RNM India

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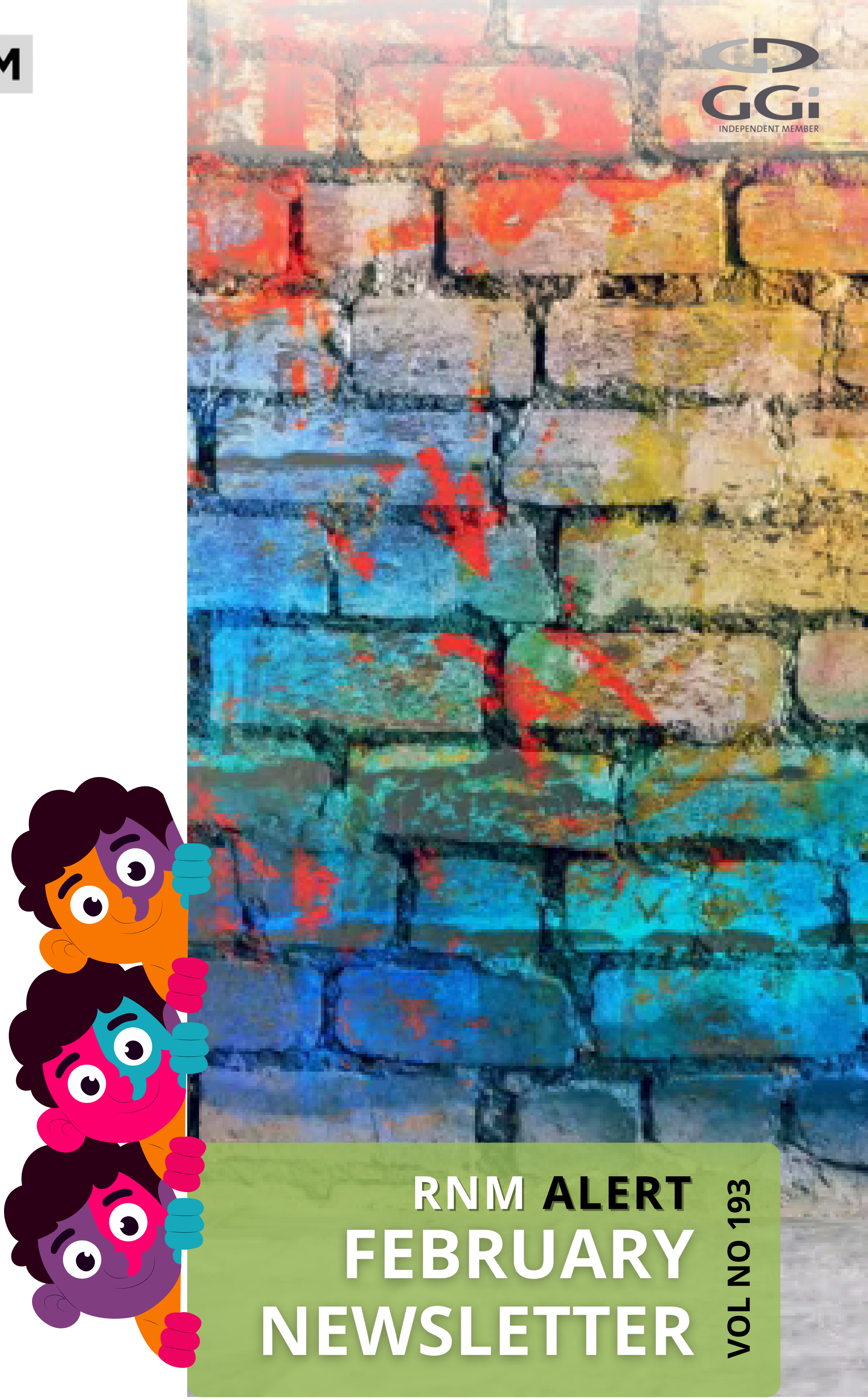

RNM ALERT FEBRUARY NEWSLETTER

VOL NO 193

Celebrating Holi, the festival of Colours

CONTENTS

EDITORIAL

Dear Readers

During the month of February 2025 our CEO, Mr. Raghu Marwah attended an on campus Executive Program on Leading Professional Service Firms (LPSF) at the prestigious Indian Institute of Management, Ahmedabad (IIM-A). We also welcome Mr. Ankit Dharamashi, the new Fund Manager cum Associate Director at our Gift City office of RNM Capital Fund.

On the Direct Tax front, I hope you enjoyed reading the RNM Key Insights of the Union Budget 2025-26. We also organized a Panel Discussion event on the Union Budget at RNM Tower, New Delhi on 7th February 2025 with Mr. Rajat Kumar, MD Nandan Capital and Mr. Rahul Acharya, Senior Advisor NürnbergMesse India as the Guest Speakers and Mr. Sumeet Singh, Partner Direct Tax and Mr. Nitish Sharma, Partner Indirect Tax as the other Speakers. For those who missed the event, you will find a video of the discussions on our YouTube channel. Further, the Income Tax Bill, 2025 was introduced in the Lok Sabha on February 13, 2025 seeking to replace the Income tax Act, 1961. It primarily aims to simplify the language and remove redundant provisions. Tax rates and regime for individuals and corporates remains the same. The Bill proposed April 1, 2026 as the date of its commencement.

On the Assurance front, the ICAI has issued a revised Technical Guide on CSR Accounting (2025 edition) incorporating significant regulatory updates aimed at enhancing transparency, accountability and compliance in CSR financial reporting. Details of spent and unspent amount for ongoing Projects and other Projects are also now required to be disclosed.

