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NEWSLETTER

TAX

- Income Tax
- Goods and Services Tax



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<u>Income Tax</u>	
1. Income Tax (Sixth Amendment) Rules, 2025.	
<div> <div>CBDT</div> <div>Notification No. 21/2025 dated 25.03.2025</div> </div> <p>Vide this notification, CBIC has amended Rules 10TA, 10TD, and 10TE of the Income tax Rules. These rules govern the Safe Harbour Framework used in Transfer Pricing.</p> <p>Background: Section 92CB of the Income Tax Act, empowers CBDT to prescribe Safe Harbour Rules. Safe Harbour Rules contains conditions and methods for determining the arm's length price that is accepted by Income Tax Authorities.</p> <p>Details of Amendments are as under:</p> <ul style="list-style-type: none"> ➤ Increase in threshold Limit: Rule 10TD(2A), which specifies threshold limits and conditions for treating certain international and specified domestic transactions as being at arm's length, has been revised to increase the safe harbour threshold from Rs. 200 crores to Rs. 300 crores. ➤ Expansion of eligible transactions: Clause (b) of Rule 10TA, which defines "eligible international transaction" for Safe Harbour Rules, has been amended by inserting sub-clause (iv) to include "lithium-ion batteries for use in electric or hybrid electric vehicles" as core auto components. ➤ Applicability of amendments: To ensure tax certainty for taxpayers opting for safe harbour, Rule 10TD(3B) has been amended to extend the applicability of these changes to Assessment Years 2025-26 and 2026-27. <p>Notification No.21</p>	
2. Income-tax (Eighth Amendment) Rules	
<div> <div>CBDT</div> <div>Notification No. 23/2025 dated 28.03.2025</div> </div> <p>Vide this notification, CBDT has notified changes in the Tax Audit Form 3CD effective from 1st April 2025.</p> <p>Key changes are as follows:</p> <ul style="list-style-type: none"> ➤ Clause 12 of The Form 3CD now includes Section 44BBC, which deals with presumptive taxation for non-resident cruise ship operators. ➤ Omissions of Specific deduction in clause 19 <ul style="list-style-type: none"> • Section 32AC (Investment in new plant & machinery) • Section 32AD (Investment in backward areas) • Section 35AC (Expenditure on eligible projects) • Section 35CCB (Agro-based programs) ➤ New Reporting Requirement in Clause 21 <ul style="list-style-type: none"> • Taxpayers must now report expenditures related to settlements for contraventions of laws as notified by the Central Government. 	

- **Revised MSME Payment Reporting in Clause 22-** A detailed disclosure is added on payments to Micro and Small Enterprises under the MSMED Act, 2006, including:
 - Interest **inadmissible** under **Section 23**
 - Total amount **payable** to MSMEs under **Section 15**
 - **Breakup** of timely and delayed payments
- **New Clause 36B: Reporting Buyback of Shares-** A new clause 36B requires taxpayers to disclose details of buyback of shares.
- **Changes in Loan and Deposit Reporting in Clause 31**
 - Introduction of a drop-down selection for reporting the nature of loan or deposit transactions.
 - New coding system for different transaction types, including cash payments, receipts, asset transfers, journal entries, and more.
- **Omission of Clauses 28 & 29 have been omitted:**
 - Clause 28 – An assessee received shares of an unlisted company without consideration or for inadequate consideration (covered under Section 56(2)(viiia))
 - Clause 29 – An assessee issued shares and received consideration exceeding the fair market value (FMV) of those shares (covered under Section 56(2)(viib), commonly referred to as the Angel Tax provision).
- **Modifications in Clause 26 - Deduction Under Section 43B:** Clarifications in language and adjustments in reference to different clauses under Section 43B.

[Notification No. 23](#)

3. Order under section 119 of the Income Tax Act for waiver on levy of interest under section 201(IA)(ii)/ 206C(7), as the case maybe, in specific cases.

CBDT

Circular No. 04/2025 dated 17.03.2025

Vide this circular, CBDT has waived off interest on short deduction/collection, short payment and late payment of TDS/TCS in specific cases.

