RNM India

GGi INDEPENDENT MEMBER

RNM ALERT JANUARY NEWSLETTER

VOL NO 192

Celebrating India's Handicrafts heritage

CONTENTS

EDITORIAL

Dear Readers

During the month of January 2024 our Gift City based Fund Management Entity received the formal certificate of registration from the International Financial Services Centre Authority, Regulator as a Registered FME (Non-Retail) under the IFSCA (Fund Management) Regulations, 2022. This is a significant milestone for which we thank all stakeholders concerned including the Regulator, Gift Co, SEZ Authority, AD Bank, Custodians and our team.

Our CEO, Mr. Raghu Marwah was present in Mumbai this past month to attend client meetings along with Mr. Alok Kumar, Partner Internal Audit and Mrs. Jagruti Sheth, Partner TRAS, Mumbai branch in-charge.

On the Direct Tax front, the Central Board of Direct Taxes has issued a Circular providing guidance on the applicability of the Principle Purpose Test (“PPT”) under India’s Double Taxation Avoidance Agreements. The PPT is a key anti-abuse provision, whose primary aim is to prevent the misuse of tax treaties by denying treaty benefits to arrangements/transactions where it is reasonable to conclude that obtaining such benefit was one of the principal purpose, unless it is established that granting such benefit is in accordance with the object and purpose of the relevant provision of the Tax Treaty.

On the Assurance front, MCA’s new requirement under Rule 11(g) to the Companies (Audit and Auditors) Rules, 2014, requires auditors to report on an entity's use of accounting software with ‘Audit Trail’ feature, from FY 2023-24. The said Rule has been implemented by corporates in varying manner during the first year of implementation as is apparent from the Audit Trail reporting by the Auditors of listed companies. Team RNM is of the view that this is an important tool which requires implementation is letter and spirit to ensure strong governance environment.

The Union Budget 2025 was announced on 1 February 2025 by the Hon’ble Finance Minister Mrs. Nirmala Sitharaman and hope you received the Special RNM Alert on Breaking Down the Union Budget sent separately.

We would like to take this opportunity of wishing all our readers best wishes for Maha Shivratri on 28 February. On this day we celebrate the victory of light over darkness whilst celebrating the wedding of Lord Shiva with Goddess Parvati.

U N Marwah
Chairman - RNM India

Direct Tax

1. Clarification Regarding Orders under Section 201 Of The Income-Tax Act, 1961 Under E-Appeal Scheme, 2023

The CBDT vide Order F. NO. 225/17/2025-ITA-II, dated 28-1-2025 clarified that Orders passed u/s 201 in pursuance of action u/s 133A are appealable before CIT(A) under e-Appeal Scheme, 2023.

2. NOTIFICATION G.S.R. 67(E) [NO. 9/2025/F.NO.370142/18/2024-TPL], DATED 21-1-2025

The CBDT vide insertion of new Rule 6GB - prescribes conditions for NRs engaged in business of operation of cruise ships for Sec. 44BBC

3. ORDER SO. 348(E) [NO. 8/2025/ F. NO. 370153/01/2025-TPL], DATED 20-1-2025

The CBDT clarifies that appeals filed post 22-07-2024 without condonation request will be eligible for Vivad se Vishwas Scheme, 2024.

Important Judicial Precedents

1. SLP dismissed; notice issued after approval of resolution plan was invalid

[2025] 170 taxmann.com 752 (SC) PCIT Central 4 vs. Patanjali Foods Ltd

SLP dismissed against order of High Court that notice under section 148 issued by revenue to assessee-company after approval of resolution plan by NCLT for a period prior to closing date, was invalid and bad in law.

2. Co-accused can apply separately for compounding of offences committed by Co. as per CBDT's fresh guidelines

[2025] 170 taxmann.com 382 (Delhi-HC) Sumit Bharana vs. Union of India

Where assessee-director was considered as principal officer of accused-company, which defaulted in making TDS payment, and prosecution against assessee was initiated under section 276B for said default, in view of CBDT's guidelines that co-accused were entitled to apply separately for compounding of offences, assessee's application for compounding couldnot be rejected on ground that main accused-company had not filed any application for compounding of offences.

3. Reassessment notice quashed due to lack of fresh material to reopen concluded assessment: SC dismissed SLP

[2025] 170 taxmann.com 669 (SC) DCIT vs. Gokul Agro Resources Ltd.

SLP dismissed against order of High Court that where on basis of survey conducted in case of Jammu & Kashmir Bank, wherein assessee transacted, Assessing Officer observed that there was difference between remittance-sheet and account statement and Assessing Officer reopened assessment on ground that assessee's case was not selected for scrutiny, since on same material reopening notices for previous assessment years were set aside, impugned reopening notice couldnot be issued merely on ground that scope of reassessment was enlarged by amended provisions for reopening after 1-4-2021.

