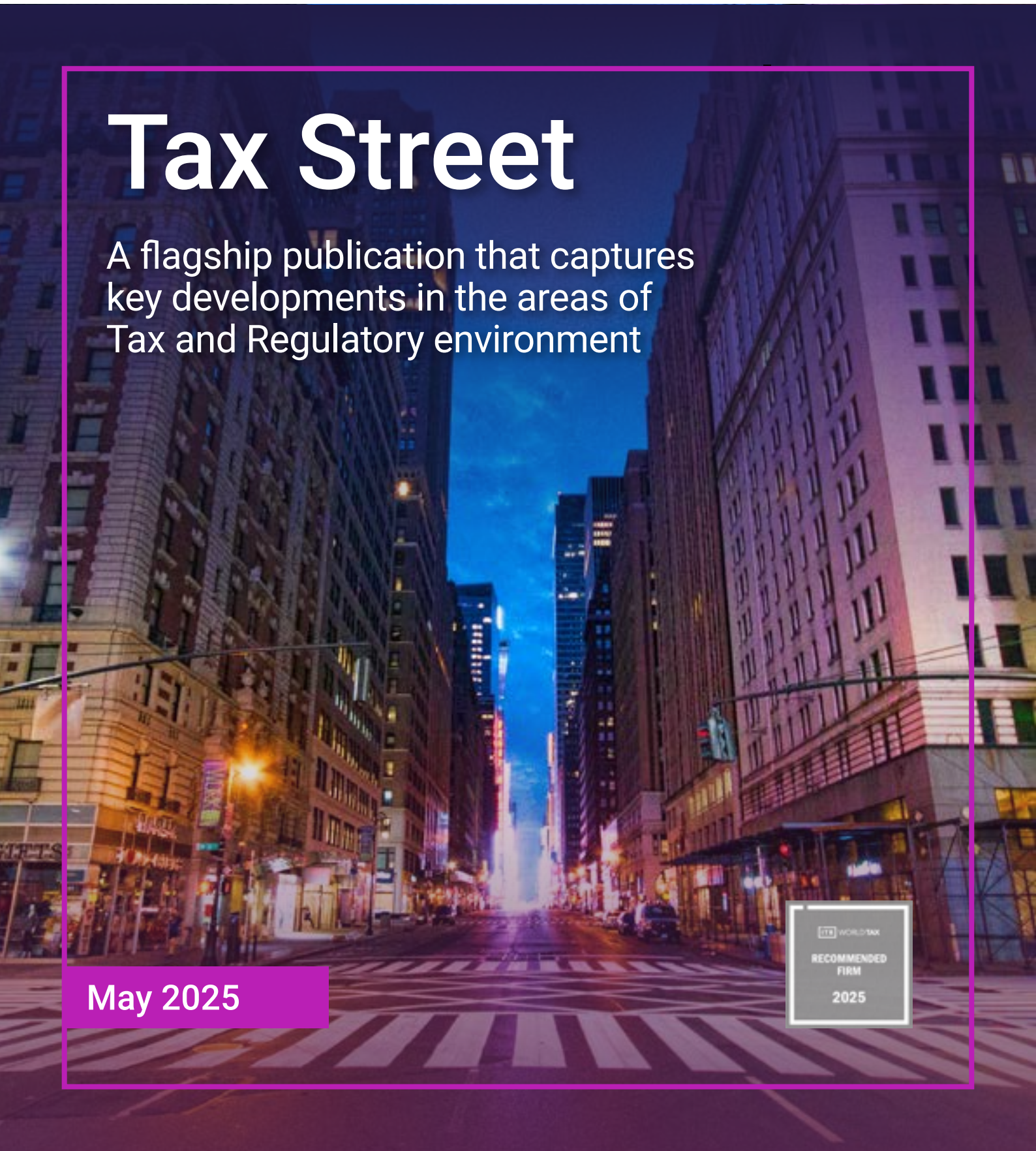
nexdigm

Tax Street

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



May 2025

Introduction

Tax Street

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 May 2025.

- The 'Focus Point' elaborates upon GST registration woes for business owners.
- 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. 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

GST Registration Woes: Complexity Amidst Clarity

Setting up a business in India involves navigating through a maze of registrations and compliance requirements. Each registration entails separate set of procedures and documents, thus creating a fragmented experience for businesses. Among these, registration under the Goods and Services Tax (GST) law is a critical step.

As per the GST provisions, every supplier making taxable supplies of goods and/or services is required to obtain a GST registration, subject to certain threshold limits. Like any other laws in India, the process of registration under the GST law includes submission of an application along with supporting documentary evidence, performance of checks by the respective tax authorities, seeking clarifications/supporting documents from the applicant etc. The GST registration process, while intended to be straightforward, often becomes cumbersome due to:

- Submission of extensive documentation
- Repeated clarifications sought by tax officers
- Inconsistent practices across jurisdictions

In recent years, the Government has faced a surge in cases of fake GST registrations leading to bogus billings and fraudulent Input Tax Credit (ITC) claims. To combat this, measures such as seeking additional details to cross examine the genuineness of registration application, Aadhaar authentication, biometric verification, and nationwide drives against fake registrations have been introduced. While these steps aim to curb fake registrations, they have also inadvertently impacted genuine taxpayers. Delays in registration affect business operations, contract execution, and overall ease of doing business.