Background:

Section 201(1A) provides for levy of interest on account of failure to deduct or pay the deducted tax to the credit of the Central Government by the deductor.

Section 206C(7) provides for levy of interest on account of failure to collect or pay the collected tax to the credit of the Central Government by the collector.

Representations have been received by the CBDT that while making payments of TDS and TCS to the credit of the Central Government as per section 200 and 206C of the Act, taxpayers have encountered technical glitches. On account of such glitches, while the payment is initiated by the taxpayers/ deductors/ collectors and the amounts are debited from their bank accounts on or before the due date, the actual credit to the Central Government is done after the due date. In such cases, notices have been received by such taxpayers for levy of interest under section 201(1 A)(ii)/ 206C(7) of the Act, as the case maybe. Now, CBDT has provided relief to these taxpayers.

The Process of waiving off interest as prescribed in the circular is as below:

- The Chief Commissioner of Income-tax (CCIT) or Director General of Income-tax (DGIT) [or in case there is no CCIT and DGIT, then Principal Chief Commissioner of Income-tax (PrCCIT)] may reduce or waive interest charged under section 201(IA)(ii) / 206C(7) in the class of cases where-

- The payment is initiated by the taxpayers/deductors/collectors and the amounts are debited from their bank accounts on or before the due date, and
- the tax could not be credited to the Central Government, before due date because of technical problems, beyond the control of the taxpayer/ deductor / collector.

- The CCIT or DGIT or PrCCIT, as the case maybe, examining an application for waiver of interest under this order shall pass a speaking order after providing adequate opportunity of being heard to the applicant and after verification of technical glitches from the bank/Directorate of System.
- Even if the interest under section 201(IA)(ii)/ 206C(7) has already been paid by the taxpayer, the same can be considered for waiver and a refund maybe given to the deductor, if waiver is ordered.
- No waiver application shall be entertained beyond one year from the end of the financial year for which the interest under section 201(IA)(ii)/ 206C(7) is charged.
- An application received for waiver of interest under section shall be disposed of within a period of six months from the end of the month in which such application is received
- The order issued by the CCIT or DGIT or PrCCIT, as the case maybe, shall be final and no petition against that order shall be entertained.

Order is Effective from 17th March 2025

[Circular No.5](#)

4. Clarifications on Guidelines for compounding of Offences under the Income Tax Act.

CBDT

Circular No. 04/2025 dated 17.03.2025

Vide this circular, CBDT has provided detailed clarifications on the guidelines for compounding of Offences in the form of questions and answers as under:

A. What is compounding of offence?

Compounding of an offence is a mechanism whereby the defaulter is reprieved of major legal consequences by affording him an opportunity to pay certain sum of money to escape prosecution. The specified offences can be compounded by the competent authority either before or after the initiation of proceedings.

B. Are there any offence(s) under Income Tax Act which are not compoundable?

No, all offence under Income Tax Act have been made compoundable.

C. Where can the compounding application be filed by the applicant?

The compounding application can be filed before the jurisdictional Pr. CCIT / CCIT / Pr. DGIT / DGIT, being the Competent Authority for compounding of offences

D. Who will be the competent authority where jurisdiction of the applicant lies with more than one jurisdiction charge for TDS related offences?

In such case, the Pr. CCIT/ CCIT/ Pr. DGIT/ DGIT in whose jurisdiction compounding application has been filed will be the Competent Authority. However, in case the applicant files applications in more than one jurisdictional charge, the Competent Authority will be the jurisdictional authority where the quantum of TDS default is higher

E. Whether any format and fees has been prescribed for an application for compounding?

The application for compounding must be filed in the format prescribed in Annexure-I to the revised guidelines. The application may include one or more offence(s) under different sections pertaining to one or multiple years/quarters. The application should be filed in the form of an affidavit on stamp paper of Rs. 100, along with application fees

F. Is there any time limit for filing of an application for compounding?

No, an application for compounding can be filed at any time after committing the offence, regardless of whether the same has come to the notice of the department or prosecution proceedings have been launched

G. Whether compounding application fee is adjustable against compounding charge payable?

Yes, compounding fee is adjustable but only against compounding charges payable for the offence(s) sought to be compounded in the particular application. Cross application adjustment is not allowed. However, if compounding application is rejected for any reasons, the application fees shall neither be refundable nor adjustable against any subsequent application.

