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SAMĀCĀRA

FEBRUARY 2025

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SAMĀCĀRA – FEBRUARY 2025

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SAMĀCĀRA – FEBRUARY 2025

EDITORIAL

Dear All,

The Union Budget 2025 presented on 1.02.2025 marks a significant step toward an efficient, growth-driven, and trust-based taxation system. Guided by the principles of Sabka Saath, Sabka Vikas, Sabka Vishwas, Sabka Prayas, this budget aims to create a robust financial framework that fosters economic expansion, eases compliance, and provides much-needed relief to taxpayers.

One of the most notable aspects of this budget is its emphasis on trust-based taxation. By reducing unnecessary scrutiny and litigation, the government has reinforced its commitment to a taxpayer-friendly approach. This will not only improve the ease of doing business but also build confidence among individuals and enterprises.

A major boost to corporate India comes in the form of fast-tracked mergers and demergers. The streamlined process will allow businesses to restructure seamlessly, reducing legal and administrative hurdles. This is expected to encourage investment, innovation, and overall economic growth.

For individual taxpayers, direct tax reforms bring a mix of relief and strategic shifts. The middle-class benefits from increased exemption limits and deductions, ensuring greater disposable income and financial stability. However, the government's clear push toward the new tax regime—with increased slab limits but fewer traditional savings incentives—raises important questions about long-term financial planning. While the move simplifies taxation, it may impact the culture of disciplined savings built around PPF, ELSS, and NPS.

Another landmark development is the introduction of a new Income Tax Act Bill, set to replace the existing framework. This promises a modernized tax structure that prioritizes simplicity, predictability, and fairness. If implemented effectively, it will mark one of the most significant taxation reforms in India's history.

As the founder of SPCM, I had the opportunity to contribute an article on expectations from Budget 2025, particularly analyzing the implications of raising the basic income tax exemption limit to ₹20 lakhs. This potential reform could have significant economic and social consequences, impacting consumption, savings patterns, and overall economic activity. A balanced approach is essential to ensure that higher disposable income does not come at the cost of long-term fiscal stability.

Additionally, Adv. Sanket S. Bora had the privilege of addressing a training session for officers of the Industries Department, Government of Maharashtra, on Arbitration under the MSMED Act, 2006. This session aimed to enhance awareness and implementation of arbitration mechanisms for faster and more effective dispute resolution in the MSME sector.

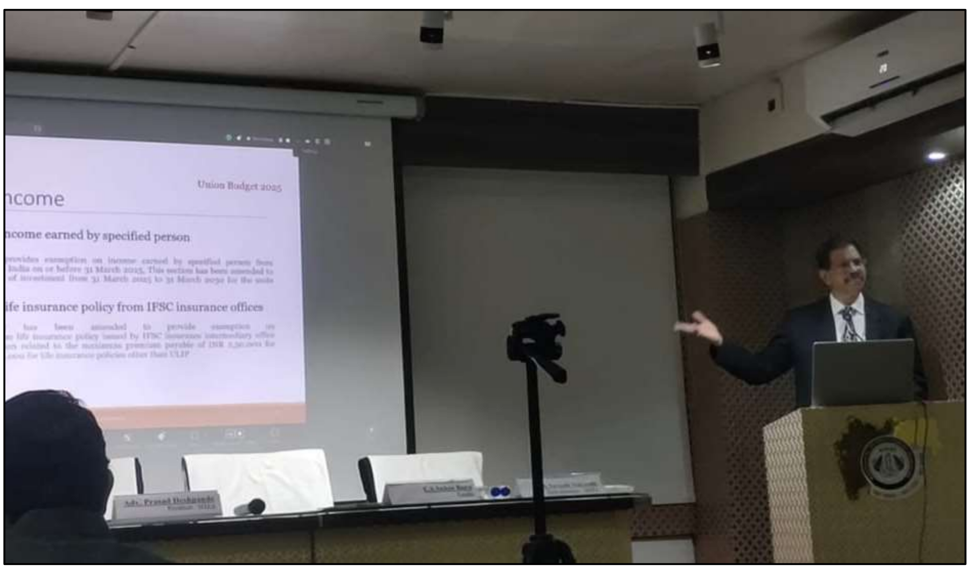
As we move forward in this era of transformation, let us remember the words of Benjamin Franklin: **"An investment in knowledge pays the best interest."** Let us continue to learn, adapt, and contribute to a more prosperous and financially empowered India.

Thanking You,
With Warm Regards,

CA. Suhas P. Bora
Founder Partner,
SPCM and Associates,
Chartered Accountants

GLIMPSE OF EVENTS

Our Mentor, CA Suhas P. Bora sir was invited as speaker by Maharashtra Tax Practitioners Association to speak on topic, "Union Budget In-Dept Analysis by Masters in Taxation"



Adv. Sanket S. Bora sir, addressing at Training session for all officers of Industries Department of Government of Maharashtra on Arbitration under MSMED Act, 2006.