4. HC quashed reassessment notice relying solely on info from insight portal

[2025] 170 taxmann.com 473 (Gujarat-HC) Raajratna Stockholdings (P.) Ltd. vs. ACIT

Where Assessing Officer issued a reopening notice on basis of information received from insight portal regarding coordinated and premeditated trading on BSE by engaging in reversal trade and illiquid stock options resulting in non-genuine business loss/gain to beneficiary assessee and assessee was a party to such manipulation, since reopening notice was issued on borrowed satisfaction as no independent opinion was formed and notice was issued merely on basis of information from insight portal, and further, amount of said non-genuine profit was already offered to tax in return of income during regular scrutiny assessment, impugned reopening notice was to be quashed and set aside

5. SC dismissed SLP against HC's order quashing reassessment based on info received from NSEL

[2025] 170 taxmann.com 9 (SC) ACIT vs. N.K. Industries Ltd

SLP dismissed against order of High Court that where Assessing Officer issued notice under section 148 only on basis of information received from NSEL that certain amount was outstanding to be payable by assessee as for termination of liability of NSEL and, thus, having belief that such amount was assessee's income which escaped assessment, since such belief of Assessing Officer was without considering fact on record that there was no sale or purchase transaction carried by assessee-company on NSEL during relevant assessment year, impugned notice was without jurisdiction and was to be quashed.

6. No disallowance of exp. without verifying books of a/c for bogus purchases allegations: HC

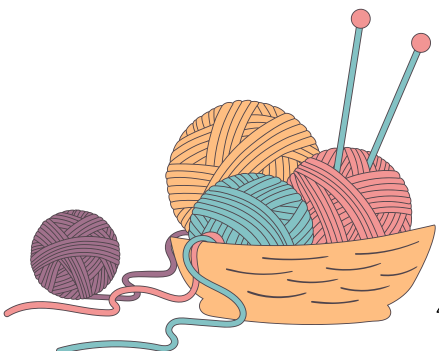
[2025] 170 taxmann.com 462 (Kerala-HC) Diamond Food Products vs. CIT

Where Assessing Officer did not verify books of account including Stock Register, Ledger, Cash Purchase Register, etc., to see whether allegation regarding bogus purchases of raw material (paddy) was correct or not, disallowing expenses claimed by assessee under section 37(1) and making additions on ground that there was no purchase of paddy from unregistered farmers was not justified.

7. HC set aside reassessment notice issued solely based on info received from CGST Dept. regarding bogus ITC

[2025] 170 taxmann.com 541 (Bombay-HC) C. C. Dangi & Associates vs. ACIT

Where Assessing Officer issued reopening notice on basis of information received from CGST authorities that assessee was beneficiary of bogus input tax credit (ITC) received from an entity engaged in providing fake/bogus invoices for passing of fraudulent ITC without supply of goods, since Assessing Officer had not verified nature of assessee's professional activities with said entity, and further, amounts were received by assessee from said entity only qua invoices issued by assessee to said entity and no other amounts were received, impugned reopening notice was to be set aside.



Indirect Tax

GST Calendar –Compliances for the month of February 2025.

Nature of Compliances	Due Date
GSTR-7 (Tax Deducted at Source 'TDS')	February 10, 2025
GSTR-8 (Tax Collected at Source 'TCS')	February 10, 2025
GSTR-1	February 11, 2025
IFF- Invoice furnishing facility (Availing QRMP)	February 13, 2025
GSTR-6 Input Service Distributor	February 13, 2025
GSTR-2B (Auto Generated Statement)	February 14, 2025
GSTR-3B	February 20, 2025
GSTR-5 (Non-Resident Taxable Person)	February 20, 2025
GSTR-5A (OIDAR Service Provider)	February 20,2025
PMT-06 (who have opted for QRMP scheme)	February 25, 2025

GST-Circular No. 245/02/2025-28 January 2025

55th GST Council Meeting, the following clarifications have been provided:

1. Services Provided by Payment Aggregators (PAs)

- PAs serve as intermediaries, enabling e-commerce platforms and merchants to accept payments from customers through various instruments. This eliminates the need for merchants to set up independent payment processing systems. PAs collect customer payments, hold them for a brief period, and subsequently transfer them to merchants within a specified timeframe.
- As per Sl. No. 34 of Notification No. 12/2017-Central Tax (Rate) dated 28 June 2017 (Exemption Notification), a GST exemption is granted to an 'acquiring bank.' The explanation to this entry defines an 'acquiring bank' to also include '... any other person who facilitates payments to entities accepting such cards.'
- Accordingly, the following clarifications have been made:
  - RBI-regulated PAs fall within the scope of the term 'acquiring bank' as per the explanation provided under Sl. No. 34 of the Exemption Notification.
  - Therefore, services rendered by RBI-regulated PAs for settling payments of up to INR 2,000 per transaction made using credit cards, debit cards, charge cards, or other payment instruments qualify for GST exemption under Sl. No. 34 of the Exemption Notification.
  - However, this exemption applies exclusively to the function of payment settlement, specifically concerning the handling of funds, and does not cover Payment Gateway services.