H. Whether compounding is allowed if the application for such an offence was previously rejected? If so, whether separate applications need to be filed for more than one application rejected under the previous guidelines? How will the compounding application fees be charged?

Yes, an applicant may apply for compounding of offence(s) through a single consolidated application, if one or more applications had been rejected under previous guidelines. However, the fresh application can only be filed if such rejection(s) were on account of curable defects (illustrative examples in para 3.2 of the revised guidelines) and no application is allowed to be filed for any of the rejection(s), made by the Competent Authority, on merits with those particulars i.e. offence and relevant financial year. Compounding application fees chargeable for a 'consolidated compounding application' would be charged in this case.

I. Whether revised guidelines are applicable on pending compounding applications? If yes, whether applicants have to file a fresh application?

Yes, revised guidelines are applicable on the applications, pending before issuance of these guidelines. The applicants whose applications were pending on 17.10.2024 are not required to file a fresh application or pay any fresh application fees.

J. Whether applicant can withdraw a compounding application and file a new application?

Ans: The applicant can file a new single application or consolidated application after withdrawal of earlier application(s). However, such new application shall be treated as a subsequent application and higher rate shall be applicable.

K. Whether applicant is required to file compounding application for all the offences together, for which prosecution proceedings has been initiated?

No, the applicant may apply for one or multiple offences in an application. His application cannot be rejected on the ground that he has not applied for particular offence for which notice for prosecution has been issued and proceedings are under progress.

L. Is there any limitation as to the number of times compounding applications can be filed by a person?

No, there is no limitation on the number of times a person can file compounding application. However, the Competent Authority may reject an application filed by a person on the ground of him being a 'habitual offender'.

M. Whether the applicant whose application was rejected in earlier guidelines on the ground of being convicted is eligible to re-apply for compounding as per revised guidelines?

Yes, in case the rejection was solely on account of conviction, without examination of merits, as per any of the earlier guidelines, such applicant can reapply in terms of revised guidelines.

N. Whether applicant can file a compounding application if his application is returned back due to defect(s)?

Yes, defective application can be revived by removing defects within a period of one month from date of intimation of defects(s). If defects are not cured within such time, the application will be returned back to the applicant and shall be deemed to be rejected. In such case, applicant may apply again which shall be treated as a subsequent compounding application for the purpose of determination of compounding charges.

O. In terms of Para 10.7, what will be the date of applications in case of carried forwarded applications - original date of application or date of issue of new Guidelines?

The application pending as on 17.10.2024 shall be governed under new guidelines. However, date of such pending application shall be the original date of application for any purpose.

P. Whether the applicant whose application was rejected on account of not being filed in time as provided for in the earlier guidelines, i.e. within expiry of 12/24/36 months from the end of the month of filing of complaint, is eligible to file fresh compounding application?

The limitation of 12/24/36 months has been eliminated in revised guidelines and all such applicants whose application were rejected earlier on limitation ground, may file fresh applications for compounding of offences, which shall be treated as subsequent application for the purpose of determination of compounding charges

Q. Whether an applicant is required to withdraw appeal related to offence sought to be compounded before filing a compounding application?

No such withdrawal is required. However, applicants shall undertake to withdraw appeals including Writ petitions, if any, related to offences being compounded or grounds of appeal related to the offence to be compounded where appeal has mixed grounds.

R. Whether an applicant who has filed a Writ Petition for rejection of his application being not filed within stipulated period of 12/24/36 months from filing of complaint as per earlier guidelines and is still to be decided by the Hon'ble Court, can again file a compounding application and how shall this application be treated?