We would like to take this opportunity of wishing all our readers best wishes for Happy Holi on 14 March. On this day we celebrate the eternal and divine love of Lord Krishna and Radha.

U N Marwah
Chairman - RNM India

Direct Tax

1. NOTIFICATION G.S.R. 145(E) [NO. 17/2025/F. NO. 370142/28/2024-TPL], DATED 24-2-2025

The CBDT amends due dates for furnishing of statements in Form 64A and 64E by business trust & securitization trust. Also via Income-Tax (Fifth Amendment) Rules, 2025 - amendment made in Form No. 10IH; and Substitution Of Rules 12CA, 12CC and FORM Nos. 64A, 64B, 64C, 64D, 64E AND 64F.

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

The CBDT amends Rule 114DA and Form No. 49C; prescribe due date for furnishing of statement by NR having Liaison Office in India.
"In rule 114DA, in sub-rule (1), for the words, figures and letter "Form No. 49C", the words, figures and letter "Form No. 49C within eight months from the end of such financial year" shall be substituted;" as against 60 days.

Important Judicial Precedents

1. Levy of penalty u/s 271AAA not mandatory if assessee admitted undisclosed income during search: SC

[2025] 171 taxmann.com 413 (SC) K. Krishnamurthy vs. DCIT

Where assessee admitted certain amount as undisclosed income during search and substantiated manner in which said undisclosed income was derived and paid tax together with interest thereon, albeit belatedly, all conditions precedent mentioned in section 271AAA(2) stood satisfied and, therefore, penalty under section 271AAA(1) was not attracted on said amount

2. JAO has authority to issue reassessment notice even under Faceless Assessment Scheme: HC

[2025] 171 taxmann.com 174 (Delhi-HC) Kanwaljeet Kaur vs. ACIT

Section 148, read with sections 144B and 151A of the Income-tax Act, 1961 - Income escaping assessment - Issue of notice for (Jurisdiction to issue reopening notice) - Whether faceless assessment scheme centralizes processes under Faceless Assessing Officer (FAO) to reduce direct interaction, however, this structure does not diminish JAO's authority, therefore, powers of Jurisdictional Assessing Officer(JAO) should be understood as integral and not in conflict with faceless assessment - Held, yes - Whether distribution of functions between JAO and National Faceless Assessment Centre (NFAC) is complimentary and concurrent as contemplated under various schemes and statutory provisions - Held, yes - Whether JAO cannot be completely deprived of power to assess or reassess merely because section 144B and Faceless Reassessment Scheme 2022 have been introduced - Held, yes - [Para 3][In favour of revenue]

3. No sec. 68 additions on allotment of shares without any monetary consideration: HC

[2025] 171 taxmann.com 211 (Delhi-HC) PCIT vs. Zexus Air Services (P.) Ltd

Where assessee company had issued shares to a person in lieu of goodwill and without any monetary consideration, since transaction did not represent an actual receipt of any cash in hands of assessee company, provisions of section 68 were not attracted.

4. Concealment penalty rightly imposed on assessee who inflated value of plot and introduced it as capital in firm: HC

[2025] 171 taxmann.com 472 (Bombay-HC) Veena Estate (P.) Ltd. vs. CIT

Where assessee developed a plot of land purchased by it and revalued this plot and introduced it as its capital into partnership firm formed by assessee and six others, since very constitution of firm and transaction of assessee inflating value of plot of land and contributing it to stock in trade, followed by withdrawals of its investment within a short period, amounted to a device or subterfuge or conduit to facilitate tax evasion, minimum prescribed penalty was rightly imposed on assessee.

5. Penalty deleted as SCN didn't specify any particular limb or sub-clause for levying proposed penalty: ITAT

[2025] 170 taxmann.com 792 (Mumbai - Trib.) Manish Manohardas Asrani vs. INT Tax

Where in penalty notice issued under section 274 read with section 270A, Assessing Officer had failed to specify any particular limb or sub-clause of section 270A and only mentioned under reporting of income, penalty levied for both under reporting and misreporting of income was to be deleted.

6. Sec. 153C proceedings require satisfaction that seized material impacts income; SLP dismissed

[2025] 171 taxmann.com 54 (SC) ACIT vs. Mamta Agarwal

SLP dismissed against order of High Court that unless Assessing Officer is satisfied that material gathered during search could potentially impact determination of total income, it would be unjustified in mechanically reopening or assessing all over again all ten assessment years that could possibly form part of block of ten years.

7. Prosecution under Black Money Act can be initiated even before completion of assessment: SC

[2025] 171 taxmann.com 307 (SC) Sanjay Bhandari vs. Income-tax Officer

Where High Court by impugned order held that prosecution under section 51 cannot be dependent on completion of assessment, as offence, if proved, stands completed as soon as conditions as required under section 51(3) are fulfilled, irrespective of return of income, SLP against said order disposed of with permission granted to assessee to raise all contentions legal as well as factual available to him before concerned authority under provisions of Black Money Act, 2015 without being influenced by impugned order.

8. SLP dismissed against HC's order quashing prosecution as assessee filed revised return after search

[2025] 171 taxmann.com 338 (SC) Income-tax Department vs. Bioworth India (P.) Ltd

SLP dismissed against order of High Court that where assessee filed revised return waiving off claims of deduction of long-term capital gain/short-term capital loss after search was conducted upon him, it was a case of delayed payment of tax, therefore, proceedings pending against assessee for offence punishable under section 276C(1) were to be quashed.

Indirect Tax

GST Calendar –Compliances for the month of February 2025.

