R.C. JAIN AND ASSOCIATES LLP

NEWSLETTER

March 2025

"The key to making money is to stay invested"

- *Suze Orman*

INDEX

Notification No. 18 /2025 F. No. 196/46/2012-ITA-I

The Central Government, under Section 10(46) of the Income-tax Act, 1961, exempts the specified income of *Karnataka Urban Water Supply & Drainage Board, Bangalore* (PAN: AAATK5837F), a state government-established trust, from taxation for the assessment years 2024-25 to 2028-29 (corresponding to financial years 2023-24 to 2027-28). The exempted income includes:

1. Establishment, administrative, supervision, water charges, and rent collected under the Karnataka Urban Water Supply and Drainage Board Act, 1973.
2. Forfeiture of earnest money deposits under the same Act.
3. Income from penalties, sale of scrap, storage charges, tender forms, and survey charges under the same Act.
4. Interest earned on bank deposits.

Conditions for exemption:

- The Board must not engage in commercial activities.
- Its activities and the nature of the specified income must remain unchanged.
- It must file a return of income as per Section 139(4C)(g) of the Income-tax Act, 1961.

Notification No. 19 /2025 F.No. 300164/1/2024-ITA-1

The Central Government has specified the "Ten Year Zero Coupon Bond of Power Finance Corporation Ltd." as a zero coupon bond under section 2(48) of the Income-tax Act, 1961. The details are:

- Bond Name: Ten Year Zero Coupon Bond of Power Finance Corporation Ltd.

- Duration: 10 years and 1 month

- Issue Timeline: To be issued by March 31, 2027

- Maturity Amount: Rs. 1, 00, 000 per bond

- Discount: Rs. 49,546 per bond

- Total Bonds: 10 lakh bonds

Notification No. 20/2025 F. No. 225/33/2025/ITA-II

The Central Government, under Section 138(1)(a)(ii) of the Income-tax Act, 1961, authorizes the *Additional Chief Secretary (IT), Department of Information & Technology, Government of NCT of Delhi* to receive income tax payer information for identifying eligible beneficiaries under Delhi's social welfare schemes.

For example Key Social Welfare Schemes in Delhi includes:

1. Financial Assistance for the Marriage of Daughters of Poor Widows and Orphan Girls
2. Delhi Arogya Nidhi

3. Natural Death Assistance for Construction Workers
4. Mukhyamantri Mahila Samman Nidhi
5. Free Electricity and Water Supply etc.

Notification No. 21/2025 F. No. 370142/6/2025-TPL

The **Income-tax (Sixth Amendment) Rules, 2025** amends the **Income-tax Rules, 1962**, with the following key changes:

1. **Effective Date**: The amendments come into force from the date of publication in the Official Gazette.
2. **Rule 10TA Amendment**:
    - **Lithium-ion batteries** used in electric or hybrid vehicles are now included under clause (b).

      This amendment broadens the definition of 'core auto components' to include lithium-ion batteries intended for use in electric or hybrid electric vehicles. Consequently, eligible assesses engaged in the manufacture and export of these batteries can now avail themselves of the Safe Harbour Rules (SHR) with a minimum operating profit margin of 12%.

3. **Rule 10TD Amendments**:
    - In **sub-rule (2A), Table**: The number **"two"** is replaced with **"three"** in various serial numbers (1, 2, 3, 7, and 8).
    - In **sub-rule (3B)**: The applicability of certain provisions is extended to **assessment years 2025-26 and 2026-27**.

      In addition to this, the CBDT has increased the monetary threshold for certain eligible international transactions under Rule 10TD. For instance, the threshold for transactions involving the provision of software development services has been raised from INR 200 crore to INR 300 crore

4. **Rule 10TE Amendment**:
    - In sub-rule (2), The specific amendment to Rule 10TE(2) involves the insertion of the phrase "for one assessment year" after the reference to Rule 10TD. This change clarifies that the safe harbour option exercised by an assesse under Rule 10TD(3B) is valid for only one assessment year.
5. **Reference to Previous Amendments**: The rules were originally published in 1962 and were last amended in February 2025.