Owing to this, various representations were made to the Central Board of Indirect Taxes and Customs (CBIC) regarding difficulties being faced by the applicants in getting the GST registration, mainly on account of varied practices being followed by the officers for verification and nature of clarifications being sought with respect to the information submitted in the application FORM GST REG-01. Further, additional documents which are not prescribed in the 'List of Documents' appended to the said form, were sought leading to delay in processing as well as rejection of applications.

Recognizing these challenges, the CBIC issued two key instructions:

Instruction No. 03/2025-GST dated 17 April 2025

The instruction emphasizes that:

- In respect of principal place of business, the officers should call for the documents (as prescribed in FORM GST REG-01) basis the nature of premises viz. owned, rented/leased, shared, or SEZ.
- In relation to constitution of business, no additional document like the UDYAM certificate, MSME certificate, Shop Establishment certificate, Trade license etc. should be sought from the applicant.
- Further, unwarranted presumptive queries which are not related to the documents or information submitted by the applicant – such as questioning the applicant's residential address or business activity feasibility – have been discouraged.
- Further, to the extent possible, the authenticity of the documents furnished as proof of address may be cross verified from the publicly available sources, such as websites of the concerned authorities including land registry, electricity distribution companies, municipalities, and local bodies, etc.
- Where applications are not flagged as 'risky' and the same are found to be complete and without any

deficiency, the application should be approved within 7 working days of submission of application.

- In cases where the applicant has undergone Aadhaar authentication and is flagged as 'risky,' or the applicant fails to undergo/does not opt for Aadhaar authentication, or the officer deems it fit to carry out physical verification (with prior approval from senior authorities), the registration shall be granted within 30 days of submission of application after physical verification of the place of business.
- If any document apart from the listed documents is required to be sought, the officer shall seek the same only after approval from the concerned Deputy/ Assistant Commissioner.

Instruction No. 04/2025-GST dated 2 May 2025

The CBIC has set up a redressal mechanism for the applicants having grievance in respect of any query raised in contravention of the aforesaid instructions, regarding grounds of rejection of application etc. The applicant can approach the jurisdictional Zonal Principal Chief Commissioner/Chief Commissioner in this regard. Where the grievance pertains to State jurisdiction, the same shall be forwarded to the concerned State jurisdiction and a copy endorsed to the GST Council Secretariat.

Our Comments

These instructions aim to bring uniformity, reduce taxpayer harassment, and ensure timely processing of genuine applications. However, the ground reality remains challenging. These instructions, though binding on departmental officers, have not fully translated into a consistent practice. Many applicants continue to face unnecessary hurdles during the registration process. Officers are still issuing notices demanding irrelevant or excessive documentation that bears no direct connection to the information provided in the registration application. Moreover, the applicability/relevance of the said instructions to the State jurisdictional officers handling such registration applications is questionable. This not only delays the process but also creates frustration and uncertainty for legitimate businesses.

While the Government has taken commendable steps toward enhancing the ease of doing business, the journey towards achieving a truly seamless and efficient registration system is far from complete. The persistence of outdated practices and discretionary queries suggests that reforms must extend beyond the issuance of Circulars and instructions. There is a pressing need for systemic change - one that is rooted in accountability, transparency, and uniformity in implementation.

To truly transform GST registration into a facilitator of business growth rather than a bureaucratic bottleneck, a collaborative approach is essential. This involves active engagement between taxpayers, tax officers, and technology platforms. Leveraging automation, data analytics, and centralized monitoring can help eliminate inconsistencies and ensure that the registration process is both efficient and equitable. Only then can businesses focus on what truly matters - innovation, expansion, and contributing to the nation's economic development.

From the Judiciary

Direct Tax

Whether a company holding a valid Tax Residency Certificate (TRC) and having obtained regulatory approvals from SEBI, RBI, and FIPB can be denied benefits under Double Taxation Avoidance Agreement (DTAA) on grounds of mere suspicion of treaty shopping?

Gagil FDI Ltd [TS-567-ITAT-2025(DEL)]

Facts

The assessee, a company incorporated in Cyprus, was a wholly-owned subsidiary of GA Global, also based in Cyprus. The assessee, a tax resident of Cyprus, held a TRC issued by Cyprus Revenue Authorities.

The assessee acquired equity shares of National Stock Exchange (NSEIL) from its holding company GA Global. During the relevant assessment year, assessee sold shares of NSEIL in five trenches to unrelated independent third-party buyers, and disclosed Long Term Capital Gain on sale of equity shares of NSEIL, and claimed benefit under Article 13 of India-Cyprus DTAA. The assessee had also earned dividend income from NSEIL and offered the same to tax at the rate of 10% as per India-Cyprus DTAA.

The Assessing Officer (AO) after examining the ownership structure of the assessee, list of Directors of the company, beneficiary of capital gain alleged that the actual beneficiary of shares was GA Global. The AO finally concluded that the assessee was merely a shell company established in Cyprus which was using India-Cyprus DTAA as a tool, and denied tax benefits under treaty.

On appeal before the Dispute Resolution Panel (DRP), the AO's view was upheld, confirming the findings of the AO. Aggrieved, the assessee appealed to Income Tax Appellate Tribunal (ITAT) with following arguments against AO:

- The company is duly incorporated in Cyprus and holds a valid TRC, which establishes its residential status under the DTAA.
- The company was operationally managed from Cyprus,
- The source of investment funds was diversified and not limited to the US
- Before the transfer of NSEIL shares to the assessee, extensive regulatory scrutiny was carried out by SEBI, RBI, and FIPB, which reviewed and approved the transaction and investment structure.