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

GST Implications on Sub-Contracted Goods Transportation: Classification as Vehicle Rental Service

Background:

The taxpayer entered into an arrangement with a principal Goods Transport Agency (GTA) for the transportation of goods. The taxpayer, however, did not issue consignment notes but merely provided trucks for the transportation of goods.

Issue:

Whether the transportation service provided by the taxpayer as a sub-contractor to the principal GTA is exempt from GST under Sl. No. 18 of Notification No. 12/2017-Central Tax (Rate).

Ruling:

- As per Notification No. 11/2017-Central Tax (Rate), a GTA is defined as a person who provides service in relation to the transport of goods by road and issues a consignment note.
- In the instant case, the principal GTA had the contractual agreement with the consignor and assumed responsibility for transportation, including issuing consignment notes. The Applicant merely provided trucks on a rental basis, without issuing consignment notes, and thus did not qualify as a GTA.
- Since the Applicant's activity falls outside the ambit of a GTA, the exemption under Sl. No. 18 of Notification No. 12/2017-Central Tax (Rate) is not applicable. Instead, the service is classifiable under "renting of transport vehicles," which is a taxable supply under GST. Consequently, GST is leviable on the said supply as per the applicable rate.

Provisional Attachment of Bank Account under GST: Necessity of Tangible Material

Background :

The Taxpayer's bank account was provisionally attached by the tax authorities under Section 83 of the CGST Act, 2017. The attachment was based on allegations that the Taxpayer had availed ineligible Input Tax Credit (ITC) under Section 17(5)(d) of the CGST Act. However, no specific material was brought on record to justify the necessity of such an attachment.

Issue :

Whether the tax authorities can provisionally attach the Taxpayer's bank account without placing tangible material on record to establish that the Taxpayer is likely to defeat the demand.

Ruling:

- The power to provisionally attach property, including bank accounts, under Section 83 of the CGST Act is draconian in nature and must be exercised strictly in accordance with the statutory conditions. As per the Supreme Court's ruling in Radha Krishan Industries Vs. State of Himachal Pradesh [2021 (48) GSTL 113 (SC)], tax authorities must form an opinion based on tangible material that the taxpayer is likely to defeat the demand before invoking this provision.
- In the present case, the attachment order was issued on the grounds that:
  - The Taxpayer availed ITC on procurements allegedly ineligible under Section 17(5)(d) of the CGST Act.
  - The GST Council recommended an amendment to Section 17(5)(d) by replacing "plant or machinery" with "plant and machinery."
  - However, the tax authorities failed to bring on record any material indicating that the Taxpayer intended to defeat the demand, if any. The Impugned Order neither mentioned such material nor provided any justification for the attachment.
- The Bombay High Court observed that the absence of tangible material rendered the attachment order a colourable exercise of power. Accordingly, the Writ Petition was allowed, and the tax authorities were directed to unfreeze the Taxpayer's bank account.

Technical Committee Updates on Sales Tax and Service Tax Matters

The Technical Committee on SST Implementation convened on 24 October 2024 to discuss various concerns related to Sales and Service Tax (SST). Following these discussions, the Royal Malaysian Customs Department (RMCD) addressed technical queries raised by professional bodies. The responses have been documented in Lampiran 3 of Mesyuarat Jawatankuasa Teknikal Isu Pelaksanaan Cukai Jualan dan Cukai Perkhidmatan Bil. 2/2024. (Note: The minutes of this meeting are still pending finalization and will be confirmed in the upcoming session.)
One of the significant matters discussed is outlined below:

Sales Tax Implications for Companies Shifting from LMW to Sales Tax-Registered Manufacturer

A question was raised regarding whether a company transitioning from a Licensed Manufacturing Warehouse (LMW) to a sales tax-registered manufacturer would qualify for sales tax exemption on goods acquired under its LMW license (i.e., goods initially purchased without sales tax).

RMCD's Clarification:

- The Sales Tax Act does not provide an automatic exemption in cases where a company transitions from LMW status to a registered manufacturer under the sales tax regime.
- The regulatory frameworks governing LMWs and sales tax-registered manufacturers are separate, and there is no direct provision allowing for tax relief under such circumstances.
- However, companies seeking exemption may submit an application to the Ministry of Finance (MoF), which has the discretionary authority to grant sales tax exemptions on a case-by-case basis under the Sales Tax Act.

Service Tax Treatment on Maintenance and Repair Services in Common Areas

A discussion was held regarding the applicability of service tax on maintenance services provided in common areas to tenants under a lease agreement. Reference was made to Example 5A of the RMCD Guide on Management Services (dated 4 August 2021), where RMCD had previously clarified that maintenance management services in common areas were not subject to service tax. However, if such services were provided by the lessor within the leased premises, they would attract service tax. Given that repair and maintenance services were introduced as a taxable category under service tax laws effective 26 February 2024, the key question was whether maintenance or repair services carried out in common areas would now be subject to service tax.

RMCD's Clarification:

- Example 5A in the RMCD Guide was based on the principle that rental charges collected from tenants include maintenance fees for common areas, provided this is explicitly stated in the tenancy agreement.
- In such cases, maintenance charges are considered incidental to rental income, which itself is not a taxable service under the service tax framework.
- Consequently, even after the introduction of repair and maintenance as a taxable service category, maintenance or repair services for common areas remain not subject to service tax, provided they are included as part of rental charges under the lease agreement.

Service Tax Treatment on 'Free Delivery' Services

A clarification was sought regarding the taxability of "free delivery" services, as referenced in FAQ No. 8 of RMCD's Logistics Services Guide. The FAQ describes a scenario where an online platform offers free delivery as part of a promotion when a customer's purchase exceeds a certain threshold. The guide acknowledges that delivery services are taxable; however, it also states that the service tax on free delivery should be zero-rated. This interpretation appears to be a concession by RMCD, raising concerns about its alignment with the Service Tax Act, as taxable services—whether provided for free or otherwise—are generally subject to tax at their open market value. An amendment to clarify this position was suggested.