Yes, after submission of an undertaking to withdraw the Writ Petition from the Hon'ble Court along with the application, the applicant can again file the compounding application,

S. Whether offence can be compounded where applicant has been convicted for imprisonment for two years or more?

Yes, even if applicant has been convicted with imprisonment of two years or more for any offence under Income Tax Act or for an offence under any other law, which is related to offence under the Income Tax Act, may apply for compounding. Such offence shall, however, be compoundable only with the approval of Chairman, CBDT as per para 6.1 of revised guidelines.

T. Whether cases involving other agencies such as ED /CBI can be compounded?

Yes, such offence(s) may be compounded by the competent authority if applicant is not found to be involved in anti-national or terrorist activity. However, if the applicant is found to be involved in such activity, the offence shall be compounded only with the approval of Chairman, CBDT, as per para 6.1 (c) of the revised guidelines.

U. If the main accused has more than one director/partner and one of these directors/partners file an application for compounding of offence(s), where it is found that the other director(s)/partner(s), who have not filed the compounding application, comes under the conditions as mentioned in Para 6.1 (d) (facilitated tax evasion through mechanisms such as use of entities for laundering of money, generation of bogus invoices of sale/purchase without actual business by accommodation entries or in any other manner) of these guidelines, whether approval of Higher Authority is required for deciding the compounding application.

If a case involves multiple offences and one of those offences requires approval from a higher authority under paragraph 6. 1 of the guidelines, the compounding application will be processed based on the offence for which the application has been filed, as explained below:

- i. If the application has been filed by the main accused or one or more of the co-accused, for an offence that does not require approval from higher authority, such offence will be examined for compounding without the need for any approval, irrespective of the fact that any of co-accused(s) are also accused of any other offence(s) which require approval from higher authority (e.g., an offense under Section 277 A) and they have not filed any compounding application for either of the offences.
- ii. If the application has been filed for an offense, by the main accused or one or more of the co-accused, that requires approval from a higher authority (e.g., an offense under Section 277 A), the offense will be compounded only with the approval of the higher authority. (Ref: para 6.1 (d) of the guidelines)

V. How shall the compounding charges be calculated for the application(s) rejected under earlier guidelines and for which fresh allowable application has been filed?

All application(s) rejected under earlier guidelines shall be deemed to be the first compounding application. The fresh consolidated application will, accordingly, be considered as the second application and compounding charges will be calculated as per para 10 of the revised guidelines. Further details are discussed in question number 30.

W. How shall the compounding charges be calculated for applications pending before issuance of these guidelines?

The compounding charges for pending application are subject to re-determination as per para 10 of the revised guidelines. All pending applications, whether for single or multiple years/quarters, shall be treated as first compounding application and compounding charge shall be re-computed for each offence disclosed in the application as given in Annexure-4 of the guideline. (Ref: para 3.1 and 10 of the guidelines)

X. Whether credit of payment shall be allowed while re-computing compounding charge for pending applications? If yes, whether the excess payment shall be refundable or adjustable?

Yes, credit of the amount already paid for particular offence pertaining to particular year shall be allowed for such particular offence and year only, during re-computation of compounding charge for pending application. However, any excess payment shall not be refundable or adjustable. (Ref: para 3.1 of the guidelines)

Y. If a new consolidated application includes a year for which application was filed earlier and then withdrawn, whether partial compounding charges paid for such year for which application is withdrawn can be adjusted against total compounding charges towards consolidated application?

No. Partial compounding charges paid for the year for which application is withdrawn can be adjusted in new consolidated application only towards the offence and particular year for which payment was made. (Ref: para 3.2 of the guidelines)

Z. An applicant has filed compounding applications under earlier guidelines, two of which were rejected on account of curable defects, two were compounded and three are pending as on issuance of this guideline. How should the applicant file a compounding application after issuance of these guidelines and how shall the new application be treated?

No action is pending for the applications which have been compounded. A consolidated application may be filed for all applications which were rejected (on account of curable defects) and no fresh application is required to be filed for pending applications. All pending applications, whether for single or multiple years/quarters, shall be treated as first compounding application and compounding charge shall be re-computed for each offence disclosed in the application as given in Annexure-4 of the guideline. The fresh consolidated application for rejected applications will be considered as second application. Accordingly, the application filed after issuance of these guidelines shall be treated as subsequent application (2nd application) and compounding charge shall be re-computed for each offence disclosed in the application, in terms of para 10 of the revised guidelines.