2. Regularization of GST on Research and Development (R&D) Services

- With effect from 10 October 2024, Sl. No. 44A was added to the Exemption Notification, exempting R&D services from GST when supplied by Government Entities, research associations, universities, colleges, or other institutions notified under Section 35(1)(ii) or 35(1)(iii) of the Income Tax Act, 1961, provided the consideration is in the form of grants.
- It has now been clarified that GST payments made on R&D services provided by Government Entities, where grants from Government Entities serve as the consideration (as per Sl. No. 44A of the Exemption Notification), will be regularized on an 'as is where is' basis for the period from 1 July 2017 to 9 October 2024.

3. Penal Charges by Regulated Entities (REs) such as Banks and Non-Banking Financial Companies

- The Reserve Bank of India (RBI), through its directive issued on 18 August 2023, mandated that REs must stop levying penal interest for borrowers' failure to comply with key loan terms. Instead, penal charges were to be imposed with the objective of promoting credit discipline. Effective from 1 January 2024, these instructions do not extend to credit cards, external commercial borrowings, trade credits, or structured obligations governed by product-specific guidelines.
- In light of this, the CBIC has confirmed that GST will not be applicable to penal charges imposed by REs under the above-mentioned directive. As these charges are considered fees for non-compliance with contract terms, they are already covered under Circular No. 178/10/2022-GST.

4. Regularization of GST on Certain Skilling Services

- Prior to 9 October 2024, Training Partners approved by the National Skill Development Corporation (NSDC) were exempt from GST under Sl. No. 69 of the Exemption Notification for providing specific skilling services.
- However, this exemption was withdrawn starting 10 October 2024 through Notification No. 08/2024-Central Tax (Rate) dated 8 October 2024 (NN 8/2024). Subsequently, the exemption was reinstated via Notification No. 6/2025-Central Tax (Rate) dated 16 January 2025 (NN 6/2025) under Sl. No. 69 of the Exemption Notification.
- In this context, it has been clarified that GST payments on services delivered by NSDC-approved Training Partners, which were exempt before 10 October 2024, will be regularized on an 'as is where is' basis for the period between 10 October 2024 and 15 January 2025.

5. Whether Delhi Development Authority (DDA) Qualifies as a Local Authority

- As per Sl. No. 5 of Notification No. 13/2017-Central Tax (Rate) dated 28 June 2017 (RCM Notification), services provided by a local authority to a business entity are subject to taxation under the Reverse Charge Mechanism (RCM).
- The definition of 'local authority' under Section 2(69) of the Central Goods and Services Tax Act, 2017 (CGST Act) refers to an entity comparable to an elected self-governing body, such as a Municipal Committee, which is responsible for overseeing and managing municipal or local funds.
- In this context, it has been clarified that the DDA does not fulfill the criteria outlined under Section 2(69) of the CGST Act. Therefore, it cannot be considered a 'local authority' under GST regulations.

6. Regularization of GST Obligation on Ancillary Services Provided by Electricity Transmission or Distribution Utilities

- Notification No. 08/2024 introduced Sl. No. 25A in the Exemption Notification, exempting GST on services such as renting out metering equipment, conducting tests on meters, transformers, and capacitors, facilitating new electricity connections, relocating meters or service lines, reissuing duplicate bills, and other supplementary services associated with electricity transmission and distribution carried out by utilities for their consumers.
- Subsequently, Notification No. 06/2025 amended the wording in Entry 25A of the Exemption Notification to replace 'transmission and distribution' with 'transmission or distribution,' ensuring consistency with Sl. No. 25, effective from 16 January 2025.
- In this regard, the CBIC has validated GST payments for past transactions related to ancillary or supplementary services linked to electricity transmission or distribution (as classified under Sl. No. 25A of the Exemption Notification) for the period spanning from 10 October 2024 to 15 January 2025, on an 'as is where is' basis.

Gujarat HC Rules That GST Is Not Applicable on Assignment of Leasehold Rights

This tax update highlights a recent judgment by the Gujarat High Court concerning the applicability of GST on the transfer of leasehold rights from a lessee (assignor) to a third party (assignee).

Key Findings of the High Court:

- Although the CGST Act does not explicitly define "immovable property," its definition in other statutes includes benefits arising from land.
- The petitioner transferred leasehold rights, which go beyond mere possession of the physical land and building. These rights include the authority to possess, earn income from, transfer, or reclaim ownership from an unauthorized holder.
- Under a lease agreement, the title of the land remains with the Gujarat Industrial Development Corporation (GIDC), with all rights reverting to it upon lease expiration. However, when leasehold rights are assigned, the assignor relinquishes all claims over the property in favor of the assignee.
- The Service Tax regime did not impose tax on development rights arising from land. Since leasehold rights represent a more substantial interest in land than development rights, the same principle should apply under GST.
- The transaction involves not just the leased land from GIDC but also any buildings constructed on it, classifying it as a capital asset in the form of immovable property.
- Based on these considerations, the High Court ruled that the assignment of leasehold rights does not attract GST.