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Our Mentor, CA Suhas P. Bora sir was recently featured on the podcast by CA Dinesh Rathi

Generalist vs Specialist – Who Wins? | CA Suhas Bora | Dinesh Rathi Podcast

Listen to CA Suhas Bora and Dinesh Rathi

youtube.com

Copy the below link to watch -
https://youtu.be/_urYij47sAM

Our Mentor, CA Suhas P. Bora sir's insightful contribution in the Aaj Ka Anand Newspaper

सुधार, प्रदर्शन और परिवर्तनकारी बजट

सीए सुहास बोरा द्वारा बजट का विश्लेषण; मध्यम वर्ग के लिए बड़ी राहत

शिवाजीनगर, 1 फरवरी
(आज का आनंद न्यूज नेटवर्क)

केंद्रीय बजट 2025 में विश्वास को बढ़ावा देने, अनुपालन को सरल बनाने और सबका साथ, सबका विकास, सबका विश्वास, सबका प्रयास के मार्गदर्शक सिद्धांत के साथ आर्थिक विकास को बढ़ावा देने के उद्देश्य से महत्वपूर्ण सुधार पेश किए गए हैं. यह बजट समावेशी विकास और आर्थिक सशक्तीकरण सुनिश्चित करने वाले 'सुधार, प्रदर्शन और परिवर्तन' मॉडल को दर्शाता है. पुणे के सुप्रसिद्ध सीए सुहास पी. बोरा ने आसान शब्दों में दै. 'आज का आनंद' के पाठकों के लिए बजट का मतलब समझाया है. उन्होंने कहा है कि बजट सरकार द्वारा की गई नयी पहल कर व्यवस्था के बारे में सरकार के दृष्टिकोण को दर्शाती है.

- पहले विश्वास, बाद में जांच - सरकार ने ईमानदार करदाताओं में विश्वास को प्राथमिकता देते हुए करदाता-अनुकूल दृष्टिकोण के प्रति अपनी प्रतिबद्धता की पुष्टि की है. यह सुनिश्चित किया है कि जांच केवल तभी की जाए जब आवश्यक हो.
- विलय और विभाजन के लिए फास्ट-ट्रैक - विलय और विभाजन में तेजी लाने के लिए एक गेम-चेंजिंग सुधार पेश किया गया है, जिससे व्यवसायों को अधिक कुशलता से पुनर्गठन करने में सक्षम बनाया जा सके. इससे कानूनी और प्रशासनिक लागत कम होगी, लेन-देन को तेजी से पूरा करने में मदद मिलेगी और नवाचार और विस्तार को बढ़ावा मिलेगा.
- प्रत्यक्ष कर प्रस्ताव - बजट 2025 में प्रत्यक्ष कर के प्रमुख उपाय पेश किए गए हैं, जो कर कानूनों को सरल बनाते हैं, पारदर्शिता बढ़ाते हैं.
- मध्यम वर्ग को बड़ी राहत - एक बहुप्रतीक्षित कदम में, सरकार ने मध्यम वर्ग के करदाताओं को महत्वपूर्ण राहत प्रदान की है. इसमें उच्च छूट सीमा, बढ़ी हुई कटौती और समग्र कर बोझ को कम करने के उपाय शामिल हैं. इससे अधिक प्रयोज्य आय और बेहतर वित्तीय कल्याण सुनिश्चित होता है.

उच्च डिस्पोजेबल आय चाहने वालों के लिए फायदेमंद

नई कर व्यवस्था के तहत कर स्लैब सीमा में वृद्धि स्पष्ट रूप से करदाताओं को इस संरचना में स्थानांतरित करने के लिए प्रोत्साहित करने के सरकार के इरादे को दर्शाती है. यह कम कर दरों की पेशकश करता है और अनुपालन को सरल बनाता है. लेकिन यह पुरानी व्यवस्था के तहत उपलब्ध पारंपरिक कटौती को हटा देता है, जैसे कि पीपीएफ, ईएलएसएस, एनपीएस और बीमा पॉलिसियों में निवेश. यह बदलाव, उच्च डिस्पोजेबल आय चाहने वालों के लिए फायदेमंद होने के साथ-साथ दीर्घकालिक बचत और वित्तीय अनुशासन को हतोत्साहित कर सकता है, जिसे पहले कर-बचत योजनाओं के माध्यम से प्रोत्साहित किया जाता था.

*- **सुहास बोरा,** चार्टर्ड एकाउंटेंट*

DUE DATES

Income Tax, PF and ESIC due date calendar for the month of February 2025:

DATE	DUE DATE FOR
07-02-2025	• Due date for deposit of Tax deducted/collected for the month of January, 2025.
14-02-2025	• Issue of TDS Certificate for tax deducted under section 194-IA, 194IB, 194M and 194S in the month of December, 2024
15-02-2025	• Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending December 31, 2024. • Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of January, 2025. • Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending December 31, 2024 • Payment of ESI Contribution for the month of January, 2025. • Payment of PF for the month of January, 2025.

GST due dates for the month February 2025: -

DUE DATE	RETURN	PERIOD	DESCRIPTION
10th February	GSTR-7 (Monthly)	January'25	Summary of Tax Deducted at Source (TDS) and deposited under GST laws.
10th February	GSTR-8 (Monthly)	January'25	Summary of Tax Collected at Source (TCS) and deposited by E-commerce operators under GST laws.
11th February	GSTR-1 (Monthly)	January'25	Summary of outward supplies where turnover exceeds Rs.5 crore or have not chosen the QRMP scheme for the quarter of January – March 2025.
13th February	Furnishing Invoices in IFF Facility (Quarterly)	January – March 2025	Taxpayers who have opted for the Invoice Furnishing Facility (IFF) and choose to upload B2B outward supply invoices for first two months of the quarter. The B2B invoices relating to last month of the quarter are too uploaded while filing GSTR – 1 along with B2C invoices of entire quarter.
13th February	GSTR-6	January'25	Details of ITC received and distributed by ISD.