AA. How the rate of compounding charges will be determined in subsequent application(s)?

The rate of compounding charge is based on sequence of application as well as offence applied for. If a subsequent application includes an offence which has also been included in earlier application(s), it shall be liable for higher rate i.e. 1.2 times, 1.4 times, 1.6 times and so on as per para 10.4 of the guidelines; irrespective of the fact that the offence and year of the offence are same in subsequent application and earlier application was rejected or pending or even compounded. However, if subsequent application includes offence(s) which were not included in any compounding application filed earlier (rejected or compounded or pending) and the offence has been applied for first time, the compounding charge for such offence(s) shall be computed at normal rate.

BB. Whether compounding application may be filed suo-moto? If yes, how the compounding charge shall be determined?

Yes, compounding application may be filed suo-moto at any time, after the offence(s) is committed, irrespective of whether it comes to the notice of department or not. The compounding charge depends on sequence of application as well as offence applied for and is independent of whether application is filed suo-moto or in compliance to the notice of department. (Ref: para 4.1.3 and 10 of the guidelines)

CC. Whether compounding application may be filed after launch of the prosecution? If yes, how the compounding charge will be determined?

Yes. If application is filed within 12 months from end of the month in which prosecution complaint is filed, the compounding charge will be determined as per para 10.2 to 10.5 of guidelines as illustrated in Question no. 30 above. For applications filed after 12 months, the compounding charge so calculated shall be increased by 50% as per para 10.7. (Ref: para 10 of the guidelines)

DD. How to compute compounding charges for offence u/s 276CC in the absence of information on tax sought to be evaded or the tax on under-reported income due to assessment/reassessment being not carried out.

In such cases, compounding charges shall be the minimum compounding charge applicable for compounding of offence u/s 276CC as per Annexure-4 of the guideline. (Ref: Annexure 4 of the guidelines)

EE. Is there any specific path for payment of compounding charge?

Yes, there is a path on e-filing website of the department and payment may be made by login through PAN or TAN. The path of the same is as under: "Login on e-Filing portal e-Pay Tax New Payment Income Tax Minor Head Other Receipts (500) compounding charges".

FF. Whether the compounding charge can be made under PAN in case the applicant being a deductor.

The compounding charge shall be made under TAN of the deductor. However, if the applicant is the co-accused then compounding fees may be made under PAN of co-accused as the co-accused may not have access to the TAN of main accused. "Login on e-Filing portal through TAN e-Pay Tax..... New Payment Income Tax Minor Head Other Receipts (500) compounding charges"

GG. Whether the time for payment of compounding charges may be extended?

No, beyond 24 months extension is not allowable and the application shall be rejected followed by initiation of prosecution proceedings, if not already initiated. However, the applicant can file new application for the same particulars which shall be treated as a subsequent application for the purpose of determination of compounding charges.

HH. Whether co-accused can file compounding application under revised guideline?

Yes, co-accused may apply for compounding of offence separately or conjointly. (Ref: para 11 of the guidelines)

II. Where the compounding application of the co-accused was rejected earlier on the ground that the main accused has not filed for compounding, whether such applicants will be eligible for filing again? If yes, whether such application shall be a subsequent application?

Yes, other than the case where application was rejected in past on merit, any of the coaccused applicant is eligible to file compounding application again separately or conjointly. Such application shall be treated as a subsequent application for the purpose of determination of compounding charges.

JJ. Similarly, where the compounding application of the main accused was rejected earlier on the ground that the co-accused has not filed for compounding or given undertaking, whether such applicants will be eligible for filing again? If yes, whether such application shall be a subsequent application?

Yes, other than the case where application was rejected in past on merit, the main accused applicant is eligible to file compounding application again separately or conjointly with the co-accused. Such application shall be a subsequent application for the purpose of determination of compounding charges.