Analysis & Implications:

- This ruling provides much-needed clarity, reinforcing that leasehold rights should be treated as part of immovable property and not subject to GST.
- Businesses should evaluate whether similar principles can be applied to assess the taxability of development rights under GST.
- In contrast, the Telangana High Court, in the case of Prahitha Construction Private Limited, ruled that the transfer of development rights constitutes a "service" and is therefore taxable under GST.
- Taxpayers who have previously paid GST on such transactions may explore refund claims, though they should consider the two-year limitation period for filing refund applications.
- The possibility of the Department appealing this ruling before the Supreme Court remains uncertain.
- This judgment marks a significant precedent in determining GST liability on leasehold assignments and could influence future tax assessments and legal interpretations.

Corporate Finance

Blackstone Inks MOUs To Invest $11 Bn In Maharashtra Over 3-5 Years

Blackstone has signed three memoranda of understanding with the Maharashtra government at the World Economic Forum in Davos, committing an investment of approximately $11 billion (around INR 95,247 crores) over the next three to five years to develop infrastructure assets in the state. The agreements, made with Maharashtra Industrial Development Corporation (MIDC), City & Industrial Development Corporation of Maharashtra (CIDCO), and Mumbai Metropolitan Region Development Authority (MMRDA), will focus on projects such as data centers, warehousing, and industrial assets. This investment is part of a larger initiative, with over 60 MoUs signed by the state government, potentially amounting to $180 billion in investments. Blackstone's existing real estate portfolio in India is valued at around $30 billion (Around INR 259,750 crores), including data centers in Navi Mumbai.

(Source: VC Circle, 24th January 2025)

Private Equity

Botanic Healthcare Raises Maiden PE Funding From Stakebot, Abakkus

Hyderabad-based Botanic Healthcare Pvt. Ltd has raised $28.9 million (around INR 250 crores) in its first private equity funding round from Stakeboat Capital and Abakkus Asset Manager Pvt. Ltd, valuing the company at around $120 million (Around INR 1038 crores). The funds will support the company's global expansion and consolidation of its group entities. Founded in 2013, Botanic manufactures a range of botanical extracts, including fruit powders, herbal extracts, and natural colorants, catering to industries like nutraceuticals, food and beverage, and cosmeceuticals. The investment is expected to help Botanic scale its operations and achieve annual sales exceeding$120 million (Around INR 1,038 crores) within the next three to four years.

(Source: VC Circle, 3rd January 2025)

PE Backed Foxtale Ropes In Strategic Investor To Lead Series C Round

Foxtale, a Mumbai-based D2C skincare brand, has raised $30 million (around INR 259 crores) in its Series C funding round, led by KOSÉ Corporation, with participation from existing investors Panthera Growth Partners, Z47, and Kae Capital. The funds will support market expansion and R&D development. Foxtale has also formed a strategic partnership with KOSÉ to boost the latter's presence in India. Launched in 2021, Foxtale offers targeted skincare solutions and has seen a 150% growth in FY25 revenue. Its D2C channel contributes half of its revenue with a strong repeat rate of 50%. The brand aims for profitability by the end of the next financial year. KOSÉ sees this partnership as an opportunity to grow in the premium mass skincare segment in India.

(Source: VC Circle, 15th January 2025)

Kedaara Capital Starts 2025 With $350 Mn Bet On Impetus Technologies

Kedaara Capital, a leading Indian private equity firm, has made its first investment in the data analytics and AI space, committing over $350 million (around INR 3,030 crores) to US-based Impetus Technologies. Impetus, which operates six offices in India, specializes in data-driven solutions for industries like financial services, healthcare, and travel. The firm has key partnerships with AWS, Databricks, Google Cloud, Microsoft, and Snowflake. Kedaara's investment strategy focuses on growth sectors such as technology, healthcare, and financial services. Its portfolio includes companies like Lenskart, Vishal Mega Mart, and Aavas Financiers.

(Source: VC Circle, 16th January 2025)

Reliance Backed Netradyne Grabs $90 Mn In Series D Round

Netradyne, a Reliance Industries-backed fleet management software provider, raised $90 million (Around INR 779 Crores) in a Series D funding round led by Point72 Private Investments, with additional participation from Qualcomm Ventures and Pavilion Capital. This follows previous investments, including a $150 million (around INR 1298 crores) Series C in 2021. Netradyne offers AI-powered SaaS solutions to monitor driver performance and improve fleet safety, leveraging over 18 billion miles of driving data. The company plans to use the funds to boost R&D, accelerate global expansion, and enhance its market presence, with a focus on Europe and Japan. Since its 2015 launch, Netradyne has expanded to over 3,000 customers in multiple countries, including the US, India, and the UK.

(Source: VC Circle, 17th January 2025)

Apis Partners Leads Series E Round Of Overaeas Education Financier Leap

Leap, an education guidance and financing platform, raised $65 million (around INR 562 crores) in its Series E round led by Apis Partners. The funding will help accelerate growth, drive AI innovation, and support potential acquisitions. Founded in 2019, Leap has raised over $200 million (around INR 1,731 crores) and operates in 10 countries, offering services like counseling, visa support, and education loans. The company plans further expansion globally. Leap's AI-driven solutions aim to enhance student experiences and streamline international education processes. Apis Partners highlighted the transformative potential of embedded finance in education.

