Just 5 Minutes

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Income Tax

The Lok Sabha has passed the Finance Bill 2025, incorporating over 30 modifications to the original bill introduced on February 01, 2025 and abolishing the provisions related to equalisation levy.

Income Tax

1. All Icome Tax offences compoundable, eases rules for defaulters

The CBDT has issued revised guidelines for compounding offences under the Income-tax Act, 1961 superseding all previous guidelines. All offences under the income-tax law, including cases that involve agencies such as the Enforcement Directorate and the Central Bureau of Investigation, have been made compoundable by competent tax authorities if the applicant is not found to be involved in any anti-national or terrorist activity.

2. Scope of Safe Harbour provisions expanded

The CBDT has amended the Income-tax Rules, 1962, to expand the scope of safe harbour provisions under transfer pricing. The changes include an increase in the turnover threshold for eligible taxpayers from Rs. 200 crore to Rs. 300 crore, introducing lithium-ion batteries for electric and hybrid vehicles into the definition of 'core auto components, etc.

Income Tax

3. Clarification on exemption from PPT in DTAAs

The CBDT has issued clarification that Circular 01/2025 applies only to the Principal Purpose Test (PPT) provision in Indian double taxation avoidance agreements (DTAAs), without affecting other tax provisions or domestic anti-abuse rules like GAAR, SAAR, and JAAR, which remain independent.

This clarification is significant, especially since India and Mauritius amended their tax treaty in April 2024 to include the PPT. The PPT aims to prevent large companies from avoiding taxes by scrutinizing business arrangements made purely for tax benefits.

GST

Businesses must register as an **Input Service Distributor (ISD)** if they receive common input service invoices at their Head Office (HO) but use them across multiple branches, w.e.f. April 01, 2025

GST

- 1. Haryana State GST Proposal
- a) Changes in Tax Demand Notices: Demands above ₹2 crores, notices will be issued only by Deputy Excise and Taxation Commissioners (DETCs) instead of ETOs.
- b) Restriction on Suo Moto Investigations u/s 61 of the Haryana GST Act, 2017: ETOs can conduct such investigations only with prior approval from the Joint Excise and Taxation Commissioner (JETC)
- c) Departmental Audits: Instructions will be issued to HGST officers to schedule department Audit u/s 65 for three-four years together to avoid multiple visits of Taxpayer.

MSME

MSME Limits enhanced for classification

The investment and turnover limits have been increased by 2.5 times and 2 times, respectively, w.e.f. April 01, 2025. The new limits are as below:-

Category	Investment	Turnover
Micro Enterprises	2.5 crore	10 crore
Small Enterprises	25 crore	100 crore
Medium Enreprises	125 crore	500 crore

CASE LAWS - INCOME TAX

1. Pr. CIT - 1, Delhi v. D Light Energy P. Ltd.

It has been held by Delhi High Court that where the distributor makes no value addition to imported products, RPM is the most appropriate method to determine the ALP

2. Sheth Vijilal Laxmidas Tribvondas v. CIT (Exemptions)

It has been held that where assessee-trust was already an approved trust and claimed that it had wrongly applied for provisional registration under new regime, application for renewal of registration was to be made under clause (ii) of first proviso to section 80G(5) and grant of provisional approval could not be sole basis for rejecting the same.

CASE LAWS - INCOME TAX

3. Bharat Mithalal Jain v. ITO

It has been held that where assessee had purchased a shop for consideration of Rs. 8.09 lakhs, however, the market value of same was Rs. 22.06 lakhs and Assessing Officer made addition under section 69 as unexplained source of income, since relevant documents had been filed and facts/circumstances and resources of investment had also been demonstrated by assessee before authorities below, impugned addition made by Assessing Officer was to be deleted

CASE LAWS - INDIRECT TAX

1. Satya Dev Singh v. UOI

It has been held that under GST laws, an ownership document suffices for registration purposes without requiring the consent of all co-owners. It was clarified that for GST registration, consent of one co-owner is sufficient when property is jointly owned.

Global Carbon Market gets green signal @ COP29

Countries at the two-week COP29 climate summit gave the go-ahead to carbon credit quality standards which are critical to launching a U.N.-backed global carbon market that would fund projects that reduce greenhouse gas emissions. https://unfccc.int/news/cop29-agrees-international-carbon-market-standards

Carbon credits theoretically allow countries or companies to pay for projects anywhere on the planet that reduce CO2 emissions or remove it from the atmosphere and use credits generated by those projects to offset their own emissions. When operational, these carbon markets will help countries implement their climate plans faster and cheaper, driving down emissions.

Examples of projects could include cultivation of CO₂-absorbing mangroves, or distribution of clean stoves to replace polluting methods of cooking in poor rural communities.

If you have any specific queries on Sustainability/ ESG or BRSR topics, do reach out to tls@taxconindia.com

