of transactions in which client codes have been modified after registering in the system for February 2025.

## 20 March 2025

- GSTR-5A for February 2025 to be filed by Non-Resident Service Providers of Online Database Access and Retrieval (OIDAR) Services.
- GSTR-3B for February 2025 to be filed by all registered taxpayers not under QRMP scheme.



# Compliance Calendar

- Direct Tax
- Indirect Tax

## 30 March 2025

- Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194-IA in February 2025 in Form 26QB.
- Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194-IB in February 2025 in Form 26QC.
- Due date for furnishing of challan cum statement in respect of tax deducted under Section 194M in February 2025 in Form 26QD.
- Due date for furnishing of challan cum statement in respect of tax deducted under Section 194S in February 2025 in Form 26QE.

## 10 April 2025

- GSTR-7 for March 2025 to be filed by persons liable to TDS.
- GSTR-8 for March 2025 to be filed by E-Commerce Operators liable to TCS.

## 11 April 2025

- GSTR-1 for March 2025 by all registered taxpayers not under QRMP scheme.

## 31 March 2025

- Report under Section 10AA of the Income-tax Act, 1961 (if the due date of submission of return of income is 31 October 2024) in Form 56F.
- Report under Section 10AA of the Income-tax Act, 1961 (if the due date of submission of return of income is 30 November 2024) in Form 56F.
- Collection and recovery of equalization levy on e-commerce supply or services for the quarter ending 31 March 2025.
- Report by a parent entity or an alternate reporting entity or any other constituent entity, resident in India, for the purposes of sub-section (2) or sub-section (4) of Section 286 of the Income-tax Act, 1961 (assuming reporting accounting year is 1 April 2023 to 31 March 2024) in Form 3CEAD.
- Due date for claiming a foreign tax credit, uploading a statement of foreign income offered for tax for the Previous Year 2023-24 and of foreign tax deducted or paid on such income in Form No. 67.

## 13 April 2025

- GSTR-6 for March 2025 to be filed by ISDs.
- Uploading B2B invoices using IFF under QRMP scheme for the month of March 2025 by taxpayers with aggregate turnover of up to INR 50 million.
- GSTR-5 for March 2025 to be filed by Non-Resident Foreign Taxpayers.

# Easy Remittance Tool

by Nexdigm



## Form 15CA/CB Automation



Review of tax position by experts



Issuance of bulk certificates through Automated tool



Repository - Access to entire set of documents



Access to Detailed transaction wise reports



Representation Support



Generation 15CA bulk files & utility to generate Form A2

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Nexdigm is a privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise, enables us to deliver customized solutions tailored for our clients.

We provide integrated, digitally-driven solutions encompassing Business and Professional Services across industries, helping companies address challenges at all stages of their business lifecycle. Through our direct operations in the USA, Poland, the UAE, and India, we serve a diverse range of client base, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries. By combining strategic insight with hands-on execution, we help businesses not only develop and optimize strategies but also implement them effectively. Our collaborative approach ensures that we work alongside our clients as partners, translating plans into tangible outcomes that drive growth and efficiency.

At Nexdigm, quality, data privacy, and confidentiality are fundamental to everything we do. We are ISO/IEC 27001 certified for information security and ISO 9001 certified for quality management. Additionally, we comply with GDPR and uphold stringent data protection standards through our Personal Information Management System, implemented under the BS 10012:2017 Standard.

We have been recognized over the years by global organizations, including the Everest Group Peak Matrix® Assessment, International Tax Review, World Commerce and Contracting, ISG Provider Lens™ Quadrant Report, International Accounting Bulletin, Avasant RadarView™ Market Assessment, and Global Sourcing Association (GSA) UK.

**Nexdigm** resonates with our plunge into a new paradigm of business; it is our commitment to **Think Next**.

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