(Source: VC Circle, 29th January 2025)

Venture Capital

Zoplar raises $3.4 Mn In Series-A Funding

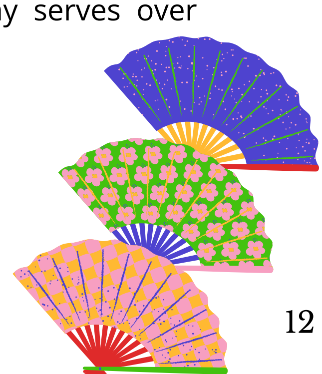
Zoplar, a medical equipment procurement platform, has raised $3.4 million (around INR 29 crores) in a Series A funding round led by Blume Ventures, bringing its total funding to $5.1 million. (around INR 44 crores) The round also saw participation from Beenext, Saison Capital, Atrium Angels, Finfirst, and LogX. The Gurugram-based startup plans to use the funds to enhance operational capabilities, focus on supply chain integration, and build a robust service engineering team. Zoplar helps MSME hospitals optimize procurement, manage vendor relationships, ensure quality after-sales service, and access financing. The company was founded by Amit Sah and Umesh Sharma.

(Source: VC Circle, 07th January 2025)

Healthcare-Focused SaaS Unicorn Innovacer Raises $275 Mn In Series F

Tiger Global-backed Innovaccer, a healthcare SaaS startup, has raised $275 million (around INR 2365 crores) in its Series F round, marking its first external fundraise in over three years. The company helps healthcare organizations integrate data to provide unified patient records. The funds will enhance AI and cloud capabilities, expand its developer ecosystem, and deepen offerings for existing customers. Innovacer plans to add new solutions for utilization management, clinical decision support, and care management. Founded in 2014 by Shashank, Kanav Hasija, and Sandeep Gupta, the company serves over 130 healthcare organizations.

(Source: VC Circle, 10th January 2025)



EMO Energy Snags Series-A Funding

EMO Energy, a Bengaluru-based battery solution (software and hardware) startup, has raised $6.2 million (around INR 53 crores) in a Series A round led by Subhkam Ventures, with participation from Transition VC. The funds will help scale energy solutions for two- and three-wheel vehicles and deploy 1 gigawatt-hour of energy storage. The company, founded in 2022 by veterans from Tesla, Rivian, Ather, and GM, previously raised $1.2 million (around INR 10 crores) in 2023.

(Source: VC Circle, 07th January 2025)

Beyond Snacks Bags $8.3 Mn

Beyond Snack, an FMCG brand based in Alappuzha, Kerala, has raised $8.3 million (around INR 71 crores) in a Series A round led by 12 Flags Group, with participation from existing investors NAB Ventures, FAAD Network, and Japanese VC firm Enrission India Capital. The funds will be used to expand into new territories, invest in product innovation, and enhance its supply chain infrastructure. Founded in 2020 by Manas Madhu, Jyoti Rajguru, and Gautam Raghuraman, Beyond Snack currently operates in 12 countries and aims to further expand its global presence.

(Source: VC Circle, 09th January 2025)

Boba Bhai Raises $3.5 Mn In Series-A Funding

Boba Bhai, a Bengaluru-based QSR startup serving tea, has raised $3.5 million (around INR 30 crores) in a Series A round led by 8i Ventures, with participation from Titan Capital Winners Fund, Global Growth Capital, DEVC, and existing investors. The funds will be used to expand to new cities, scale operations, introduce menu innovations, and explore new sub-brands. Founded in 2023 by Dhruv Kohli, the company combines Bubble Tea, K-pop Burgers, and Ice Creams, processing over 80,000 monthly orders across 42 outlets in nine cities.

(Source: VC Circle, 13th January 2025)

Mergers & Acquisitions

ChrysCapital-Backed Intas Pharma Strikes Another Overseas Acquisition

Gujarat-based Intas Pharmaceuticals Ltd., backed by investors like ChrysCapital, Temasek, and ADIA, has reached an agreement to acquire the Udenyca brand from US-based speciality division for up to $558.4 million (around INR 4800 crores) Udenyca, a pegfilgrastim-cbqv product, is used to treat low white blood cell counts in cancer patients. The deal includes an upfront payment of $483.4 million (around INR 4157 crores), with an additional $75 million (around INR 645 crores) in potential milestone payments. Intas's US division, Accord BioPharma, will expand its portfolio with this acquisition, which is expected to close in Q1 2025. The acquisition underscores Intas's continued diversification and growth in the biosimilar industry.