KK. If any application filed by co-accused or accused under previous guidelines is pending, whether they are required to file a fresh application under revised guidelines?

No, all such pending applications will be clubbed together and none of the applicants (main accused and/or co-accused) are required to file a fresh application under revised guidelines. This consolidated application shall be considered as first application for the purpose of determination of compounding charges.

LL. Can co-accused furnish an undertaking for withdrawal of appeals as required in para 4.5 of the guidelines, on behalf of the main accused?

No, co-accused cannot furnish undertaking for withdrawal of appeal on behalf of the main accused. Such undertaking shall be furnished by the main accused only which must be attached with the application if application has been filed by the co-accused, since offences of both main accused and co-accused are being compounded, under para 11 .2 of the revised guidelines.

MM. Whether co-accused can file compounding application where the liability of main accused company ceases under Insolvency Bankruptcy Code?

The liability of co-accused does not extinguish even if the liability of main accused company ceases. The co-accused may file compounding application in such cases, either separately or conjointly and payment of compounding charge can be made by co-accused or the main accused company.

Goods and Service Tax

1. Central Goods and Services Tax (Second Amendment) Rules, 2025.

CBIC

Notification No. 11/2025 dated 27.03.2025

Vide this notification, CBIC has amended Rule 164(4) to provide clarity for proceedings under section 128A where notice covers both eligible and non-eligible periods.

Background:

Based on the recommendations of the GST Council made in its 53rd and 54th meetings, a new section 128A was inserted in the CGST Act, 2017 and Rule 164 has been inserted in the CGST Rules, 2017 w.e.f. 1st November 2024 to provide for waiver of interest or penalty or both relating to demands raised under Section 73 **for the period from 1st July 2017 to 31st March 2020. Period apart from “July 2017 to March 2020” is non-eligible period for the scheme.**

Details of the amendments are as under:

➤ **Tax payment for filing application**

Before amendment – If a Show Cause Notice or Order is issued containing demand partly for the period for which application under this scheme cannot be filed (say, demand for the FY 2020-21) and partly for the period for which application can be filed under Section 128A of the CGST Act (say, demand for the FY 2019-20), in such a case, taxpayer is eligible to file application under this scheme, **only after payment of the full amount of tax demanded as per the Show Cause Notice** or order is to be paid by the taxpayer on or before the due date prescribed.

After amendment – If a Show Cause Notice or Order is issued containing demand partly for the period for which application under this scheme cannot be filed (say, demand for the FY 2020-21) and partly for the period for which application can be filed under Section 128A of the CGST Act (say, demand for the FY 2019-20), in such a case, taxpayer is eligible to file application under this scheme, **only after payment of full tax relating to specified period** (i.e. period eligible under Section 128A July 1, 2017 – March 31, 2020).

Further, no refund shall be granted for tax, interest, or penalty already paid before the enactment of the Second Amendment Rules, 2025, in cases where demand covers both eligible and ineligible periods.

➤ **Withdrawal of an appeal or writ Petition:**

Before amendment – Entire Appeal need to be withdrawn for both Eligible and ineligible periods

After amendment- If a tax demand covers both eligible and ineligible periods, the taxpayer does not need to withdraw the entire appeal. However, the taxpayer can inform the Appellate Authority or Tribunal that they intend to withdraw the appeal for the covered period. The appellate authority will then pass an order only for the period beyond FY 2017-18 to 2019-20. Also, The appeal shall be deemed withdrawn for the period July 1, 2017 – March 31, 2020, as per Section 128A(3).

➤ **Tax Payment through GSTR-3B Prior to November 1, 2024**

It has been clarified that Payments made through GSTR-3B before November 1, 2024, will be considered valid for availing the benefit under Section 128A, subject to verification by the tax authorities.

However, for payments made on or after November 1, 2024, taxpayers must follow the prescribed procedures under Rule 164 and make payments using GST DRC-03.

[Notification No.11](#)

Disclaimer:

This is not a complete listing of all circulars/notifications issued during the month.
Instead, it is only a listing of some of the circulars/notifications that we considered important



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