~Compiled by Akash Madiwal

Case Law: 1

If both the assessee and her husband owned a property, just signing a conveyance document doesn't automatically mean the income should be taxed equally for both. The taxability of the income depends on who actually benefited from the property. Therefore, the income couldn't be taxed equally for both owners.

[2025] 171 taxmann.com 347 (Delhi)

HIGH COURT OF DELHI

Smt. Shivani Madan

v.

Principal Commissioner of Income-tax*

YASHWANT VARMA AND HARISH VAIDYANATHAN SHANKAR, JJ.

IT APPEAL NOS. 573 OF 2023 AND 133, 134 OF 2024†

CM APPL. NOS. 52433 OF 2023 AND 11382, 11384 OF 2024 (STAY)

JANUARY 8, 2025

Facts of the Case:

1. The assessee and her husband jointly owned a property.
2. The Assessing Officer treated the property as equally owned by both and taxed 50% of the rental income in the assessee's hands under section 23(1)(a).
3. The Commissioner (Appeals) agreed with the Assessing Officer's decision.
4. The Tribunal also agreed, stating that since the sale deed showed joint ownership but didn't mention specific shares, it was assumed that both owned equal shares.
5. The case was then taken to the High Court.

Tribunal's View:

1. The Income Tax Appellate Tribunal (Tribunal) upheld the AO's decision, agreeing that the sale deed did not define ownership shares and therefore presumed equal ownership (50%) between the appellant and her husband.
2. The Tribunal emphasized the joint nature of the property purchase and rejected the appellant's claim of owning only 5.4%.

Judgment Summary ITA 573/2023:

1. The appellant (assessee) appealed against the Income Tax Appellate Tribunal's decision from January 5, 2023, concerning the assessment for the year 2015-16. The Tribunal had affirmed the

Assessing Officer's (AO) decision that the property was jointly owned by the appellant and her husband, and 50% of the income from it should be taxed in the appellant's hands.

2. The main issue was whether the appellant and her husband were equal owners of the property at J-278, Saket, New Delhi. The appellant argued that her name appeared on the property deed only because she contributed Rs. 20,00,000 in 2011-12. While the consideration value was of Rs. 3,50,00,000. However, the AO and the Commissioner (Appeals) determined that both were joint owners, and the income was taxed equally.

3. The Tribunal agreed, stating that since the sale deed didn't specify the share of ownership, the property was treated as equally owned by the appellant and her husband.

4. The High Court found that the question of ownership should not be based solely on the sale deed but on who benefited from the property income. In this case, there was no clear finding that the appellant received the income in her own right.

5. The High Court ruled in favor of the appellant, setting aside the Tribunal's decision and granting relief to the appellant.

Case Study: 2

The reassessment of the assessee after four years was based on the claim that deductions under section 36(1)(vii)/36(1)(viia) were misrepresented. However, the issue under section 36(1)(vii) had already been discussed in the original assessment. Since the assessee had fully disclosed all relevant facts, the reassessment proceedings were quashed and set aside.

[2025] 171 taxmann.com 617 (Bombay)

HIGH COURT OF BOMBAY ICICI Bank Ltd.

v.

Deputy Commissioner of Income-tax-2(3)(1)*

M.S. SONAK AND JITENDRA JAIN, JJ.

WRIT PETITION NO.1172 OF 2022

FEBRUARY 11, 2025

Facts of the Case:

1. The Assessing Officer issued a notice under section 148 to reopen the assessment for the 2014-15 year after four years.

2. The notice claimed the assessee failed to disclose important facts, alleging misrepresentation of deductions under sections 36(1)(vii) (bad debts write-off) and 36(1)(viia) (provisions for bad debts by rural branches).

3. The assessee challenged this notice in the Bombay High Court, arguing it was issued after the four-year limit and without specific allegations of failure to disclose facts.

4. The assessee stated that all relevant details about the deductions were already provided during the original assessment, and reopening the assessment was just a change of opinion, which is not allowed by law.