DUE DATE	RETURN	PERIOD	DESCRIPTION
13th February	GSTR-5 (Monthly)	January'25	Summary of outward taxable supplies & tax payable by a non-resident taxable person.
20th February	GSTR-3B (Monthly)	January'25	Summary of outward supplies, ITC claimed, and net tax payable for taxpayers with turnover more than Rs.5 crore in the last FY or have not chosen the QRMP scheme for the quarter of January – March 2025.
20th February	GSTR-5A (Monthly)	January'25	Summary of outward taxable supplies and tax payable by OIDAR.

INCOME TAX

BUDGET 2025: Reform, Perform and Transform

Trust-Based Taxation, Faster Business Growth, and Big Relief for the Middle Class

The Union Budget 2025 introduces significant reforms aimed at fostering trust, simplifying compliance, and boosting economic growth aligned with guiding principle of Sabka Saath, Sabka Vikas, Sabka Vishwas, Sabka Prayas, this Budget embodies the 'reform, perform and transform' model ensuring inclusive development and economic empowerment.

1. **Trust First, Scrutiny Later –**
   The government has reaffirmed its commitment to a taxpayer-friendly approach by prioritizing trust in honest taxpayers while ensuring scrutiny is conducted only when necessary. This will reduce unnecessary litigation and improve the ease of doing business.

2. **Fast-Track for Mergers & Demergers –**
   A game-changing reform has been introduced to expedite mergers and demergers, enabling businesses to restructure more efficiently. This will reduce legal and administrative costs, promote faster completion of transactions, and encourage innovation and expansion.

3. **Direct Tax Proposals –**
   Budget 2025 brings key direct tax measures that simplify tax laws, enhance transparency, and promote voluntary compliance.

4. **Big Relief for the Middle Class –**
   In a much-awaited move, the government has provided significant relief to middle-class taxpayers. This includes higher exemption limits, increased deductions, and measures to reduce the overall tax burden, ensuring more disposable income and improved financial well-being.

5. **New Income Tax Act Bill to be Presented –**
   The government is set to introduce a new Income Tax Act Bill in Parliament next week, marking a historic reform in the country's taxation system. This bill aims to replace the outdated Income Tax Act, streamlining tax provisions, reducing complexity, and enhancing ease of compliance. The new framework will focus on simplification, predictability, and fairness, ensuring a more transparent and efficient tax system that aligns with modern economic needs.

6. **Push for New Tax Regime, But at the Cost of Savings? –**
   The increase in tax slab limits under the new tax regime clearly signals the government's intent to encourage taxpayers to shift to this structure. While it offers lower tax rates and simplifies compliance, it removes traditional deductions available under the old regime, such as investments in PPF, ELSS, NPS, and insurance policies. This shift, while beneficial for those seeking higher disposable income, may discourage long-term savings and financial discipline, which were previously incentivized through tax-saving schemes.

These initiatives reflect the government's vison of tax regime that is fair, efficient, and growth-oriented driving reformation, performance and transformation to build a prosperous and self-reliant India.

TAX AUDIT: CHAPTER 6

TAX AUDIT - CLAUSE 14 AND 15 OF FORM NO. 3 CD

We have started with a series on Tax Audit u/s 44AB of the Act considering practical aspects to be taken care of for issue of the Tax Audit reports as applicable for AY 2024-25.

In chapter - 1 we discussed about the applicability of Tax Audit u/s 44AB of the Income Tax Act.

In chapter - 2 we discussed about the meaning of the terms "Sales", "Turnover" and "Gross Receipts".

In chapter – 3 we discussed about " Clauses 1 to 8A of Form No. 3 CD."

In chapter – 4 we discussed about "Clauses 9 to 12 of Form No. 3 CD"

In chapter – 5 we discussed about "Clauses 13 of Form No. 3 CD"

In the series of Article on Tax Audit provisions, we will discuss about "Clause 14 and 15 of Form No. 3 CD"

CLAUSE 14:

14 (a) - Method of valuation of closing stock employed in the previous year:

- Closing stock should be valued at lower of actual cost and net realisable value (NRV), where costs are ascertained on the basis of Specific

Identification Method, FIFO or weighted average cost method.

- In case of conversion of capital asset into stock is valued at fair market value (FMV), the same should also be stated. Accordingly, the audit report in Form 3CB should be qualified for not complying with AS 2 / Ind AS 2.

- Inventories (Closing Stock) include:
  - Finished goods being held for sale in course of ordinary business
  - Stock-in-trade being Goods held for resale
  - Raw material
  - Work in progress
  - Maintenance supplies
  - Consumables
  - Loose tools (not including machine spares forming part of Property Plant & Equipment)

- Method of valuation should be given for each class of inventory.

- Cost of inventory includes:
  - Cost of purchase includes purchase price including duties and taxes (except those recoverable from taxing authorities as per AS 2 / Ind AS 2), freight inwards etc. trade discounts, rebates etc. are deducted from cost.
  - Cost of conversion includes directly attributable costs such as labour cost
  - Other costs incurred in bringing the inventory to present location.