Held

ITAT ruled in favour of the assessee, allowing the capital gains exemption under Article 13 and the tax rate benefit to dividend income under Article 10 of the India-Cyprus DTAA. The decision was based on following points:

- Regulatory Approvals from SEBI, RBI, and FIPB provide credibility to assessee.
- Relying on SAIF II-SE Investments Mauritius Ltd. vs. ACIT[1] and Azadi Bachao Andolan[2], emphasizing that the TRC is conclusive proof of residence, and treaty benefits cannot be denied merely on suspicion of treaty shopping.
- Satisfied by assessee's explanations regarding board composition, fund origin, and business operations which concludes that assessee is not a conduit or pass-through entity.

Our Comments

This judgment highlights the significance of TRC and the relevance of regulatory approvals. It reinforces the principle that treaty benefits cannot be withheld merely on the basis of suspected treaty shopping without concrete evidence.

1 Saif II-Se Investments Mauritius Ltd. vs. ACIT, 154 taxmann.com 617 (Delhi-Trib)

2 Azadi Bachao Andolan (2003) 263 ITR 706/132 Taxman 373/184 CTR 450 (SC)

Whether professional services rendered by non-residents qualify as Independent Personal Services under the DTAA?

Sujan Luxury Hospitality Pvt. Ltd [TS-518-ITAT-2025(DEL)]

Facts

Sujan Luxury Hospitality Pvt. Ltd (assessee), is engaged in hospitality services and made payments to Rosamond Freeman-Attwood, a resident of Sri Lanka for spa consulting services and also to M/s Elephant Pepper Camp Ltd., a company based in Kenya for Marketing survey. The Assessing Officer (AO) disallowed these expenses under Section 40(a)(i) of the Income Tax Act, 1961, on the ground that tax was not deducted at source under Section 195.

According to the AO:

- These payments were in the nature of "Fees for Technical Services" (FTS) under Section 9(1)(vii).
- The assessee failed to obtain a certificate under Section 195(2) to justify non-deduction or lower deduction of TDS.
- No adequate documentation was submitted to demonstrate the nature of services rendered.

CIT(A) passed judgement in favor of AO. The assessee appealed before ITAT with the following points:

- The services did not fall under 'managerial, technical, or consultancy services,' and thus, were not taxable in India.
- Under the India-Sri Lanka and India-Kenya DTAAs, there was no separate FTS clause at the relevant time, and the services were covered under Independent Personal Services (IPS), which are not taxable unless the non-resident has a fixed base or exceeds the threshold period of stay in India.
- Rosamond Freeman-Attwood's stay was below 120 days, and the services by M/s Elephant Pepper Camp Ltd. were rendered entirely outside India. Referring to these, services are not taxable in India and hence there is no need to obtain certificate under Section 195(2).

Held

The ITAT held in favour of the assessee with the following reasoning:

- The payments to the vendors were held to fall under Independent IPS as per Article 14/16 of the respective DTAAs, which include professional services. The Tribunal thus rejected the Assessing Officer's and CIT(A)'s view that these were 'Fees for Technical Services' under Section 9(1)(vii) of the Act.
- Neither service provider had a permanent establishment (PE) or a fixed base in India, nor did their stay exceed the prescribed threshold. Hence, income was not taxable in India.
- Relying on the Supreme Court's decision in GE India Technology Centre Pvt. Ltd[3]., obligations of obtaining certificate under Section 195(2) arise only when payment is chargeable to tax in India.
- The assessee submitted adequate documentary evidence, including agreements and declarations, to substantiate the nature and genuineness of the services, addressing the Assessing Officer's concerns.

Our Comments

This decision highlights that certain specific professional services by non-residents can qualify as Independent Personal Services under DTAA and are not taxable in India without PE or threshold stay, hence no TDS required.

ITAT: Transfer of rights entitlement not akin to share transfer, taxable only in State of Residency

General Organization for Social Insurance [TS-636-ITAT-2025(Mum)]

Facts

The assessee is a tax resident of Saudi Arabia. He had earned capital gains of INR38,171,252 from the sale of rights entitlement (RE) of Bharti Airtel shares in India and had claimed relief under the India–Saudi Arabia DTAA from taxability in India.

Assessee's Argument:

The assessee argued that:

1. **Nature of RE:** RE are not equivalent to shares. According to the Companies Act, 2013, a 'share' refers to a share in the share capital of a company and includes stock, whereas 'rights entitlement' is a temporary credit of shares in the demat account.
2. **Applicability of Article 13(6):** Under Article 13(6) of the India–Saudi Arabia DTAA, gains arising from the alienation of property, other than those specified in the article (such as shares, immovable property, ships, and aircraft), shall be taxed in the resident state. Since RE are not shares, the gains cannot be taxed in India.

Revenue's Argument:

The Revenue contended that RE are intrinsically linked to the shares held in a company and are akin to shares. Therefore, any gains arising from the transfer of RE are taxable in India under Article 13(4) and Article 13(5) of the India–Saudi Arabia DTAA. Reliance was placed on ruling in case of Vanguard Emerging Markets Stock Index Fund vs. ACIT, where the said position was upheld by the Dispute Resolution Panel (DRP).