RMCD's Clarification:

- Under the Service Tax Act 2018, service tax is applicable on the provision of taxable services, and the value for taxation is determined based on the provisions of Section 9.
- When a taxable service is provided free of charge, the tax is generally calculated based on its open market value, provided it is offered in the ordinary course of business to a non-related party.
- In reference to FAQ No. 8 of the Logistics Services Guide, RMCD explained that the service tax on free delivery is treated as 'zero' because the service is made available to all customers as part of standard business operations, rather than being an exclusive or discretionary benefit.

Corporate Finance

NIIF, BII, Eversource to exit Ayana Renewable in $2.3 Bn deal

The National Investment and Infrastructure Fund (NIIF), British International Investment (BII), and Eversource Capital have agreed to sell their renewable energy platform, Ayana Renewable Power, to a joint venture between ONGC and NTPC. The acquisition, valued at $2.3 billion (around INR 19,500 crores), includes debt and marks ONGPL's first foray into the renewable energy sector since its formation in November 2024. Ayana, which operates and develops wind and solar assets totaling 4.1 GW, was established by BII in 2018 and has received significant investment from the three parties over the years. The deal aligns with ONGC and NTPC’s targets to achieve net-zero emissions by 2038 and 2050, respectively. Deloitte and JSA Advocates advised the buyers, while Standard Chartered, Khaitan & Co, and Cyril Amarchand Mangaldas advised the sellers.

(Source: VC Circle, 12th February 2025)

Private Equity

CVC Capital to sell majority stake in IPL Team Gujarat Titans to Torrent

Private equity firm CVC Capital has agreed to sell a 67% stake in the Gujarat Titans IPL franchise to Ahmedabad-based Torrent Group, retaining a 33% stake. This transaction marks CVC's exit from the majority stake in the team after over three years. While the financial terms were not disclosed, media reports estimate the deal to be worth $866 million (around INR 7,565 crores), with CVC holding the option to sell its remaining stake in the future. CVC Capital initially acquired the franchise for $643.9 million (around INR 5,625 crores) in 2021. The deal is subject to approval by the Board of Control for Cricket in India. CVC has a history of sports investments, including in Moto GP and Formula One.

(Source: VC Circle, 12th February 2025)

Multiples PE picks up majority stake in QBurst

Multiples Alternate Asset Management, founded by Renuka Ramnath, announced on Thursday that it and its co-investors will invest $200 million (around INR 1,751 crores) to acquire a controlling stake in QBurst, a digital product engineering platform. This marks Multiples PE's largest control investment in technology services. The firm plans to prioritize enterprise technology in the coming years and intends to deploy close to $2 billion (around INR 17,510 crores) in the sector over the next five years, according to Manish Gaur, Managing Director and Head of Enterprise Technology at Multiples.

(Source: VC Circle, 6th February 2025)

Apex Kidney Care Secures $9 Mn Akasa Air raises fresh capital from PremjiInvest, Ranjan Pai’s Claypond

Akasa Air has secured fresh capital from PremjiInvest, Claypond Capital, 360 ONE Asset, and the family of the late Rakesh Jhunjhunwala. The exact investment amount was undisclosed. Launched in August 2022, Akasa has flown over 15 million passengers and connects 22 cities in India and five international destinations. CFO Ankur Goel stated the funds will support sustainable growth and financial stability.

(Source: VC Circle, 6th February 2025)

MO Alts picks up majority stake in API maker Megafine Pharma

Motilal Oswal Alternates (MO Alts), the private equity arm of Motilal Oswal Financial Services, has invested $52.7 million (around INR 460 crores) to acquire a majority stake in Megafine Pharma Pvt Ltd, marking its first transaction of 2025. Megafine, an export-focused API manufacturer based in Mumbai, operates US FDA-approved facilities in Nashik and Vapi and specializes in high-value, low-volume APIs for chronic therapies. MO Alts plans to strengthen Megafine's R&D and manufacturing capabilities and explore further inorganic growth opportunities.

(Source: VC Circle, 25th February 2025)

Apex Kidney Care Secures $9 Mn Investment from Blue Earth Capital

Mumbai-based Apex Kidney Care Pvt Ltd has secured $9 million (around INR 78 crores) from Switzerland-based impact investor Blue Earth in exchange for an undisclosed equity stake. Blue Earth, a limited partner in Tata Capital Healthcare Fund's second fund, joins as a co-investor in Apex. Tata Capital Healthcare Fund, which has raised $200 million (around INR 1751 crores) across its two funds and invested in 19 companies, continues to back Apex, a dialysis service chain.

(Source: VC Circle, 5th February 2025)

Venture Capital

South Korea's Krafton leads $53 Mn Funding in Cashfree Payments

Cashfree Payments has raised $53 million (around INR 462 crores) in a funding round led by South Korean digital entertainment firm Krafton, with participation from existing investor Apis Growth Fund II. Founded in 2015 by Akash Sinha and Reeju Datta, Cashfree provides full-stack payment solutions, helping businesses collect payments and make payouts. Clients include Swiggy, redBus, Zepto, and BigBasket. The funds will be used to enhance its payment offerings, drive market expansion, and leverage Krafton's expertise for digital innovation. The company has also received an RBI payment aggregator license for domestic and cross-border transactions.