- It should be ensured that method of valuation of stock is appropriate and complies with principles of AS 2 / Ind AS 2 and the same method is used consistently. If the method is inappropriate, then suitable qualification in Tax audit report is required in Form 3CB.

- Where assessee has other than raw material and finished goods too as closing stock a disclosure may be mentioned in Para 5 of Form 3CB or Para 3 of 3CA as under:
  Though the Form 3CD requires disclosure of method of valuation of closing stock (for all types of stocks), yet the online schema contains disclosure only for raw material and finished goods. For complete method of valuation of closing stock, refer to disclosure given in ICDS II at Clause 13(f) of Form 3CD

Clause 14(b) - In case of deviation from the method of valuation prescribed under section 145A, and the effect thereof on the profit or loss, please furnish

S. No	*Particulars*	*Increase in Profit (in Rs.)*	*Decrease in Profit (in Rs.)*

This clause requires reporting of details of deviation, if any, from the method of valuation prescribed u/s 145A and its impact on profit and loss account. It is pertinent to note that section 145A has been amended from AY 2017-18 to give effect to ICDS.

- The amended section 145A w.e.f. AY 2017-18 covers not only goods but services and securities too.

- Section 145A allows change in method of valuation in following conditions
  - Adoption of different policy is required by statute, or
  - Change would result in better presentation of financial

statements of the enterprise.

- As the enterprise follows exclusive method of accounting as per AS 2 / Ind AS 2 (which is different from section 145A, which requires inclusive system to be followed), hence the following adjustments are required:
    - Any tax, duty or fee paid on purchase or inventory should be added to the cost of purchase or cost of inventory respectively.
    - Any tax, duty or fee paid on sale of goods or services should be added to sales.

- It is pertinent to note that as per ICAI Tax Audit Guidance Note (Revised 2014) Para 28, the impact of following exclusive method or inclusive method would not impact profits of the entity.

- Disclosure in S. No. 14(b) may be made as under (as suggested by ICAI Guidance Note of the example taken therein) shown below for VAT (to be replaced by GST):

S. No.	**Particulars**	**Increase in profit (Rs)**	**Decrease in profit (Rs)**
1	Increase in Opening Stock on inclusion of VAT		30000
2	Increase in Purchases on inclusion of VAT		90000
3	Increase in Sales on inclusion of VAT	90000	
4	Increase in Closing Stock on inclusion of VAT	60000	
5	VAT paid on sales		90000

S. No.	Particulars	Increase in profit (Rs)	Decrease in profit (Rs)
6	VAT credit availed on cost of goods sold	60000	
		210000	**210000**

Depending on the case, a note may be given by the assessee that 'Inventories are not inclusive of taxes and duties; however, there is nil impact on taxable profits and also stated in Para 26.16 of the Guidance Note on Tax Audit u/s 44AB of the Income Tax Act, 1961 (Revised 2023) issued by ICAI'

CLAUSE 15:

Details of capital asset converted into stock in trade in the prescribed format

i. **Reporting requirement:**
   a. Arises in the previous year in which such conversion takes place and the same should not be postponed till the year of sale.

ii. **Description of Capital Asset:**
   a. Provide the detail of Capital assets such as shares, securities, land, building, plant, machinery, etc. along with section 32 (if depreciable asset) that deals with depreciation and classifies the different assets based on their nature.

iii. **Date of Acquisition:**

a. Verify the period of holding of asset to ensure whether it is long-term or short-term asset and for this purpose verify the date of purchase of assets from assessee.

iv. **Cost of Acquisition:**

a. Verify cost of acquisition of capital asset (as per AS 10 / Ind AS 16, if applicable), from purchase invoice and cash/bank account, fixed asset register, etc.

b. Even in case, where capital asset is acquired prior to 1st April 2021, original cost should be stated in this sub-clause

v. **Amount:**

a. Verify the amount at which it is converted into Stock-in Trade (as per AS 2 / Ind AS 2).

In case the conversion is not done at cost but at FMV, appropriate disclosure is to be made at clause 14 (a) of Form 3CD that inventories on conversion of capital asset into stock is valued at FMV. Accordingly, the audit report in Form 3CB should be qualified for not complying with AS 2 / Ind AS 2.

Note: Conversion of capital asset in the form of Land & Building into stock in trade attracts provisions of Section 50C of the Act by virtue of s. 45(2) read with s. 2(47)(iv). Hence, reporting requirement is also required under clause 17 of Form 3CD.

GST

GIST OF GST NOTIFICATION

NOTIFICATION NO	DATE	SUBJECT / HIGHLIGHTS
08/2025-Central Tax (Rate)	16-01-2025	CBIC amended Notification No 17/2017-Central Tax (Rate), dated 28th June, 2017 which notifies the categories of services liable for tax on intra-State supplies of which shall be paid by the electronic commerce operator. Vide this Notification, amendment has been made in term 'Specified premises to align with clause (xxxvi) of paragraph 4 of Notification No. 11/2017-Central Tax (Rate). This Notification shall be effective from 01.04.2025.
07/2025-Central Tax (Rate)	16-01-2025	New Notification No. 07/2025 is issued to amend RCM applicability for, (a) Sponsorship Services provided by any person other than a body corporate will now attract RCM. Previously, sponsorship services provided by "any person" were subject to RCM. The amendment narrows the scope, excluding services provided by a body corporate from this provision. This means that such service provided by a body