3 GE India Technology Centre (P) Ltd. vs CIT: 327 ITR 456

Decision by Mumbai ITAT:

The Tribunal held that although RE are embedded in the original shareholding, they hold a separate and distinct right capable of being transferred, independent of the existing shareholding. The ITAT noted that the DRP, while correctly acknowledging that an existing shareholder can subscribe to new shares only by exercising their RE, overlooked this significant aspect and arrived at an incorrect conclusion. Therefore, the capital gains arising from the sale of RE are not taxable in India under the India–Saudi Arabia DTAA.

Our Comments

This ruling sets an important precedent for similar cases involving financial instruments and DTAA interpretations, and reinforces the principle that tax treaties must be applied according to the true nature of the transaction, not merely its economic linkage.

Indirect Tax

Whether payments to local agent of foreign supplier towards engineering and technical services are includible in the value of imported goods in terms of Section 14 of Customs Act read with Rule 9(1)(e) of Customs Valuation Rules 1988?

Note: As per Rule 9(1)(e), 'all other payments actually made or to be made as a condition of sale of the imported goods, by the buyer to the seller, or by the buyer to a third party to satisfy an obligation of the seller to the extent that such payments are not included in the price actually paid or payable'. shall be added to the price actually paid or payable for the imported goods.

Coal India Limited vs. Commissioner of Customs (Port), Customs House, Kolkata [(2025) 30 Centax 128 (SC)]

Facts

- The appellant, through its subsidiaries, had placed a Purchase Order on M/s Harnischfeger Corporation, USA (foreign supplier), for supply of spare parts for P&H Shovel.
- As per the agreed terms, the appellant and its subsidiaries would make a payment of 8% of Freight On Board (FOB) amount valued on pro-rata basis against each shipment to the foreign supplier's local distributor/ agent, viz. M/s Voltas Ltd., towards maintenance and engineering services, including identification of the requirement of spares to be imported.
- Such payment was over and above the FOB value of imported goods.
- While finalizing the provisional assessments of imported goods, the Customs authorities observed that the services provided by M/s Voltas Ltd. were primarily related to the type and quantum of spare parts required to be supplied by the foreign supplier as well as assisting the appellant during insurance survey at the port after importation of identified spares. Hence, given that the sale had become conditional in view of the conditions posed in quotation by the foreign supplier, the consequential engineering and technical service charges were fully covered by Rule 9(1)(e) of the Customs Valuation Rules.
- Accordingly, the differential duty demand was confirmed against the Appellant, which was upheld in the appellate forums.
- Customs, Excise, And Service Tax Appellate Tribunal (CESTAT), while rejecting the ppellant's appeal, observed

'If there are no imports, no payments are apparently due to be made to whatever services attributed to M/s Voltas Ltd. In other words, the payments have been made only in connection with the sale of goods, apparently due to reason that M/s Voltas Ltd., is an agent/distributor of the US based supplier."

- Being aggrieved, the appellant approached the Supreme Court (SC).

Ruling:

- Perusing the provisions of Section 14 of the Customs Act, as it stood then, r/w Rule 4 and 9 of the Customs Valuations Rules, SC observed that transaction value of imported goods can be adjusted in accordance with the provisions of Rule 9.
- However, as per Interpretative Note to Rule 4, what would be excluded for computing the assessable value for the purpose of levy of customs duty is any amount paid for post importation activities including any amount paid for post importation technical assistance. In this regard, the Apex Court noted its earlier decision in Commissioner of Customs (Ports), Kolkata vs. J.K. Corporation Ltd. [2007 (208) ELT 485 (SC)] wherein it was observed, 'the Rules have been framed for the purpose of carrying out the provisions of the Act. The wordings of Sections 14 and 14(1-A) are clear and explicit. The Rules and the Act, therefore, must be construed, having regard to the basic principles of interpretation in mind.'
- The SC also referred to the ratio laid down in the case of Commissioner of Customs vs. Ferodo India (P) Ltd. [(2008) 4 SCC 563].
- It found that in the present case, the services rendered by the Indian agent were not post-importation activities. The services were directly relatable to the import of goods by way of product support service which is covered by Sections 14(1) and 14(1A) of the Customs Act r/w Rule 9(1)(e) of the Customs Valuation Rules.
- Thus, on thorough consideration of all aspects of the matter, SC upheld view taken by all the lower authorities and dismissed the appeal.

Our Comments

The decision underscores the relevance of contractual terms between the foreign supplier and the importer, particularly when a third-party agent is involved to facilitate the transaction. Whether such service is a condition to the sale of imported goods and whether the same can be attributed to post-importation activities, would have to be determined on a case-to-case basis.

However, this decision could lead to multiple scenarios prone to litigation, wherever there is no separate agreement between the third-party agent and the importer for engineering/technical/other support services related to imported products.

Transfer Pricing

ITAT: Mere contractual arrangement, absent significant supporting evidence, insufficient to establish rendering of services.

Hammond Power Solutions Private Limited [TS-201-ITAT-2025(HYD)-TP] Assessment Year 2017-18

Facts

The assessee is a company engaged in the business of manufacturing and sale of electrical distribution and power transformers including maintenance & installation services. The assessee has availed intra group services from its AE in the nature of technical services and stewardship services during FY 2016-17.