(Source: VC Circle, 07th January 2025)

Goodyear To Sell Dunlop Brand To Japan's Sumitomo Rubber For $701 Mn

Goodyear Tire & Rubber Co. announced it will sell its Dunlop brand to Japan's Sumitomo Rubber Industries for $701 million (around INR 6028 crores) in cash as part of its business streamlining strategy. The sale includes Dunlop's trademarks in Europe, North America, and Oceania. Goodyear will continue selling Dunlop-branded passenger tires in Europe until December 31, 2025, while paying royalties to Sumitomo. It will also supply certain Dunlop tires to Sumitomo for five years and license back Dunlop trademarks for truck tires in Europe on a long-term basis. This move follows Goodyear's broader cost-cutting efforts, including the sale of its Off-the-Road tire business to Yokohama Rubber for $905 million (around INR 7783 crores)

(Source: VC Circle, 08th January 2025)

One Point One Solutions To Acquire US-Based Healthcare Company For $45 Mn

Mumbai-based IT services firm One Point One Solutions Ltd (OPO) has agreed to acquire a US-based healthcare company specializing in revenue cycle management for $45 million (around INR 390 crores), including earnouts. The acquisition, pending regulatory clearances, is expected to conclude by Q3 2025. The combined entity aims to enhance service delivery through AI and machine learning, strengthening OPO's presence in the $410 billion (around INR 35,49,765 Crores) global BPM healthcare market. OPO also plans to expand operations with new nearshore delivery centers in Uruguay and the Dominican Republic, in addition to its existing offshore facilities in the Philippines. The company provides solutions across various sectors, including healthcare, banking, retail, and insurance.

(Source: VC Circle, 17th January 2025)

Piramal Alts-Backed Unit Of Aussie Firm Findi To Acquire BankIT On Road To India IPO

Australian payment provider Findi Ltd will acquire Noida-based BankIT Services Pvt. Ltd for $18.5 million (around INR 160 crores) through its subsidiary, Transaction Solutions International (India) Pvt Ltd, with completion expected by March 31. This follows Findi's November purchase of Tata Communications’ Indicash ATM business for $34.7 million (around INR 330 crores). Both acquisitions support Findi’s strategy to launch an IPO for its India unit, backed by Piramal Alternatives. Findi aims to expand India’s fintech landscape, targeting underserved regions, while strengthening its market presence.

(Source: VC Circle, 20th January 2025)

Bain Capital-Backed 360 One WAM To Buy B&K Securities For $218 Mn

360 ONE WAM Ltd, formerly IIFL Wealth Management, has agreed to acquire Batlivala & Karani Securities India Pvt Ltd (B&K Securities) and its mutual fund distribution arm for $218 million (around INR 1,887 crores) in a cash-and-stock deal. The transaction includes $ 69.33 million (around INR 600.11 crores) in cash and shares worth $135.7 million (Around INR 1,174 crores), along with $12.69 million (around INR 109.89 crores) in cash for B&K Finserv. This acquisition will enhance 360 ONE's broking, equity capital markets, and corporate treasury services, strengthening its position as a market leader. It also expands its offerings to retail, institutional, and high-net-worth clients. As part of the deal, Saahil Murarka, MD at B&K Securities, will join 360 ONE and lead the broking and capital markets business.

(Source: VC Circle, 27th January 2025)

Transaction & Regulatory Advisory Services

In this edition we have tried to bring to your notice the latest amendment that followed in the month of January, 2025 issued by SEBI and RBI.

SEBI

SEBI Investor website and Saarthi App offer free tools and resources for Investor Awareness and Education

Securities and Exchange Board of India (SEBI), as part of its mandate to protect the interests of investors in the securities market, has provided a comprehensive suite of tools and resources on its official investor website to enhance investor awareness and education. These tools and resources aim to help both prospective and existing investors navigate their investment journey.

To read more:
https://www.sebi.gov.in/media-and-notifications/press-releases/jan-2025/sebi-investor-website-and-saarthi-app-offer-free-tools-and-resources-for-investor-awareness-and-education_90467.html

Revise and Revamp Nomination Facilities in the Indian Securities Market

In order to revise and revamp the norms for nomination for demat accounts and mutual fund (MF) folios and to prevent the generation of unclaimed assets in the Indian securities market, SEBI came out with a consultation paper in February, 2024, seeking comments from the public on various aspects ofnomination. Pursuant to the approval of the Board for amending the respective regulations1, the existing nomination facilities in the Indiansecurities market, to the extentof aforesaid, are being revised.

To read more:
https://www.sebi.gov.in/legal/circulars/jan-2025/circular-on-revise-and-revamp-nomination-facilities-in-the-indian-securities-market_90698.html

Certain amendments to SEBI (Listing Obligationsand Disclosure Requirement) Regulations, 2015with the objective of encouraging dematerialization of securities and streamlining certain processes in view of current regulatory landscape

This consultationpaper seeks comments / views/ suggestions from the public and other stakeholders on the following proposals relatingto amendments to the Securities andExchange Board ofIndia (Listing Obligationsand Disclosure Requirements) Regulations, 2015 (“LODR Regulations, 2015”):

- Mandatingissuance of new securities pursuant to (i) consolidation/split of face value of securities and (ii) scheme of arrangements, only in dematerialised form.
- Modification to certain provisions in view of current market developments.