NOTIFICATION NO	DATE	SUBJECT / HIGHLIGHTS
		corporate will now attract GST under forward charge. (b) Renting of Immovable Property Service by way of renting of any immovable property other than residential dwelling provided by any unregistered person to any registered person (other than a person who has opted to pay tax under composition levy). So, RCM now applies only when the recipient is a registered person other than one opting for composition levy. Earlier, any registered person receiving such services was covered under RCM. The notification is effective from 16th January 2025.
06/2025-Central Tax (Rate)	16-01-2025	CBIC amended Notification No 12/2017-Central Tax (Rate dated 28th June, 2017 for Exemption on services.: Exemption on contributions made by general insurance companies from the third-party motor vehicle premiums to the Motor Vehicle Accident Fund (MVA Fund) – An New Entry 36B has been inserted under NN. 12/2017-Central Tax (Rate). Changes made in Entry No. 25A of the NN. 12/2017-Central Tax (Rate), to change made in words “transmission and

NOTIFICATION NO	DATE	SUBJECT / HIGHLIGHTS
		distribution" to "transmission or distribution. To provide exemption on services provided by "a training partner approved by the National Skill Development Corporation" in relation to the services as provided under Entry 69 of NN. 12/2017-Central Tax (Rate).
05/2025-Central Tax (Rate)	16-01-2025	New Notification No. 05/2025 is issued which redefines the concept of "specified premises" and omits the definition of "declared tariff" for hotel accommodation services. The "Specified premises" for a financial year now refers to: (a) Premises where the supplier provided hotel accommodation services in the previous financial year with the value of supply of any unit of accommodation exceeding ₹7,500 per unit per day or equivalent or (b) Premises where a registered person files a declaration between 1st January and 31st March of the preceding financial year, declaring the premises as specified. [File Declaration in Annexure VII between 1st January and 31st March of the preceding FY]

NOTIFICATION NO	DATE	SUBJECT / HIGHLIGHTS
		(c) Premises where a new registrant files a declaration within 15 days of receiving the acknowledgment for their registration application, declaring the premises as specified. [File Annexure VIII within 15 days of registration acknowledgment] Note: Those wishing to opt-out of the specified category must file Annexure IX during the same January-March period of preceding FY. All the annexure formats are prescribed in the said notification. The notification is effective from 1st April 2025.
04/2025-Central Tax (Rate)	16-01-2025	CBIC notified that GST rate increases the on sale of old and used vehicles from 12% to 18%. The taxable value is determined based on the margin of the supplier. If Registered dealers claiming depreciation under the Income Tax Act, GST is calculated on the difference between the selling price and the depreciated value. In case of others GST is calculated on the difference between the selling price and the purchase price.
03/2025-Central Tax (Rate)	16-01-2025	In the said notification, Amendment has been made in NN39/2017-Central Tax(Rate) where Concessional 5% GST rate had been notified on food inputs of food

NOTIFICATION NO	DATE	SUBJECT / HIGHLIGHTS
		preparations under HSN 19 or 21 that are supplied for food preparations intended for free distribution to economically weaker sections under a government program subject to the existing conditions.
02/2025-Central Tax (Rate)	16-01-2025	CBIC notified new entry, S. No. 105A, has been added to the exemption schedule for Gene Therapy, making it GST-exempt. This reflects the government's commitment to promoting advanced medical treatments in the public interest. The notification is effective from 16th January 2025.
01/2025-Central Tax (Rate)	16-01-2025	CBIC notified Fortified Rice Kernel (FRK) is now taxable at a concessional GST rate of 5%. Earlier it was taxable at the rate 18%. This step aims to promote better nutrition and affordability for consumers. The notification is effective from 16th January 2025.
08/2025-Central Tax	23-01-2025	CBIC notified waiver of the late fee for delayed filing of GSTR-9C for the financial years 2017-18 to 2022-23 before March 31, 2025.
07/2025-Central Tax	23-01-2025	CBIC notified amendment of CGST Rules, Central Goods and Services Tax (Amendment) Rules, 2025.

NOTIFICATION NO	DATE	SUBJECT / HIGHLIGHTS
06/2025-Central Tax	10-01-2025	CBIC has extended the due date for furnishing FORM GSTR-8 for the month of December, 2024.
05/2025-Central Tax	10-01-2025	CBIC has extended the due date for furnishing FORM GSTR-7 for the month of December, 2024.
04/2025-Central Tax	10-01-2025	CBIC has extended the due date for furnishing FORM GSTR-6 for the month of December, 2024
03/2025-Central Tax	10-01-2025	CBIC has extended the due date for furnishing FORM GSTR-5 for the month of December, 2024
02/2025-Central Tax	10-01-2025	CBIC has extended the due date for furnishing FORM GSTR-3B for the month of December, 2024 and the quarter of October to December, 2024, as the case may be.
01/2025-Central Tax	10-01-2025	CBIC has extended the due he due date for furnishing FORM GSTR-1 for the month of December, 2024 and the quarter of October to December, 2024.