(Source: VC Circle, 05th February 2025)

Sofina leads The Whole Truth's Series C funding round

Healthy food and snacking brand The Whole Truth has raised $15 million (around INR 131 crores) in a Series C funding round, led by European investment firm Sofina, with participation from existing investors Z47, Peak XV Partners, and Sauce.VC. Founded by Shashank Mehta in 2019, the company plans to use the funds for expanding in-house manufacturing, talent acquisition, and category growth. The Whole Truth offers clean-label products like chocolates, muesli, protein bars, peanut butter, and protein powders. Earlier, the company also raised $15 million (around INR 131 crores) in Series B funding in December 2023.

(Source: VC Circle, 20th February 2025)

Onetab snag early-stage funding for expansion

Onetab AI, a software development platform, has secured $3.3 million (around INR 28 crores) in seed funding from investors including a Singapore-based family office, SOSV, Orbit, LIT Fund, and Sunik Kumar Singhvi. The capital will be used to enhance the platform's capabilities, expand its team, scale operations, and accelerate the development and deployment of OneAsk, an AI-powered agent designed to oversee the entire software development life cycle (SDLC). The company's goal is to streamline project management by integrating various tools such as communication, task management, code deployment, and AI-driven automation into a single interface.

(Source: VC Circle, 20th February 2025)

Elevation Capital leads Series B funding in MOC Cancer Care

MOC Cancer Care & Research Centre has raised $18 million (around INR 157 crores) in a Series B funding round led by Elevation Capital, following a $10 million (around INR 87 crores) Series A round two years ago. The funds will help enhance infrastructure, expand services, and support clinical trials. Founded in 2018, MOC provides affordable and accessible cancer care, having treated over 450,000 patients across 24 centers in India. The company merged with Hemato Oncology Clinic in 2024, allowing it to expand further into new regions and develop a molecular oncology lab and preventive services.

(Source: VC Circle, 27th February 2025)

Dodo Payments rake in early stage funding

Dodo Payments, a merchant platform serving India and other emerging markets, has raised $1.1 million (around INR 9.6 crores) in a pre-seed funding round led by Antler, 9Unicorns, and Venture Catalysts. The round also attracted investments from several angel investors, including Uni Cards founder Nitin Gupta and former Oyo chief security officer Maninder Gulati, according to a company blog post. The funds will be used to accelerate product development, expand local processing across more than 30 new markets, and enhance compliance and security measures.

(Source: VC Circle, 25th February 2025)

Mergers & Acquisitions

Equirus acquires Credence Family Office as TIW Private Equity exits

Equirus Capital has acquired Credence Family Office for $11.5 million (around INR 100 crores) to strengthen its wealth management business. Credence's founder, Mitesh Shah, will join Equirus' leadership, and the combined entity will be called Equirus-Credence Family Office. This acquisition increases Equirus' wealth assets to $2.07 billion (around INR 18,000 crores) and expands its workforce to 450. Founded in 2010, Credence offers wealth management and tax advisory services, with assets under advisory of $919 million (around INR 8,000 crores)

(Source: VC Circle, 03rd February 2025)

Veefin snaps up UAE company in second offshore acquisition

Veefin Solutions Ltd has acquired a 74% stake in UAE-based TradeAssets for $4.4 million (around INR 38 crores) marking its second international acquisition and its fifth overall in eight months. TradeAssets is a platform that facilitates the trading of trade finance assets such as letters of credit, guarantees, and receivables. With over $4 billion (around INR 34,800 crores) in deals handled, it connects more than 120 banks across 35 countries. This acquisition strengthens Veefin's position in supply chain and trade finance, enhancing its offerings in liquidity management and global market access for banks and financial institutions. It also adds to Veefin's portfolio, now comprising ten companies, and is expected to create operational synergies and new cross-selling opportunities within its expanding ecosystem.

(Source: VC Circle, 04th February 2025)

ITC to buy firms behind frozen food brands Prasuma, Meatigo to beef up portfolio

ITC Ltd will acquire frozen food producers Ample Foods Pvt. Ltd and Meat and Spice Pvt. Ltd to strengthen its presence in the high-growth segments of frozen, chilled, and ready-to-cook foods. ITC will acquire a majority stake in Ample Foods for $21.4 million (around INR 187 crores), initially purchasing 43.8% for $15.07 million (around INR 131 crores) by March 2025, with the remaining stake to be acquired by 2028. The deal will also include full control of Meat and Spice. The acquisition will help ITC expand its portfolio, complementing its existing frozen food brand, ITC Master Chef, and positioning the company as a key player in India's growing frozen foods market, valued at over $1.15 billion (around INR 10,000 crores)

(Source: VC Circle, 07th February 2025)

Alkem Labs buying two firms to foray into medical devices, grow dermatology business

Alkem Laboratories Ltd has entered into separate agreements to acquire two smaller companies for a total of $32.8 million (around INR 87 crores) in cash, aiming to expand its product portfolio and increase market share in India. The company will acquire Adroit Biomed Ltd for $16 million (around INR 140 crores), payable in two transactions. Additionally, Alkem's wholly owned subsidiary, Alkem Medtech Pvt Ltd, will acquire Bombay Ortho Industries Pvt Ltd for $16.90 million (around INR 147 crores), payable in four tranches. The acquisition of Bombay Ortho, a manufacturer of orthopedic implants such as hip and knee implants, will enhance Alkem's manufacturing capabilities in the growing orthopedic sector.