Judgement:

1. Respondent's Argument: The petitioner allegedly misrepresented facts, especially concerning deductions under Section 36(1)(vii), justifying the reopening.

2. **Court's Review**:

- The notice was issued after 4 years, and there was no evidence of failure to disclose facts.
- The documents provided during the original assessment were the basis for reopening.
- A similar case (petitioner's own case) had already resulted in quashing the notice.

3. Court's Decision:

- The reopening was not justified as the issue was already discussed in the original assessment.
- The reopening would effectively give the respondent the power to review, which is not allowed by the Act.

4. Conclusion:

- The court quashed the notice and the order issued on 17th January 2022, in favor of the petitioner.

~Compiled by Sanjana Jain

Case Law: 1

Where an order was passed under section 74 against assessee for not declaring a premise from where business was conducted while seeking registration, writ petition of assessee claiming that same was mentioned in a partnership deed and it was duty of respondent to include same, was to be dismissed as it was for assessee to fairly disclose all sites wherein business was being conducted

HIGH COURT OF ALLAHABAD

Manoj Metal, Industries

v.

State of U.P.*

Arun Bhansali, CJ.

and Kshitij Shailendra, J.

WRIT TAX No. - 822 of 2025

MARCH 10, 2025

Facts of the Case:

1. M/S Manoj Metal Industries, engaged in the manufacturing and trading of lead ingots, lead oxide, and battery plates, was availing input tax credit under the GST Act.
2. The firm had four business premises, but during inspection, it was found that one of them—located at J-29, Panki Site-3, Kanpur—was not declared in the GST registration.
3. A show cause notice was issued on 31.10.2023 alleging that the unregistered premises was used for business activities illegally.
4. The petitioner responded that the address was mentioned in the Partnership Deed submitted during registration, and the omission was not intentional.

Court's View:

1. The Court found the petitioner's arguments unconvincing.
2. It held that merely mentioning a premise in the Partnership Deed does not amount to a formal declaration for GST registration.
3. The onus was on the petitioner to specifically disclose all operational sites.
4. Since the premise remained unregistered for over six years without any correction or update by the petitioner, shifting the responsibility to the authorities was deemed baseless.
5. Furthermore, the Court noted that the petitioner did not raise substantive objections against the merits of the tax demand nor did it pursue the statutory appeal route under Section 107 of the GST Act.

Judgment Summary by the High Court:

1. The Allahabad High Court dismissed the writ petition, stating that no case was made out for invoking its jurisdiction under Article 226 of the Constitution.
2. The Court affirmed that the petitioner should have utilized the alternative remedy of appeal and that the GST authorities were justified in raising the tax demand based on non-declaration of the business premises.

Case Study: 2

Where writ petition challenging joint notices issued to assessees was rejected on ground that petitioner alone could not be singled out in adjudication, and a final order was passed thereafter on said notice, prayer of assessee along with other assesssee for restoration of said petition was to be allowed in view of changed circumstances

HIGH COURT OF MADHYA PRADESH

Rahul Steels

v.

Union of India*

VIVEK RUSIA and BINOD KUMAR DWIVEDI, JJ.

REVIEW PETITION No. 15 of 2025

MARCH 13, 2025

Facts of the Case:

1. M/S Rahul Steels, through its authorised signatory, filed a review petition challenging an earlier High Court order dated 17.12.2024 which had dismissed their writ petition (W.P. No. 8015/2024).
2. The petitioner was issued a show cause notice under Sections 74 and 122 of the CGST Act, 2017, as part of a wider investigation into alleged tax evasion through circular trading involving five assessees.
3. While the petitioner's writ was dismissed on the ground that adjudication must involve all five assessees, the remaining four parties later received interim relief from the Court, and their petitions were admitted.