The Transfer Pricing Officer (TPO) and then The DRP disregarded the receipt of these services and determined the Arm's Length Price (ALP) as Nil. Aggrieved, the assessee filed an appeal before ITAT.

Taxpayer's contention before the ITAT:

The assessee relied on certain rulings and contended that receipt of services should not be questioned on the ground of commercial expediency and that reimbursement of costs should not be treated as Nil. The assessee submitted the Service Agreement and highlighted that both the services were rendered under valid service agreement. The assessee also submitted some email correspondence, ledgers, details of employees visited to India, and copies of power point presentations in view of provision of services to demonstrate services were actually rendered by the AE.

Revenue's contention before the ITAT:

The Learned Department Representative (Ld. DR) pointed out all the personnel who visited India were of supervisory or managerial rank and that no engineers or technical personnel responsible for actual delivery of services ever visited India. Further, Ld. DR highlighted that some of the mail correspondences as submitted are not contemporaneous. Furthermore, the mail, which was relevant for the year, does not contain any concrete reference to rendering of services. Additionally, the visit of persons to India was for very short periods, which suggests it to be an oversight activity rather than actual delivery of services.

Held by the ITAT:

ITAT noted that agreement merely provides a broad framework for services without outlining specific deliverables, cost allocation methodology, performance benchmarks, or validation mechanisms to assess the actual services being rendered. The absence of these critical aspects raises concerns regarding the Assessee's ability to substantiate the rendering of services. Further, w.r.t. email correspondence submitted, ITAT agrees with the observations noted by Ld. DR.

Additionally, with respect to the personnels who visited India, ITAT noted that they primarily hold managerial and supervisory roles, and no engineers, technical staff, or project specific professionals identified as having visited India. ITAT further noted that the duration of the visit was also very short, and no documentation of meetings, trainings, or deliverables were filed before the ITAT.

ITAT observed that as pointed out by Ld. DR, absence of cost allocation workings, performance reports, meeting records, or documented deliverables weakens the assessee's case. While intra-group services cannot be outrightly disregarded, a mere contractual arrangement without any significant supporting evidence is insufficient to establish the rendering of services. The failure to provide contemporaneous and verifiable evidence justifies the approach adopted by the Ld. AO/TPO in determining the ALP of these services as Nil.

Our Comments

It is of utmost importance on the part of the taxpayer to not only have written agreements detailing important aspects of the arrangement but also to maintain the robust and contemporaneous documentation for availing of services. The documentation may include email correspondences, cost allocation workings, performance reports, meeting records, or documented deliverables, details of personnel visits, if any, and evidence of work done by such personnel etc.

ITAT: Holds RPM as MAM over TNMM for international transactions in the nature of trading activity

Bock Compressors India Pvt. Ltd [TS-232-ITAT-2025(Ahd)-TP] Assessment Year 2020-21

Facts

The assessee is engaged in wholesale and retail trade, and retail sale of various products. The transaction during FY 2019-20 includes an international transaction of purchase of goods and a deemed international transaction of sale of goods which the assessee benchmarked using Resale Price Method (RPM).

For AY 2020-21, the TPO enhanced the income of the assessee by INR 45,951,095 and INR 1,001,946 being cumulative adjustment on account of sale of goods and mark up respectively.

The DRP deleted the adjustment of INR 1,001,946 being 5% mark up on the management services appeared from the associated concern of the assessee, the adjustment made by the TPO. Pursuant to which the AO passed the Final Assessment Order making adjustment of INR 45,951,095.

Subsequently, the assessee filed a rectification application, contending that the AO had erroneously considered the adjustment amount as INR 45,951,095 instead of INR 8,330,174.

Taxpayer's contention before the ITAT:

The AO, on a suo-moto basi,s has rectified the assessment order u/s. 154 and as per the binding Section 144C(10), the AO has to follow the direction of the DRP.

Further, the assessee contended that RPM is not accepted as the most appropriate method by the TPO and the same should have been considered since no significant value-added functions have been undertaken by the Assessee under the arrangement of deemed international transaction.

Revenue's contention before the ITAT:

The Ld. DR submitted that the rectification order was passed due to the assessee's rectification application filed by the assessee on 19 July 2024 and therefore it is not a suo moto rectification intended to ignore the DRP's directions.. Therefore, the decisions relied upon by the assessee are not applicable in the present scenario.

Held by ITAT:

The assessee himself has filed a rectification application and therefore, AO's rectification order cannot be considered as suo moto rectification and thereby distinguishes the case laws relied upon by the assessee.

Further, the ITAT observed that the DRP had duly considered the benchmarking approaches adopted by both the assessee and the TPO. It noted that the nature of the transactions undertaken by the assessee - comprising both purchases and sales - were contentious and did not fall within the scope of the RPM method. This was primarily because the assessee had incurred various expenses in India that significantly contributed to the value of the final sales. As a result, the application of gross margin analysis under RPM was deemed inappropriate, since the case did not involve mere re-sale transactions.

ITAT found the DRP's observations are general in nature and held that RPM is most appropriate method as the assessee has demonstrated before the AO that the sale of goods are at arm's length price. Further, since transaction of purchase and sale are interlinked and interconnected, that deemed international transaction of sale of goods has to be aggregated for the purpose of benchmarking and upheld the RPM method considering trading nature.

Our Comments

It is worth considering whether a sale of goods transaction can be aggregated with a purchase of goods transaction for benchmarking under RPM in the case of trading activities, even when it constitutes a deemed international transaction.