To read more:
https://www.sebi.gov.in/reports-and-statistics/reports/jan-2025/consultation-paper-on-certain-amendments-to-sebi-lodr-regulations-2015-with-the-objective-of-encouraging-dematerialization-of-securities-and-streamlining-certain-processes-in-view-of-current-regulato-_90753.html

RBI

Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third Amendment) Regulations, 2025

In exercise of the powers conferred by Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India hereby makes the following amendments to the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 [Notification No. FEMA.395/2019-RB dated October 17, 2019] (hereinafter referred to as 'the Principal Regulations) namely:-
1. Short Title & Commencement.-- (1) These Regulations may be called the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third Amendment) Regulations, 2025.

To read more:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12768&Mode=0

Prevention of financial frauds perpetrated using voice calls and SMS – Regulatory prescriptions and Institutional Safeguards

The proliferation of digital transactions, while offering convenience and efficiency, has also led to a surge in frauds, a pressing concern underscoring the need for concerted action. The mobile number of a customer has emerged as a ubiquitous identifier, instrumental in account authentication and verification process, receiving sensitive payment communication, such as OTPs, transaction alerts, account updates, etc. The mobile number, however, can also be misused by scamsters in multiple ways for committing various types of online and other frauds.

To read more:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12770&Mode=0

GIFT City Update

IFSCA issues a consultation Paper on SPV Framework under IFSCA (Fund Management) Regulations, 2022

International Financial Services Centres Authority ("IFSCA") has issued a consultation paper with respect to Special Purpose Vehicle ("SPV") under IFSCA (Fund Management) Regulations, 2022 ("FME Regulations"). The consultation paper proposes the operationalisation of SPV under the controlling scheme in order to facilitate the growth of funds industry by allowing a scheme to take leverage at SPV level.

Key Provisions:

1. Structure: The consultation paper proposes to have a similar constitution of SPV as applicable under Regulation 17 of the FME Regulations, i.e., appointment of fiduciaries, applicability of fit and proper requirements and compliance with Code of Conduct. The SPV can be open-ended or close-ended depending on the nature of controlling scheme and the term of SPV should be equal to that of controlling scheme.
2. Filing of Private Placement Memorandum: SPV will not be required to file Private Placement Memorandum with IFSCA. Apart from that all the requirement as provided in the circular dated April 5, 2024 will be applicable to SPV. In addition to this, a term sheet has to be filed within 21 working days from the date of making the investment.
3. Eligible Investors: Controlling scheme, its current investors or affiliates of such investors and other investors are eligible investors.
4. Permissible Investments: SPV will be formed for making investment into a single portfolio company, however, it would be permissible for SPV to hold securities of other entities due to any restructuring or corporate actions. SPV can be used for making co-investment, undertaking leverage or ring-fencing investments of the controlling scheme.
5. Leveraging Limit: SPV shall be bound by overall leverage limits applicable to the controlling scheme.
6. Disclosures to investors: SPV has to comply with all the disclosures requirements provided under the FME Regulations. In case of setting up SPV, existing investors are to be informed before filing the term sheet.
7. Applicability of the other provisions of FME Regulations: Provisions with respect to valuations, computation of NAV, and reporting regulations under Regulation 119(1), 119(2)(a), (b), (c), (e), (g) and (h) are applicable to SPV as well. However, FME is not required to make any minimum contribution in SPV but must have decision-making and controlling authority of SPV. All other obligations provided under FME Regulations are also applicable to SPV.
8. KYC Requirements: FME is required to conduct Know your customer (KYC) for any new investor of the SPV.
9. Other Conditions: There must appropriate mechanism provided in the SPV level agreement for resolution of disputes between controlling scheme, other shareholders, beneficiaries, members and partners. The other shareholders, beneficiary, member or partner of SPV shall not exercise any rights which prevent the controlling schemes for complying with other regulatory requirements.

Union Budget 2025-26 Introduces Key Reforms to Enhance Investments in GIFT IFSC

In the union budget 2025-26 presented on 1st February, 2025, FM Nirmala Sitharaman has announced several measures to incentivise investments, employment and off shore funding at GIFT's International Financial services.

Some of the key announcements were:

1. Extension of the deadline for businesses to commence operations in GIFT City until March 2030 to qualify for tax benefits, a move intended to provide long term certainty for investors and encourage sustained growth within IFSC.
2. Extend the existing re-location regime to Exchange Traded Funds (ETFs) to increase the off-shore fund relocation to IFSC. The relocation of an original fund to a resultant fund will also be considered a tax-neutral transaction. This will attract several schemes to relocate from other offshore locations like Mauritius & Singapore to GIFT City.
3. Effective April 1, 2025, amendments to Clause 10D of Section 10 will provide tax exemptions on life insurance proceeds received by non-residents from IFSC-based insurance offices, without any conditions. This change broadens the scope of tax benefits for non-resident investors.
4. In addition to the existing tax exemption on income earned by NRIs from derivative trades or participatory notes, the benefit will now extend to investments made through Foreign Portfolio Investors (FPIs) based in GIFT City.
5. IFSC-based treasury centres, which handle foreign exchange, risk management, and asset management, are currently subject to deemed dividend provisions. However, proposed amendments will exempt them from these provisions for advances or loans between group entities, subject to specific criteria.
6. IFSC-based units and non-residents in the ship leasing business will be exempt from capital gains tax on the transfer of equity shares of IFSC units engaged in ship leasing. Additionally, dividends paid by one IFSC unit in ship leasing to another will also qualify for exemption.