Court's View:

1. The Court observed that significant new developments had occurred since the dismissal of the original writ, including the admission of petitions by the other four assessees and the issuance of a final order dated 21.01.2025 by the tax authorities.
2. The Court acknowledged that this final order was allegedly passed in violation of natural justice and mandatory procedural requirements (such as non-uploading of the show cause notice on the GST portal under Rule 142 of the CGST Rules).
3. Additionally, the petitioners were denied the right to cross-examine witnesses, which is a fundamental aspect of a fair hearing.
4. The Court considered these factors sufficient to justify restoring the original writ.

Judgement Summary by the High Court:

1. The Madhya Pradesh High Court allowed the review petition and **restored the original writ petition** (W.P. No. 8015/2024) to its file.
2. It admitted the petition for final hearing and stayed the operation of the common final order dated 21.01.2025 until the matter is fully adjudicated.
3. The Court held that given the interconnected nature of the allegations among all five assessees and in light of procedural lapses, a joint hearing is essential to ensure justice.

Case Study: 3

Where assessee's appeal to appellate authority was delayed for 210 days because assessee was not aware of show cause notice which was only uploaded in GST Portal and impugned assessment order was uploaded in "view additional notices column", delay was to be condoned subject to assessee depositing 15% of disputed tax in addition to 10% pre-deposit already made

HIGH COURT OF MADRAS

Akshaya Meditech

v.

Deputy Commissioner (CT)*

Krishnan Ramasamy, J.

W.P.No. 8051 of 2025

W.M.P. No. 9016 of 2025

MARCH 11, 2025

Facts of the Case:

1. Akshaya Meditech, the petitioner, faced a tax demand from the GST department for the assessment year 2018–19.
2. A show cause notice (SCN) dated 31.01.2024 was issued alleging excess claim of IGST and its adjustment against CGST/SGST in their GSTR-3B returns.
3. However, this SCN was **only uploaded on the GST portal**—not communicated physically. The final assessment order dated 22.04.2024 was also uploaded only in the "view additional notices" section of the portal, without any other form of notification.
4. As a result, the petitioner was unaware of these developments and filed an appeal **210 days late**, which was subsequently rejected by the appellate authority on the grounds of delay.

Court's View:

1. The Court acknowledged that the petitioner had **genuinely missed the show cause notice and assessment order** due to the lack of physical intimation.
2. It recognized that uploading important documents only in a less prominent section of the GST portal without further notice amounted to a **violation of natural justice**.
3. The Court held that the delay was **justifiable** and that dismissing the appeal solely on procedural grounds would be unfair.
4. It emphasized that the petitioner had already paid the required 10% pre-deposit for appeal and should be given an opportunity to present their case.

Judgement Summary by the High Court:

1. The Madras High Court **condoned the 210-day delay** in filing the appeal, subject to the petitioner paying an additional **15% of the disputed tax**, bringing the total pre-deposit to 25%.
2. The Court directed the appellate authority to accept the appeal without insisting on the limitation period and to **decide the matter on its merits** after giving the petitioner a fair hearing.

3. The writ petition was thus **disposed of in favour of the petitioner** with no order as to costs.

Case Study: 4

Where no pre-decisional hearing was provided to assessee by respondent authorities before passing impugned order blocking electronic credit ledger of assessee under Rule 86A of CGST Rules and impugned order did not contain independent or cogent reasons to believe as to why it was necessary to block electronic credit ledger, impugned order was to be set aside

HIGH COURT OF KARNATAKA

A.M. Enterprises

v.

State of Karnataka*

S.R. Krishna Kumar, J.

WRIT PETITION NO. 36304 OF 2024 (T-RES)

MARCH 11, 2025

Facts of the Case:

1. M/S A M Enterprises, the petitioner, challenged the **blocking of its electronic credit ledger (ECL)** under Rule 86A of the CGST Rules, 2017.
2. The petitioner's ledger was blocked by the tax authorities, preventing them from utilizing available input tax credit (ITC).
3. The department alleged that the ITC was availed based on fake invoices without actual receipt of goods or services.
4. However, the blocking was done **without providing prior notice or affording an opportunity to be heard**, which the petitioner argued violated the principles of natural justice.