Quotes & Coverage

IBBI revamps CIRP filing process to streamline compliance for insolvency professionals
28 May 2025
https://bit.ly/4l1f2SZ
ET CFO | Subodh Dandawate

Deferring CCI approval in IBC cases may not bring desired relief, say experts
22 May 2025
https://bit.ly/43FhoBf
ET CFO | Subodh Dandawate

From Samsung to Volkswagen, call for customs reforms grow as classification disputes mount
8 May 2025
https://bit.ly/402okWG
ET CFO | Sanjay Chhabria

JSW Steel BPSL: SC order 'unprecedented', takes IBC into 'uncharted territory': Experts
6 May 2025
https://bit.ly/4mUDY0p
ET CFO | Subodh Dandawate

As MF investor, are my gains excluded from the Section 87A rebate calculation under new tax regime in FY2025-26?
2 May 2025
https://bit.ly/45fdcJI
Business Today | Amit Amlani

Tax Talk

Indian Developments

Direct Tax

Extension of due date for furnishing return of income to 15 September 2025

Circular No. 6/2025 [F. NO. 225/205/2024/ITA-II] dated 27 May 2025

Due date of furnishing Return of Income for the Assessment Year 2025-26 for a person other than any person to whom tax audit or audit under any other law is applicable and partner of a firm who is required to audited under any law was 31 July 2025. In view of the extensive changes introduced in the notified Income Tax Returns (ITRs) and considering the time required for system readiness and rollout of ITR utilities, the Central Board of Direct Taxes (CBDT) has extended the due date to 15 September 2025. CBDT also stated that as TDS credits from statements due by 31 May 2025, will be reflected only in early June, there will be constraints in the filing window in absence of extension.

This extension provides additional time for the taxpayers to prepare and file their returns. However, the suo moto increase in timelines by CBDT has raised apprehensions in mind of individual taxpayers about the kind of changes/ data mapping/additional disclosure requirements that may be introduced in new utility.

CBDT has already released utilities for ITR 1 and ITR 4. Utilities for other ITRs are still awaited.

Indirect Tax

Foreign Trade Policy

Restoration of RoDTEP support for Advance Authorization Holders, SEZs, and EOUs from 1 June 2025

Notification No. 11/2025-26 dated 26 May 2025

In a significant policy development aimed at enhancing the competitiveness of Indian exports, the Government of India has reinstated the Remission of Duties and Taxes on Exported Products (RoDTEP) benefit for products manufactured by Advance Authorization holders, Export Oriented Units (EOUs), and Special Economic Zone (SEZ) units, w.e.f. 1 June 2025.

Earlier, the RoDTEP support for aforesaid exporters had been extended only up to 5 February 2025, vide Notification 66/2024-25 dated 20 March 2025.

Alerts

Key Highlights GST Notifications and Clarification Circulars April 2025
5 June 2025
https://bit.ly/43G8DqI

VAT Public Clarification (Concerned Services)
4 June 2025
https://bit.ly/43Ga4FC

Tax Talk

Global Developments

Direct Tax

OECD updates transfer pricing country profiles with new insights on hard-to-value intangibles and simplified distribution rules[4]

The Organization for Economic Co-operation and Development (OECD) has published updated transfer pricing country profiles reflecting the current transfer pricing legislations and practices of 11 jurisdictions and issued for the first time the profiles of Azerbaijan and Pakistan. These latest country profiles present country-specific information on the transfer pricing treatment of hard-to-value intangibles, and the simplified and streamlined approach for baseline marketing and distribution activities.

The transfer pricing country profiles focus on countries' domestic legislation regarding key transfer pricing aspects, including the arm's length principle, methods, comparability analysis, intangible property, intra-group services, cost contribution agreements, documentation, administrative approaches to avoiding and resolving disputes, safe harbor, and other implementation measures.

The country profiles released today include new sections covering the hard-to-value intangibles approach, and the simplified and streamlined approach for baseline marketing and distribution activities as a result of the work on Amount B as part of the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalization of the Economy.

Updates will be conducted in batches throughout the first and second half of 2025. The release of this first batch brings the total number of countries and jurisdictions covered to 78. The information in the profiles was provided by countries themselves in response to a transfer pricing questionnaire, which guarantees the highest degree of accuracy.

The OECD has published transfer pricing country profiles since 2009, offering high-level information on the transfer pricing systems of both OECD and non-OECD member jurisdictions. In 2017, the profiles were substantially revised to reflect the changes in jurisdictions' transfer pricing frameworks following the 2015 OECD/G20 Base Erosion and Profit Shifting (BEPS) Project Reports – namely BEPS Actions 8-10 *'Aligning Transfer Pricing Outcomes with Value Creation'* and BEPS Action 13 *'Transfer Pricing Documentation and Country-by-Country Reporting'* – which introduced revisions to the OECD Transfer Pricing Guidelines. The scope of the country profiles was later expanded to include non-OECD jurisdictions and, in 2021, further extended to cover financial transactions and permanent establishments.

4 https://www.oecd.org/en/topics/sub-issues/transfer-pricing/transfer-pricing-country-profiles.html

Indirect Tax

Washington State: Expands the retail sales tax base to include certain services

The Washinton State legislature recently passed Senate Bill 5814, effective from 1 October 2025, which expands Washington State's retail sales tax to include various services such as IT support, advertising, staffing, and customized software. It also removes certain exemptions thereby making more digital services taxable, while exempting telehealth and intra-affiliate transactions (except staffing).