(Source: VC Circle, 07th February 2025)

Veefin to acquire controlling stake in digital marketing firm White Rivers

Veefin Solutions Ltd, a Mumbai-listed supply chain fintech platform, has agreed to acquire up to 49% stake in digital marketing agency White Rivers Media Solutions Pvt Ltd for $19 million (around INR 166.6 crores). The deal includes a mix of cash and equity share swap, and Veefin will gain majority board control. White Rivers Media, headquartered in Mumbai, serves clients across sectors such as banking, entertainment, FMCG, real estate, and e-commerce. With over 600 employees, the agency posted FY24 revenue of $13.07 million (around INR 113.85 crores) The acquisition aligns with Veefin's strategy to integrate technology and AI-driven marketing to enhance client engagement.

(Source: VC Circle, 10th February 2025)

Transaction & Regulatory Advisory Services

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

MCA

Relaxation of additional fees and extension of last date of filing of Form No. LLP BEN-2 and LLP Form No. 4D under the Limited Liability Partnership Act, 2008- regarding

The Ministry of Corporate Affairs (MCA) has announced a relaxation of additional fees and extended the deadline for filing Form LLP BEN-2 and LLP Form No. 4D under the Limited Liability Partnership Act, 2008, allowing companies to file these forms without incurring extra charges until July 1, 2024.

To read more:
https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=NDE3OTY0MjMy&docCategory=Circulars&type=open

SEBI

Launch of 'Bond Central' –A Centralised Database Portal for Corporate Bonds

SEBI has latched a Centralised Database Portal for Corporate Bonds i.e. 'Bond Central' with objective to create a single, authentic source of information on corporate bonds issued in India and is intended as an information repository for the public at large and is accessible free of cost.

To read more:
https://www.sebi.gov.in/media-and-notifications/press-releases/feb-2025/launch-of-bond-central-a-centralised-database-portal-for-corporate-bonds_92306.html

RBI

Change in Bank Rate

Item	Existing Rate	Revised Rate (With immediate effect)
Penal interest rates on shortfalls in reserve requirements (depending on duration of shortfalls).	Bank Rate plus 3.0 percentage points (9.75 per cent) or Bank Rate plus 5.0 percentage points (11.75 per cent).	Bank Rate plus 3.0 percentage points (9.50 per cent) or Bank Rate plus 5.0 percentage points (11.50 per cent).

To read more:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12776&Mode=0

GIFT City Update

Liquidity Enhancement Scheme for Bullion Exchange

Introduction

On February 4, 2025, the International Financial Services Centres Authority (IFSCA) introduced the Liquidity Enhancement Scheme (LES) for Bullion Exchange, which allows the IFSC bullion exchange to create schemes aimed at improving the liquidity of illiquid commodity derivatives contracts.

Key Points

1. Oversight by the Governing Board:
   - The governing board must approve the scheme, which is valid for one year.
   - The board will monitor the scheme's implementation and results quarterly.

2. Requirements of the Scheme:
   - The scheme must be objective, non-discriminatory, and maintain market integrity without compromising risk management.
   - It should define incentives for market makers, which can include discounts, cash payments, or shares with options and warrants.

3. Disclosures:
   - Half-yearly reports must be submitted to IFSCA, including board comments.
   - Any changes to the scheme must be disclosed 15 days in advance.
   - Monthly updates on the scheme’s outcomes must be posted online.

4. Market Integrity:
   - Monitoring systems must prevent trading solely for incentives and ensure trades are not manipulative.
   - The scheme must not impede market liquidity or cause mis-selling.

5. Market Maker Obligations:
   - The exchange should define and monitor obligations of liquidity enhancers and ensure transparency of any conflicts of interest.

Conclusion

The LES aims to enhance liquidity in the bullion market while ensuring rigorous oversight and maintaining market integrity.

FAQs for Foreign Universities and Educational Institutions

On February 6, 2025 IFSCA has issued FAQs for Foreign Universities and Educational Institutions aiming to set up in GIFT City, clarifying regulatory, operational, and structural issues. This effort supports India's goal to make GIFT IFSC a global education hub. With clearer guidelines, top international institutions can now enter India, benefiting students, professionals, and industry players. Looking forward to seeing how this unfolds.

Consultation paper on proposed Circular on Securitization requirements by overseas insurers or re-insurers

IFSCA has received requests from regulated entities to obtain insurance from overseas insurers or re-insurers based outside India or GIFT IFSC. After reviewing these requests and the lack of suitable products from local insurers, IFSCA has allowed these entities to take out insurance from overseas providers under certain conditions.

To gather feedback, IFSCA has released a consultation paper on a proposed Circular concerning securitization requirements for overseas insurers or re-insurers. The Proposed Circular applies to all entities regulated by IFSCA and outlines specific securitization requirements, which can include irrevocable letters of credit or bank fixed deposits. Overseas insurers must also maintain a fixed deposit marked for IFSCA or provide an irrevocable letter of credit from a different IFSC Banking Unit.

IFSCA amends provisions relating to transactions with person(s) resident in India of Framework for Aircraft Lease

IFSCA amended the Framework for Aircraft Lease on February 26, 2025. The changes allow lessors in IFSC to purchase assets from Indian manufacturers. Previously, lessors could not acquire assets if they would be used solely by residents in India. However, this restriction does not apply if the acquisition is from non-group entities, as part of a sale and leaseback for newly imported assets, or from manufacturers in India.

Clarification in relation to permissible transactions through the Special Non-Resident Rupee (SNRR) accounts of IFSC units

The International Financial Services Centres Authority (IFSCA) issued a circular on February 18, 2025, clarifying permissible transactions through Special Non-Resident Rupee (SNRR) accounts of IFSC units.

It states that IFSC units can use SNRR accounts for business-related transactions, such as administrative expenses and proceeds from scrap sales. However, all transactions for financial services must be received through an account with a Banking Unit in IFSC.