Court's View:

1. The Karnataka High Court observed that **Rule 86A is a drastic power**, and its exercise must be strictly in line with the rule's conditions, including proper reasons to believe that the ITC is fraudulently availed.
2. The Court noted the lack of a **formal notice or opportunity to the petitioner to respond before blocking the credit**, which violated the principles of natural justice.
3. The Court reiterated that administrative convenience cannot override statutory limits or legal procedures.

Judgement Summary by the High Court:

1. The High Court directed the respondents to **unblock the petitioner's electronic credit ledger forthwith**. The writ petition was **allowed**, with the Court setting aside the blocking order as being violative of Rule 86A and fundamental legal safeguards, particularly the principle of natural justice

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~Compild by Sanjana Tambe

Press Release - 2024-2025/2285

Mar 01, 2025

Withdrawal of Rs.2000 Denomination Banknotes – Status

Withdrawal Announcement

- RBI announced the withdrawal of Rs.2000 denomination banknotes on May 19, 2023.
- Updates on the withdrawal status are periodically published, with the last update on February 3, 2025.
- Deposits/exchanges of Rs.2000 notes were allowed at all bank branches until October 7, 2023.

Exchange & Deposit at RBI Issue Offices

- Since May 19, 2023, Rs.2000 banknotes can be exchanged at RBI Issue Offices.
- From October 9, 2023, RBI offices also accept Rs.2000 notes for deposit into bank accounts.
- The public can send Rs.2000 notes via India Post to RBI offices for bank account credit.

Decline in Rs.2000 Notes Circulation

- On May 19, 2023, the total Rs.2000 notes in circulation were Rs.3.56 lakh crore.
- As of February 28, 2025, circulation reduced to Rs.6,471 crore.
- 98.18% of Rs.2000 notes have been returned.
- Despite withdrawal, Rs.2000 banknotes remain legal tender.

Press Release – 2024-2025/2305

Mar 05, 2025

RBI Announces Measures to Manage Liquidity Conditions

- RBI plans to inject liquidity into the banking system through specific operations.

OMO Purchase Auctions

- **Open Market Operations (OMO)** purchase of **Rs.1,00,000 crore** in two tranches:
    - Rs.50,000 crore on March 12, 2025 (Wednesday)
    - Rs.50,000 crore on March 18, 2025 (Tuesday)
    - USD 10 billion Buy/Sell Swap for a 36-month tenor on March 24, 2025 (Monday).
- RBI will issue detailed guidelines separately for each operation.
- RBI will monitor liquidity and market conditions and take further actions as needed.

Press Release – 2024-2025/2380

Mar 15, 2025

Statement on Indus Ind Bank Limited

- Certain quarters have speculated about IndusInd Bank, possibly due to recent events.
- RBI clarifies that IndusInd Bank is well-capitalized and financially stable.

Financial Indicators (As of Dec 31, 2024 & March 9, 2025)

- Capital Adequacy Ratio (CAR): 16.46%
- Provision Coverage Ratio (PCR): 70.20%
- Liquidity Coverage Ratio (LCR): 113% (above the 100% regulatory requirement)

External Audit and Review

- The bank has engaged an external audit team to review its systems and assess any impact.

Regulatory Directions from RBI

- The RBI has instructed the bank's Board and management to complete remedial actions within **Q4 FY25**.
- Necessary disclosures must be made to stakeholders.
- RBI reassures that depositors should not react to speculative reports.
- The bank's financial health is stable and under RBI's close monitoring.

RBI/DOR/2024-25/129
DOR.CAP.REC.No.70/21.06.201/2024-25

Mar 25, 2025

RBI (Prudential Norms on Capital Adequacy for Regional Rural Banks) Directions, 2025

1. Introduction

- Issued under Section 35A of the Banking Regulation Act, 1949.
- Effective from April 1, 2025.
- Applicable to all Regional Rural Banks (RRBs).

2. Purpose

- Establishes capital adequacy norms for RRBs.
- Specifies required capital levels based on risk.