GIST OF GST CIRCULAR

CIRCULAR NO.	DATE	SUBJECT / HIGHLIGHTS
246/03/2025-GST	30-01-2025	Clarification on applicability of late fee for delay in furnishing of FORM GSTR-9C
245/02/2025-GST	28-01-2025	Clarifications regarding applicability of GST on certain services.
244/01/2025-GST	28-01-2025	Regularizing payment of GST on co-insurance premium apportioned by the lead insurer to the co-insurer and on ceding /re-insurance commission deducted from the reinsurance premium paid by the insurer to the reinsurer.

GST UPDATES

1. **The CBIC vide Notification No. 07/2025-Central Tax dated 23.01.2025, has amended the Central Goods and Services Tax (CGST) Rules, 2017.**

   This amendment introduces a significant procedural update in the Central Goods and Services Tax Rules, 2017 as under:

   A. **Introduction of Rule 16A – Issuance of a Temporary identification number (TIN)**
   A new rule Rule 16A, has been inserted for the issuance of a temporary identification number (TIN) to a person who is not liable for registration under the CGST Act, 2017, but is required to make any payment under the provisions of the Act. The proper officer has the authority to grant a temporary identification number to such a person. This will be done by issuing an order in Part B of FORM GST REG-12.

   The provision will come into force from a date to be notified by the government.
   Earlier, The GST Council in its 55th Council Meeting has proposed to make the necessary arrangements in this regard. This new rule would ensure proper identification and tracking of such persons when they make payments, thereby improving compliance and ensuring that necessary tax payments are captured effectively.

   B. **Amendment in Rule 19 – Inclusion of FORM GST CMP-02**
   This amendment makes a specific change to Rule 19(1) of the Central Goods and Services Tax Rules, 2017, by expanding the

scope of documents or intimations considered for the amendment of GST registration.

Before Amendment: Rule 19(1) allowed for the amendment of registration based on details provided in FORM GST REG-10 (used for non-resident taxable persons applying for GST registration).

After Amendment: The rule is expanded to include details furnished by composition taxpayers in FORM GST CMP-02. This effectively means that composition taxpayers' intimations regarding opting into the Composition Scheme (via FORM GST CMP-02) can now trigger or relate to an amendment in their GST registration.

The provision will come into force from a date to be notified by the government.

C. Amendment in Rule 87 – This amendment introduces a connection between Rule 87(4) and the newly inserted Rule 16A, which pertains to the issuance of a temporary identification number (TIN) for persons not liable to GST registration but required to make a payment under the Act.
The provision is expanded to include the reference to Rule 16A, allowing persons with a temporary identification number (TIN) to also generate challans for payment via the common portal. The amendment will come into force from a date to be notified by the government.

The amendment will come into force from a date to be notified by the government.

2. **Implementation of mandatory mentioning of HSN codes in GSTR-1 & GSTR 1A:**

From return period February 2025. In this phase manual entry of HSN has been replaced by choosing correct HSN from given Drop down. Also, Table-12 has been bifurcated into two tabs namely B2B and B2C, to report these supplies separately. Further, validation regarding values of the supplies and tax amounts involved in the same, have also been introduced for both the tabs of Table-12. However, in initial period these validations have been kept in warning mode only, which means failing the validation will not be a blocker for filling of GSTR-1& 1A.

3. **Advisory on the Introduction of E-Way Bill (EWB) for Gold in Kerala State:**

A. New option for generating E-Way Bills (EWB) for gold has been introduced in the EWB system, effective from January 20, 2025. This feature has been made available to facilitate taxpayers in Kerala State to generate EWB for goods classified under **Chapter 71**, excluding **Imitation Jewellery**, for **intrastate movement**, in compliance with the notification issued by the Government of Kerala.

B. <u>Key Points for Taxpayers:</u>

1.Scope of Coverage:

a) The EWB can be generated for goods covered under **Chapter 71, excluding HSN 7117 (Imitation Jewellery) under the "EWB for gold" option only.**

b) This feature is applicable only for **intrastate movement** of such goods within Kerala.

2.Generation of EWB for Imitation Jewellery (HSN 7117):

a) Taxpayers can continue to generate EWB for goods under **HSN 7117 (Imitation Jewellery)** using the **usual option** in the EWB system.

For further assistance or queries related to this update, taxpayers may contact the GST Helpdesk or refer to the detailed user guide available on the EWB portal.

GST AMENDMENTS PROPOSED IN UNION BUDGET 2025-26:

a) **Amendments in Schedule III:**
The supply of goods warehoused in Special Economic Zones (SEZs) or Free Trade and Warehousing Zones (FTWZs) to any person, before clearance for exports or to the Domestic Tariff Area (DTA), will be treated as neither a supply of goods nor a supply of services, also retrospectively.

b) **Insertion of a new section 122B of the CGST Act, 2017:**
A new Section 122B is being inserted to provide penalties for contraventions of provisions related to the Track and Trace Mechanism provided under section 148A.

c) **Insertion of Section 148A:**
Provisions for implementing the Track and Trace Mechanism for specified commodities.

d) **Amendments in Section 12 and 13:**
Omission of sub-sections related to the time of supply concerning vouchers.

e) **Amendments in Section 17:**
Substitution of "plant or machinery" with "plant and machinery" to be effective from 1st July 2017.

f) **Amendments in Section 34 of the CGST Act, 2017:**
A reduction in liability for credit notes will not be allowed unless the Input Tax Credit (ITC) has been reversed by the recipient or the tax incidence has been passed on to another person.

g) Amendments in Section 107 and 112 of the CGST Act, 2017:

- Section 107(6) is being amended to provide for 10% mandatory pre-deposit of penalty amount for appeals before Appellate Authority in cases involving only demand of penalty without any demand for tax.