Consultation paper on proposed Circular on Securitization requirements by overseas insurers or re-insurers

IFSCA has received requests from regulated entities to obtain insurance from overseas insurers or re-insurers based outside India or GIFT IFSC. After reviewing these requests and the lack of suitable products from local insurers, IFSCA has allowed these entities to take out insurance from overseas providers under certain conditions.

To gather feedback, IFSCA has released a consultation paper on a proposed Circular concerning securitization requirements for overseas insurers or re-insurers. The Proposed Circular applies to all entities regulated by IFSCA and outlines specific securitization requirements, which can include irrevocable letters of credit or bank fixed deposits. Overseas insurers must also maintain a fixed deposit marked for IFSCA or provide an irrevocable letter of credit from a different IFSC Banking Unit.

IFSCA amends provisions relating to transactions with person(s) resident in India of Framework for Aircraft Lease

IFSCA amended the Framework for Aircraft Lease on February 26, 2025. The changes allow lessors in IFSC to purchase assets from Indian manufacturers. Previously, lessors could not acquire assets if they would be used solely by residents in India. However, this restriction does not apply if the acquisition is from non-group entities, as part of a sale and leaseback for newly imported assets, or from manufacturers in India.

Clarification in relation to permissible transactions through the Special Non-Resident Rupee (SNRR) accounts of IFSC units

The International Financial Services Centres Authority (IFSCA) issued a circular on February 18, 2025, clarifying permissible transactions through Special Non-Resident Rupee (SNRR) accounts of IFSC units.

It states that IFSC units can use SNRR accounts for business-related transactions, such as administrative expenses and proceeds from scrap sales. However, all transactions for financial services must be received through an account with a Banking Unit in IFSC.

Revised conditions for on boarding a foreign entity as an RTP

The International Financial Services Centres Authority (IFSCA) has issued a circular regarding modifications to the eligibility criteria for foreign entities wishing to trade on Stock Exchanges in the International Financial Services Centre (IFSC) as Remote Trading Participants (RTP).

Key Points:

1. The IFSCA previously allowed foreign entities without a physical presence in IFSC to trade as RTPs (April 03, 2024). The initiative is gaining interest, prompting requests for changes in eligibility norms to enhance participation.
2. Modifications to eligibility criteria have been made, which include:

<u>Regulated Entities:</u>

- Must be regulated by their home country's securities market regulator.
- Must be a resident of a country whose regulator is a signatory to the IOSCO-MMoU or has a bilateral MoU with IFSCA.
- Must not be from a jurisdiction identified by the Financial Action Task Force (FATF) as having strategic deficiencies in Anti-Money Laundering or Counter Terrorism Financing.
- Allowed to trade only on a proprietary basis and not on behalf of clients.
- Can only transact in cash-settled derivatives.
- Required to have an agreement with an IFSCA registered Clearing Member for transaction settlement.

<u>Unregulated Entities:</u>

- Must be members of specified Stock Exchanges.
- Must comply with the defined conditions for regulated entities.

3. Indian entities are not eligible to be on boarded as RTPs.

4. Stock Exchanges must follow IFSCA Anti Money Laundering guidelines and will define terms for RTP on boarding, including risk management measures.

5. Stock Exchanges have the flexibility to set net worth criteria and associated fees for RTPs and must implement the circular by updating their regulations.

6. The status of implementation must be communicated to IFSCA in the Monthly Development Report.

Conclusion:

This circular updates the previous guidelines for RTPs, enhancing accessibility for foreign entities to trade on IFSC Stock Exchanges, while ensuring compliance with regulatory standards to maintain market integrity.

International Financial Services Centres Authority (Fund Management) Regulations, 2025

On February 19, 2025, the International Financial Services Centres Authority (IFSCA) released the IFSCA (Fund Management) Regulations, 2025 (FM Regulations), which replace the IFSCA (Fund Management) Regulations, 2020, previously issued on April 13, 2022. The goal of the FM Regulations is to simplify business operations, lower compliance costs, and offer better investor protection in International Financial Services Centres (IFSC) funds while ensuring orderly growth in business activities.

Key Points:

<u>Non-Retail Schemes:</u>

- Minimum corpus requirement reduced from USD 5 million to USD 3 million.
- Validity of the Private Placement Memorandum (PPM) extended from 6 months to 12 months.
- Open-ended schemes may begin investments with USD 1 million, reaching a minimum corpus of USD 3 million within 12 months.
- FMEs can invest more than 10% in a scheme under certain conditions.
- Co-investment through Special Purpose Vehicles (SPVs) is allowed.
- Venture capital schemes need approval from 75% of investors to buy or sell certain securities.

<u>Manpower Requirements:</u>

- FMEs with USD 1 billion AUM must appoint an additional Key Managerial Personnel (KMP) within 6 months after the financial year.

<u>Registered FMEs (Retail):</u>

- Must have 5 years of experience and a net worth of at least USD 2 million.
- Listing of close-ended retail schemes on stock exchanges is optional if the investment is at least USD 10,000.
- A retail scheme cannot invest over 10% of its AUM in one company.

<u>Portfolio Management Services (PMS):</u>

- Minimum investment reduced to USD 75,000.
- Clients may transfer funds to a managed account.

<u>Family Investment Funds (FIFs):</u>

- FIFs can be established as companies or partnerships, maintaining a minimum corpus of USD 10 million within 3 years of registration.

<u>Other Changes:</u>

- Streamlined fit and proper requirements and permissions for FMEs to open branches in other jurisdictions.