Kenya's Finance Bill 2025 introduces significant tax reforms

Kenya's proposed Finance Bill 2025 contains several VAT & Excise reforms. The key proposals include:

- **Definition of 'Tax Invoice' in VAT legislation:** The definition of 'Tax Invoice' will include invoices generated via the Electronic Tax Invoice Management System (e-TIMS) in line with Tax Procedures Act. Accordingly, the Tax Invoices issued for VAT purposes shall be transmitted electronically through e-TIMS, except for the expressly exempted items such as payment of emoluments.
- **VAT exemptions:** The exemption has been extended to electric bicycles, inputs used in animal feed production, and electric buses.
- **Harmonization of Goods classification:** The classification for goods shall be harmonized with the East African Community (EAC) Tariff Code System. This alignment aims at enhancing legal clarity, facilitating smoother cross-border trade, and reducing classification disputes, while reinforcing the regional integration. It also places a compliance obligation on traders to adhere to EAC standards, thus promoting consistency and efficiency in tax procedures.
- **Taxation of cross-border digital services:** The definition of place of supply of services has been expanded to include supplies made by a non-resident person to a person consuming those services in Kenya through the internet, electronic network, or a digital marketplace. This would enable the government to levy taxes on foreign digital service providers whose services are accessed by Kenyan consumers.
- **Introduction of digital marketplace and its definition:** This proposal aims to broaden the tax base by ensuring that all economic activities carried out through digital marketplaces are subject to taxation.

Denmark expands digital book-keeping requirements for VAT registered entities

The new rules under the Danish Bookkeeping Act requiring companies, as of 1 January 2025, to use digital book-keeping systems that can handle electronic invoices, have been expanded to also cover all VAT-registered entities (even those not registered in Denmark and not otherwise required to file annual reports in Denmark) with turnovers exceeding DKK 300,000 for two consecutive years, effective from 1 January 2026.

New entities registered in Denmark after 1 January 2026 will be subject to the requirement once their net turnover exceeds DKK 300,000 for two consecutive fiscal years, based on the actual net turnover and not expected turnover.

Philippines issues VAT guidance for cross-border digital services

The Philippines Bureau of Internal Revenue (BIR) has released Revenue Memorandum Circular No. 47-2025 in the form of FAQs to provide guidance on the application of VAT on cross-border digital services. Major highlights of the Circular include the following:

- All Non-Resident Digital Service Providers (NRDSPs) must register via the VAT on Digital Services (VDS) Portal once available.
- NRDSPs must verify if a buyer is engaged in business by collecting the buyer's Taxpayer Identification Number (TIN) and/or using a questionnaire or tick box on their platforms.
- Even if transactions are purely B2B, NRDSPs are still required to register and file VAT returns.
- If payments are made directly to the NRDSP, the e-marketplace is not liable for VAT.
- Platforms offering online medical consultations (e.g., via websites, apps, or e-marketplaces) fall under the definition of 'digital services' and be subject to VAT.

Upcoming Events

GST in Action
20 June 2025
Achromic Point | Sanjay Chhabria

Transfer Pricing

Australia: Enhanced ATO Guidance on Application of Pillar Two Tax Measures[5]

The Australian Taxation Office (ATO) has published updated guidance on the implementation of the Pillar Two global minimum tax rules. Key highlights include:

- **Administration of Legislative Changes:** Explanation of how the ATO will approach potential amendments to Australian tax laws to address any inconsistencies with Pillar Two requirements.
- **Top-Up Tax Calculation:** A breakdown of the methodology for determining the amount of top-up tax payable under the Pillar Two framework.
- **Application to Specific Entities:** Clarification on how the rules apply to various entity types, with additional guidance tailored to specific scenarios.
- **Compliance and Reporting:** Detailed information and examples regarding filing requirements, payment procedures, and record-keeping responsibilities.
- **Interaction with Existing Provisions:** Insights into how the Pillar Two rules will coexist and operate alongside other provisions within the Australian tax system.

UK: Consultation Launched on Draft Legislation to Reform Transfer Pricing, PE, and DPT Rules[6]

On 28 April 2025, HM Revenue and Customs (HMRC) released draft legislation for consultation, proposing significant reforms to the UK's transfer pricing (TP), permanent establishment (PE), and diverted profits tax (DPT) regimes. These reforms are intended to modernize and simplify the UK's international tax framework, better aligning it with the OECD's standards and the UK's treaty obligations. If enacted, the new rules would take effect no earlier than 1 January 2026.

The proposals build on a generally well-received consultation held in mid-2023 and form part of the UK Government's broader Corporate Tax Roadmap. Key changes include expanding the definition of 'associated enterprises' for TP purposes; exempting specific domestic transactions between UK entities; aligning financial transaction rules with OECD guidance; and bringing exchange gains and losses on certain financial instruments within TP scope. For DPT, the reform suggests replacing the regime with a more streamlined unassessed transfer pricing approach, eliminating the 'insufficient economic substance' test, and removing notification obligations. The PE rules would be more closely aligned with the OECD Model Tax Convention, including revised profit attribution principles and an expanded investment manager exemption.