- Section 112(8) is amended to provide for 10% mandatory pre-deposit of penalty amount for appeals before Appellate Tribunal in cases involving only demand of penalty without any demand for tax.

h) Section 2 Amendments:

Clause (61): Allows Input Service Distributor to distribute input tax credit for inter-state supplies where tax is paid on reverse charge basis, effective from 1st April 2025.

Clause (69) (c): Clarifies the definitions of 'Local Fund' and 'Municipal Fund' under the term "local authority".

Clause (112A): New definition for "Unique Identification Marking" for the Track and Trace Mechanism.

i) Amendments in Section 20:
Input tax credit distribution for inter-state supplies with reverse charge tax explicitly mentioned, effective from 1st April 2025.

j) Amendments in Section 34:
Requirement for reversing input tax credit for credit notes, if availed, by the registered recipient.

k) Amendments in Section 38:
Omission of the term "auto-generated" and insertion of "including" for more inclusivity in reporting input tax credit details.

l) Amendments in Section 39:
Enabling provision for conditions and restrictions related to return filing.

INVESTMENTS

Gold Jewelry vs. Gold Bars/Coins: Taxation and Financial Implications

Investing in gold has been a traditional practice for centuries, serving as both a store of value and a hedge against economic uncertainty. Among the common forms of gold investment are gold jewelry, gold bars, and coins. Additionally, modern financial products such as Gold ETFs and Gold Mutual Funds provide alternatives. This article delves into the financial and taxation aspects of these investment options, helping investors make informed decisions.

Gold Jewellery:

Financial Implications

1. **Cost and Value**: Gold jewellery typically includes the cost of craftsmanship, design, and brand premium, making it more expensive per gram of gold compared to gold bars or coins. The market value of gold jewellery is often lower than its purchase price because buyers may not fully compensate for these added costs.

2. **Depreciation:** Over time, the value of gold jewellery may depreciate due to wear and tear, unlike gold bars and coins, which retain their value based purely on gold content.

3. **Liquidity:** Selling gold jewellery can be less straightforward than selling bars or coins. Jewellery often needs to be appraised, and its

marketability can depend on the design and brand. Moreover, finding a buyer who appreciates its artistic value can be time-consuming.

Taxation

1. **Goods and Services Tax (GST):** In countries like India, buying gold jewellery incurs a GST, which can be substantial and is not recoverable upon resale. For instance, GST on gold jewellery in India is typically around 3%.

2. **Capital Gains Tax:** When selling gold jewellery, any profit is subject to capital gains tax. If held for more than three years, it qualifies as a long-term capital gain, often taxed at a lower rate and eligible for indexation benefits, which adjust the purchase price for inflation. Short-term capital gains, from jewellery held for less than three years, are taxed at the individual's income tax rate.

Gold Bars and Coins

Financial Implications

1. **Purity and Pricing:** Gold bars and coins are usually of high purity (often 99.9% or 24 karats). They are priced close to the market rate of gold, with a small premium for minting and distribution costs. This makes them a more direct investment in gold compared to jewellery.

2. **Liquidity:** Gold bars and coins are highly liquid assets. They can be easily sold to bullion dealers, banks, or through exchanges, often at prices close to the prevailing gold market rates. This makes them a convenient form of gold investment.

3. **Storage and Security**: Physical gold bars and coins require secure storage. This can incur additional costs for safekeeping in a bank vault or personal safe, and there is always a risk of theft or loss.

Taxation

1. **GST:** Similar to jewellery, the purchase of gold bars and coins attracts GST in many countries. However, the rate is usually lower compared to the combined tax on jewellery.

2. **Capital Gains Tax:** Selling gold bars or coins results in capital gains tax on the profit made. The taxation structure is similar to that of gold jewellery, with long-term capital gains often taxed at a lower rate and short-term gains taxed at the standard income tax rate.

3. **Customs Duties:** Importing gold bars and coins may attract customs duties, adding to the initial cost. For example, in India, the import duty on gold can significantly increase the purchase price.

FINANCE AND VALUATIONS

THE ROLE OF IFSCs IN DRIVING INVESTMENTS

In the recently announced Union Budget 2025, the honorable Finance Minister highlighted four critical engines of economic growth: **Agriculture**, **MSMEs**, **Investments**, and **Exports**. While each of these pillars has its own significance, a key emphasis was placed on **Investments**—particularly on the potential of International Financial Services Centres (IFSCs).

This article will explain into what IFSCs are, why they hold such strategic importance, how they function, and how they can be leveraged through relevant exemptions and benefits to create unique opportunities for businesses, investors, and the nation's economy as a whole.

1. What Are IFSCs?

International Financial Services Centres (IFSCs) are specialized hubs designed to provide financial services to non-residents and residents in foreign currencies. These centers are globally integrated financial ecosystems offering banking, insurance, asset management, and capital market services. In India, the Gujarat International Finance Tec-City (GIFT City) is the first and currently the most prominent operational IFSC.

The key feature of an IFSC is its ability to facilitate seamless cross-border financial transactions. By doing so, it brings together entities like banks, insurers, fintech firms, and investment funds under a single jurisdiction, creating a highly efficient environment for global financial operations.