Conclusion:

The FM Regulations aim to create a more favourable environment for fund management in IFSCs, enhancing accessibility for various investment schemes and providing clearer guidelines for compliance and investor protection.

RNM Capital Trust AIF CAT III in GIFT received SEZ approval and applied to IFSCA to start operations. RNM Capital FME IFSC LLP has also applied for an FPI license. With this positive development, we are looking forward to the formal launch of the RNM Capital Trust AIF.

UK Tax Update

UK Economic Review: March 2025 Summary

The UK's economic growth for the final quarter of 2024 was slightly positive, showing a modest 0.1% increase in GDP. This marginal growth was better than the anticipated stagnant growth and marked a small step up from the previous quarters of the year. For the entirety of 2024, the UK economy expanded by 0.9% compared to the previous year, indicating a slow but steady recovery trajectory. In December 2024, the economy witnessed a notable 0.4% growth, predominantly driven by a boost in service activities, especially within the consumer-facing services such as hospitality which experienced solid growth in both November and December.

On the expenditure side, the components of GDP growth were mixed, with volatile contributions from household spending, business investment, and net trade. Consumer spending throughout the quarter remained relatively unchanged, while business investment declined. Inventory growth, which often shows irregular patterns, emerged as a significant contributor to GDP growth in the last months of the year. However, it is generally viewed as an unreliable and unsustainable boost to economic growth.

Early indications from 2025 suggest a varied start to the year. Retail sales data from the Office for National Statistics (ONS) reflected a recovery in January, boosted by robust post-Christmas trading particularly in non-store retail sectors and strong growth in food store sales volumes. This was attributed to a shift in consumer behavior towards eating at home more frequently. Although consumer confidence saw a slight uptick in February, the overall sentiment remains fragile.

Service sector activity has shown some signs of strengthening, which could support modest economic growth in the first quarter of 2025. However, manufacturing continues to underperform, with industry sentiment remaining subdued.

Monetary Policy Adjustments and Economic Forecasts

In response to the economic climate, the Bank of England's Monetary Policy Committee (MPC) decided to reduce the Bank Rate by another 0.25 percentage points, bringing it down to 4.5% in early 2025. This unanimous decision came amidst a backdrop of easing inflationary pressures and wage growth moderation within the domestic economy. The MPC, however, remains divided on the trajectory of these economic pressures, balancing between weak activity and looser labor market conditions against potential risks from global trade policies and poor productivity.

Alongside the rate decision, significant revisions were made to the Bank’s growth and inflation forecasts. The initial expectations of consumer price index (CPI) inflation ticking higher due to a rise in the energy price cap at the beginning of the year materialized. Moreover, forthcoming increases in global energy costs and planned hikes in water bills are expected to further elevate CPI to around 3.7% by the end of the year. The growth outlook for 2025 was revised downwards to 0.75% from the previously anticipated 1.5%, reflecting lower expectations for household spending, business investment, and net trade.

Fiscal Policy and Outlook

The Chancellor of the Exchequer is scheduled to present the spring statement on March 26, amidst a backdrop of recent substantial fiscal announcements and ahead of a major spending review expected later in the year. Although the precise details of the spring statement remain uncertain, it will be influenced by the latest economic and fiscal forecasts provided by the Office for Budget Responsibility (OBR). These forecasts are critical as they will set the stage for the Chancellor's policy decisions, especially in light of the moderated growth expectations and a slightly revised inflation outlook.

Public sector net borrowing is currently tracking above the forecast for FY 2024/25, raising concerns about the potential breach of newly established fiscal rules. This scenario might compel the Chancellor to implement corrective fiscal measures, possibly through tax increases or spending cuts, to maintain fiscal discipline and credibility.

International Context and Uncertainties

Global economic uncertainty remains heightened, particularly with ongoing adjustments in U.S. trade policy under President Trump's administration. These changes have significant implications for international trade dynamics and economic policy uncertainty worldwide. The UK is closely monitoring these developments, especially potential trade agreements with the U.S. that could mitigate the impacts of new tariffs on UK exports.

In summary, the UK economy is navigating through a landscape marked by slow growth, moderate inflation adjustments, and significant fiscal and monetary policy decisions. As 2025 progresses, the interplay between domestic economic policies and international developments will crucially shape the economic outlook for the UK.

Tax Calendar

March 2025 - Tax Calendar

2ND MARCH	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB, 194M & 194S in the month of January, 2025
7TH MARCH	Due date for deposit of Tax deducted/collected for the month of February, 2024.
15TH MARCH	4th instalment of advance tax for the assessment year 2025-26
15TH MARCH	Due date for payment of whole amount of advance tax in respect of assessment year 2025-26 for assessee covered under presumptive scheme of section 44AD / 44ADA
17TH MARCH	Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB & 194S in the month of January, 2025
30TH MARCH	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB, 194M & 194S in the month of February, 2025
31ST MARCH	Country-By-Country Report in Form No. 3CEAD for the previous year 2023-24 by a parent entity or the alternate reporting entity, resident in India, in respect of the international group of which it is a constituent of such group
31ST MARCH	Country-By-Country Report in Form No. 3CEAD for a reporting accounting year by a constituent entity, resident in India, in respect of the international group of which it is a constituent if the parent entity is not obliged to file report under section 286(2) or the parent entity is resident of a country with which India does not have an agreement for exchange of the report etc.
31ST MARCH	Uploading of statement [Form 67], of foreign income offered to tax and tax deducted or paid on such income in previous year 2022-23, to claim foreign tax credit [if return of income has been furnished within the time specified under section 139(1) or section 139(4)]
31ST MARCH	Furnishing of an updated return of income for the Assessment Year 2022-23

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