3. Regulatory Capital Composition

- Minimum Capital Requirement: RRBs must maintain a Capital to Risk-Weighted Assets Ratio (CRAR) of 9%.
- Capital Structure: Comprises Tier 1 and Tier 2 capital.

4. Tier 1 Capital

- Includes paid-up share capital, share premium, statutory reserves, capital reserves, revaluation reserves (discounted at 55%), and profit & loss balance.
- Perpetual Debt Instruments (PDIs) allowed, limited to 1.5% of RWAs, with additional PDIs included under conditions.
- Deductions include goodwill, intangible assets, losses, and deficit in NPA provisions.

5. Tier 2 Capital

- Includes general provisions/loss reserves (up to **1.25% of RWAs**) and investment fluctuation reserves.
- Tier 2 capital is capped at 100% of Tier 1 capital.

6. Risk-Weighted Assets (RWAs)

- Computed by applying risk weights to balance sheet assets and off-balance sheet exposures.
- Used to determine the capital adequacy ratio.

7. Reporting Requirements

- RRBs must submit annual reports on capital funds and risk asset ratios to NABARD.

8. Repeal and Interpretation

- Replaces earlier circulars on capital adequacy for RRBs.
- RBI has the authority to issue clarifications as needed.

9. Perpetual Debt Instruments (PDIs)

- Must be perpetual, fully paid-up, and unsecured.
- No put option; call option allowed after **5 years** with RBI approval.
- Interest payments subject to capital adequacy compliance.
- Cannot be used as collateral for loans.

~ Compiled by Rahul Pardeshi

CASE LAW

Brief on Adjudication Order passed by Registrar of Companies	
Section No. **And Name**	Section 90 **Register of significant beneficial owners in a company**
Date of Order	05th September, 2024
Name of Company	SHINSUNG C&T INDIA PRIVATE LIMITED
Name of ROC	Registrar of Companies, Kanpur
Brief Facts	The shares of reporting Company in majority are held by the "holding company" i.e. Shinsung C& T Co. Ltd., Korea (99.99%). After examination of the filings by 'the reporting Company there was no e-form BEN-2 filed by the reporting Company and it required to file BEN-2 for the Compliance of law. Reporting Company vide e-mail sought extension for a few days Thus, extension to 10 days was granted to the reporting Company. On the examination or the reply 'the reporting company ought to have declared its significant beneficial owner in terms or Law. It is concluded that Mr. Jangwoo Lee, Mr. Myunghee Lee and

<table>
<tr><td></td><td>Mr. Minwoo Lee are holders of 41.86% shares, 31.40% shares and 10.99% shares respectively in the holding company as on 13.02.2024. Further, Mr. Minwoo Lee is also a Vice Chairman or the holding Company and the reporting company had declared Mr. Jangwoo Lee as beneficial owner to Shinhan bank. New Delhi on 31.07.2019.</td></tr>
<tr><td>Reply by Company</td><td>All the shareholders of the 'holding Company' are individuals. As per shareholding pattern of 'reporting Company', no individual is 'holding majority' stake in it Thus, no individual shall be considered as a Significant Beneficial Owner.

The Company has taken steps and enquired the shareholding structure of the 'holding Company and it was round that section 90 are not applicable to the Company. Thus, the Company is not entitled to obtain Form BEN-1, file Form

BEN-2 and prepare registers in Form BEN-3</td></tr>
<tr><td>Penalty</td><td>
<table>
<tr><th>Particular</th><th>Amount (Rs.)</th></tr>
<tr><td>Penalty on Company</td><td>5,00,000/-</td></tr>
<tr><td>Penalty on Director</td><td>1.00,000/- each on two directors

2,00,000/-</td></tr>
<tr><td>Penalty on CS / KMP</td><td>95,200/-</td></tr>
<tr><td>Total Penalty</td><td>7,95,000/-</td></tr>
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~ Compiled by Omkar Pawar

#HUNAR ART

~ By Shivani Shetty .

Allow us to tell you more!

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