The proposed tax incentives and regulatory simplifications will attract global investors, fund managers, and businesses, enhancing India's financial ecosystem. These measures position GIFT City as a competitive and business-friendly hub on the global financial landscape.

UK Tax Update

Diverging Economic Trajectories in the US and Eurozone

In the last quarter of 2024, the economic fortunes of the US and eurozone diverged sharply. The US economy continued to demonstrate resilience, achieving a 0.6% growth in Q4 and a commendable annual increase of 2.8%, underpinned by strong consumer spending and sustained government expenditures. In contrast, the eurozone faced economic stagnation, with major economies such as France and Germany experiencing unexpected contractions in GDP. These downturns are reflective of the political unrest affecting business and consumer confidence, with France and Germany seeing declines of 0.1% and 0.2%, respectively, in their quarterly GDP figures.

UK Inflation Trends and Monetary Policy Adjustments

The UK saw a significant shift in inflation dynamics in December 2024, with the Consumer Price Index (CPI) decreasing to 2.5%—the first reduction since September and a figure slightly below the forecasted levels. This downturn spanned across both core and service sector inflation, signalling an easing of economic pressures, which will likely influence the Monetary Policy Committee (MPC) in its upcoming February meeting to consider a reduction in the bank rate. Despite this favourable trajectory in inflation, the labour market presents a complex picture: whilst total pay growth saw a robust annual increase of 5.6%, other labour market indicators hinted at an impending slowdown in employment and wage increases.

Investment and Productivity Challenges in the UK

Productivity growth in the UK remains a persistent challenge, significantly impacted by the financial crisis and the subsequent Covid pandemic. Efforts by both the government and the private sector to stimulate productivity have resulted in only a modest uptick in investment intentions. According to recent surveys, around 17% of large firms indicated plans to increase their capital expenditures in early 2025, predominantly driven by the necessity to replace ageing assets. This cautious investment climate is further complicated by the recent uncertainties stemming from tariff announcements and variable demand forecasts.

Implications of Global Trade Policies and Tariffs

The recent imposition of tariffs by the US on imports from Canada, Mexico, and China has triggered a series of negotiations and countermeasures, adding a layer of uncertainty to global economic projections. These trade policies are characterised by rapid shifts and strategic postponements, such as the 30-day delay in tariff implementation with Mexico and Canada, creating a volatile environment for businesses and policymakers. This turbulence is likely to impede global economic growth and impact consumer prices both in the US and internationally.

Reigniting the Debate on UK Airport Expansion

The debate on expanding Heathrow Airport has been reignited within the UK, emphasising not just the need for increased passenger capacity but also for boosting the UK's trade capabilities, particularly with non-EU countries. The government views this infrastructure project as crucial to its broader economic growth strategy, aiming to facilitate higher-value trade in goods such as pharmaceuticals and electronics, which predominantly travel via Heathrow.

Conclusion

As we advance into 2025, the global economic landscape is characterised by a mix of resilience and challenges. Economic growth trajectories are diverging, inflation rates are fluctuating, and trade policies are evolving rapidly. Within this context, the UK is focusing on enhancing internal productivity and strategic infrastructure investments, such as the proposed expansion of Heathrow Airport, to bolster economic stability and growth. Policymakers will need to adeptly manage growth stimulation against inflationary pressures while adapting to the ever-changing dynamics of international trade and domestic economic priorities.

Tax Calendar

February 2025 - Tax Calendar

7TH FEB	Due date for deposit of Tax deducted/collected for the month of December, 2024.
14TH FEB	Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194M & 194S in the month of December, 2024
15TH FEB	Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending December 31, 2024

RNM

India

RNM United Kingdom

RNM capital advisors

RNM consulting

RNM capital trust

New Delhi (Head Office)
4/80, Janpath,
New Delhi -110001
+91-11-43192000
rnm@rnm.in

Bangalore
813 Oxford Towers,
139 Airport Road,
Bangalore - 560008

banglore@rnm.in

GIFT City
Unit 804-06, 8th Floor, Brigade International Financial Centre (BIFC), Gift City, Gandhinagar, Gujrat

Raipur
D-362, Near MLA Rest House, Tagore Nagar, Raipur, Chhattisgarh – 492001
rnm@rnm.in

Mumbai
Cabin - 5, Awfis, 5th Floor,
Raheja Titanium,
Geetanjali Railway Colony,
Ram Nagar, Goregaon,
Mumbai, Maharashtra
400063
mumbai@rnm.in

Gurugram
613, Suncity Business Tower, Golf Course Road,
Gurugram,
Haryana – 122002
+91-124-4372956
gurgaon@rnm.in

London
213 Kingsbury Road
Sri Abji Bapashree house
Suite 15, 1 Floor
NW9 8AQ

info@ukrnm.in

Follow us :