In parallel, HMRC is also consulting on two additional TP-related measures, initially signaled in the Spring Statement 2025. The first would limit the current TP exemption to small enterprises only, thereby extending compliance requirements to medium-sized businesses. The second introduces a new reporting obligation for both large and medium-sized multinational enterprises—requiring disclosure of cross-border related-party transactions through a new filing known as the International Controlled Transactions Schedule (ICTS). Feedback on these proposals is invited by 7July 2025.

5 Updated information about global and domestic minimum tax | Australian Taxation Office

6 Reform of transfer pricing, permanent establishment and Diverted Profits Tax - GOV. UK

Compliance Calendar

Direct Tax
Indirect Tax

7 June 2025

- Securities Transaction Tax - Due date for deposit of tax collected for the month of May 2025.
- Commodities Transaction Tax - Due date for deposit of tax collected for the month of May 2025
- Declaration under sub-section (1A) of section 206C of the Income-tax Act, 1961 (ITA) to be made by a buyer for obtaining goods without collection of tax for declarations received in the month of May 2025 in Form 27C.
- 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.

10 June 2025

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

11 June 2025

- GSTR-1 for the month of May 2025 to be filed by all registered taxpayers not under QRMP scheme

13 June 2025

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

14 June 2025

- Due date for issue of TDS Certificate for tax deducted under section 194-IA in the month of April 2025 in Form 16B.
- Due date for issue of TDS Certificate for tax deducted under section 194-IB in the month of April 2025 in Form 16C.
- Due date for issue of TDS Certificate for tax deducted under section 194M in the month of April 2025 in Form 16D.
- Due date for issue of TDS Certificate for tax deducted under section 194S in the month of April 2025 in Form 16E.

15 June 2025

- Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of May 2025.
- Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending 31 March 2025, in Form 16A.
- First instalment of advance tax for the assessment year 2026-27.
- Certificate of tax deducted at source to employees in respect of salary paid and tax deducted during Financial Year 2024-25 in Form 16.
- Statement showing particulars of perquisites, other fringe benefits or amenities and profits in lieu of salary with value thereof during Financial Year 2024-25 in Form 12BA.
- Monthly statement to be furnished 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 in Form 3BB.
- Monthly statement to be furnished by a recognized association in respect of transactions in which client codes have been modified after registering in the system for the month of May 2025 in Form 3BC.

Compliance Calendar

Direct Tax
Indirect Tax

- Due date for filing of statement of income distributed by business trust to unit holders during the financial year 2024-25. This statement is required to be filed electronically to Principal CIT or CIT in Form No. 64A.
- Statement of income paid or credited by a securitization trust to be furnished under section 115TCA of the ITA in Form 64E.
- Statement to be furnished in Form No. 64D by Alternative Investment Fund (AIF) to Principal CIT or CIT in respect of income distributed (during previous year 2024-25) to units' holders.

25 June 2025

- Payment of tax through GST PMT-06 by taxpayers under QRMP scheme for the month of May 2025

30 June 2025

- Due date for furnishing of challan cum statement in respect of tax deducted under section 194S in the month of May 2025 in Form 26QE.
- 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 31 March 2025, in Form 26QAA.
- Statement to be furnished (in Form No. 64C) by Alternative Investment Fund (AIF) to unit's holders in respect of income distributed during the previous year 2024-25.
- Report by an approved institution/public sector company under Section 35AC (4)/ (5) for the year ending 31 March 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.
- Statement regarding preliminary expenses incurred to be furnished under proviso to clause (a) of sub-section (2) of section 35D of the Income-tax Act, 1961 by the assessee (if due date of submission of return of income is 31 July 2025) in Form 3AF.

20 June 2025

- GSTR-5A for the month of May 2025 to be filed by Non-Resident Service Providers of Online Database Access and Retrieval (OIDAR) Services
- GSTR-3B for the month of May 2025 to be filed by all registered taxpayers not under QRMP scheme
- Central Government on the same day where tax is paid without production of an Income tax Challan.

29 June 2025

- Information and documents to be furnished by an Indian concern under section 285A in Form 49D.
- Statement to be furnished by an eligible investment fund to the AO in Form 3CEK.

30 June 2025

- GSTR-4 for FY 2024-25 to be filed by a composition dealer
- Statement of income distributed by securitization trust to be provided to the investor under section 115TCA of the ITA in Form 64F.
- Commodities Transaction Tax - Return of taxable commodities transactions for Financial Year 2024-25.
- Certificate to be issued by accountant under clause (23FF) of section 10 of the Income-tax Act, 1961 (if due date of submission of return of income is 31 July 2025) in Form 10-IJ.
- Verification by an Accountant under sub-rule (3) of rule 21AJAVerification (if due date of submission of return of income is 31 July 2025) in Form 10-IL.
- Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA in the month of May 2025 in Form 26QB.
- Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IB in the month of May 2025 in Form 26QC.
- Due date for furnishing of challan cum statement in respect of tax deducted under section 194M in the month of May 2025 in Form 26QD.

Compliance Calendar

Direct Tax
Indirect Tax

11 July 2025

- GSTR-1 for the month of June 2025 by all registered taxpayers not under QRMP scheme

18 July 2025

- CMP - 08 for payment of self-assessed tax for quarter April 2025 to June 2025 by composition dealer

13 July 2025

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

About Nexdigm

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.***

USA Canada Poland UAE India Japan

www.nexdigm.com

Reach out to us at ThinkNext@nexdigm.com

Follow us on

Listen to our podcasts on all major platforms