2. How Do IFSCs Function?

IFSCs operate as offshore financial hubs within the domestic economy but with a global orientation. Here's how they function:

a) **Currency Operations:** All transactions in an IFSC are carried out in foreign currencies, ensuring they remain outside the domestic financial system's constraints. This enables easier global access to capital.

b) **Infrastructure and Legal Framework:** IFSCs are set up within Special Economic Zones (SEZs), which offer world-class infrastructure such as advanced IT systems, reliable power supply, and seamless connectivity. They also function under a tailored regulatory framework with exemptions from certain domestic laws and tax regimes.

c) **Unified Regulation:** In India, the International Financial Services Centres Authority (IFSCA) regulates all financial activities in an IFSC, from banking and insurance to capital markets. This centralized oversight ensures consistency and simplifies compliance for participants.

d) **Banking and Financial Units:** Banks and financial institutions establish dedicated units within the IFSC to conduct cross-border transactions, provide international trade finance, and manage foreign exchange. These units benefit from regulatory exemptions and operate with high efficiency.

e) **Innovative Financial Products:** IFSCs act as platforms for the introduction of specialized financial products such as green bonds, ESG-focused investments, and derivatives. They also serve as testing grounds for fintech innovations under regulatory sandboxes.

f) **Tax Incentives:** Entities operating within IFSCs enjoy numerous tax benefits, including exemptions on capital gains, dividend distributions, and goods and services tax (GST). These incentives are key to attracting both domestic and international investors.

g) **Global Integration:** IFSCs connect domestic businesses and investors with international markets, enabling seamless access to foreign capital pools and enhancing India's global financial footprint.

3. The Focus on IFSCs in Budget 2025

In her budget speech, the Finance Minister underscored the importance of IFSCs in bolstering India's status as a global financial hub. Key announcements to strengthen IFSCs included:

a) **Tax Benefits**: Extension of income tax exemptions for specified entities operating within IFSCs, such as Alternative Investment Funds (AIFs) and offshore banking units. This move aims to attract both Indian and foreign investors.

b) **Easing Regulations**: Simplified compliance frameworks for startups and MSMEs looking to list on the IFSC platform, ensuring their smooth entry into global markets.

c) **Innovative Financing Opportunities**: Promoting green bonds and sustainable financing through the IFSC framework to tap into the growing demand for ESG (Environmental, Social, and Governance)-focused investments.

d) **Support for Fintech Development:** Allocating resources to foster innovation and technology in financial services, with regulatory sandboxes providing startups the space to experiment with cutting-edge solutions

e) **Global Collaboration:** Enhanced efforts to attract foreign financial institutions by signing bilateral agreements with major economies to promote ease of doing business at IFSCs.

4. Opportunities Created by IFSCs

The strategic focus on IFSCs opens a plethora of opportunities for various stakeholders:

a. Investors

IFSCs offer a lucrative ecosystem for global investors with benefits such as:

- **Tax Holidays**: Entities in IFSCs enjoy exemptions from capital gains tax, dividend distribution tax, and goods and services tax (GST).

- **Access to Global Markets**: By leveraging IFSC platforms, investors can seamlessly access global capital pools and financial instruments.
- **Innovative Instruments:** Exposure to new financial products like green bonds and REITs, tailored for sustainable investment goals.

b. Startups and MSMEs

MSMEs and startups can harness the unique features of IFSCs to scale their operations internationally. Some key advantages include:

- **Cost-Effective Fundraising**: IFSCs allow listing on international stock exchanges, providing startups and MSMEs with an efficient way to access foreign capital at competitive rates.
- **Ease of Doing Business**: Streamlined regulatory frameworks in IFSCs reduce compliance burdens for smaller enterprises.
- **International Visibility:** Being part of an IFSC ecosystem enhances the brand value of MSMEs, attracting partnerships and collaborations.

c. Asset Managers and Financial Institutions

Asset managers, wealth advisors, and fintech companies can benefit from IFSCs by:

- Managing global portfolios in a tax-efficient manner.
- Offering innovative financial products such as Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs).
- Leveraging the IFSC's advanced infrastructure for cross-border financial transactions.

d. Job Creation and Skill Development

The establishment and expansion of IFSCs create new job opportunities in sectors such as finance, technology, law, and compliance. With increased demand for skilled professionals, IFSCs contribute to workforce development and the upskilling of talent.

e. Boost to Sustainable Finance

The promotion of green bonds and ESG-compliant financial instruments opens avenues for sustainable investments, supporting both environmental goals and economic growth.

f. Enhanced Financial Inclusion

By acting as conduits for cross-border financial flows, IFSCs enable Indian businesses, especially smaller ones, to tap into international markets, democratizing access to global financial resources.

Conclusion:

The Union Budget 2025's emphasis on IFSCs reflects the government's commitment to positioning India as a leading global financial hub. By offering an attractive mix of fiscal incentives, regulatory support, and world-class infrastructure, IFSCs have the potential to drive significant growth in investments.

As businesses and investors explore these opportunities, it is crucial to fully understand the exemptions and benefits available within the IFSC framework. With the right strategy, stakeholders can harness the full potential of these centers to generate value, create jobs, and contribute to India's economic progress.

THANK YOU!

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