

A black alarm clock with two bells is positioned on a desk. The clock face is white with black numbers and hands. The entire image is overlaid with a semi-transparent purple filter. The background shows a blurred office setting with a window and a lamp.

JDP & Co
Chartered Accountants

JDPro Insights

February 2025 Edition

Bringing the latest regulatory updates in GST,
Income Tax and more at your fingertips.



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Goods & Services Tax (GST) Overview

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Goods & Services Tax (GST)

1. CBIC Advisory on Auto- Populated Liability in GSTR- 3B

■ **CBIC Advisory on Auto-Populated Liability in GSTR-3B**

Background:

CBIC announced a plan to hard-lock the auto-populated tax liability in GSTR-3B, effective from January 2025. The tax liability will auto-populate from GSTR-1/1A (Outward Supplies) and GSTR-2B (Inward Supplies). Changes to outward supplies can still be made via GSTR-1A and inward supplies through IMS.

Advisory Update:

Due to industry requests, GSTN has delayed the implementation of the non-editable auto-populated tax liability in GSTR-3B. This change will be introduced at a future date.



Goods & Services Tax (GST)

2. CBIC Advisory on Fake Summons for GST Violations

■ CBIC Advisory on Fake Summons for GST Violations

- **Issue:**

Fraudsters are issuing fake summons to taxpayers, resembling genuine documents by using the tax department's logo and fake Document Identification Numbers (DIN).

- **Verification Process:**

Taxpayers can verify the authenticity of any communication (including summons) through the '**Verify CBIC-DIN**' feature on the CBIC website:

<https://esanchar.cbic.gov.in/DIN/DINSearch>

- **Action Steps:**

- If the DIN is found to be fake, report the fake summons to the concerned office.

Competent authorities will take legal action against fraudsters.



Goods & Services Tax (GST)

3. CBIC Advisory on Amnesty Scheme for Waiver of Interest & Penalty

■ CBIC Advisory on Amnesty Scheme for Waiver of Interest & Penalty

- **Background:**

- **Waiver Scheme:** The GST Council recommended a waiver of interest and penalties for tax dues under Section 73 of the CGST Act for FYs 2017-18, 2018-19, and 2019-20 (excluding cases of fraud or wilful misstatement).
- **Eligibility:** Full tax must be paid by **31 March 2025**.
- **Notification:** Rule 164 of CGST rules, effective from 1 Nov 2024, outlines the procedural guidelines.

- **Application Process:**

- Taxpayers must file **Form GST SPL-01** or **Form GST SPL-02** by **31 March 2025** to avail of the waiver.
- For applications (APL 01) before **21 March 2023**, taxpayers need to request withdrawal through the Appellate Authority as the withdrawal option is unavailable on the portal.

Support:

Any issues faced during the process can be reported on the portal: [Self-service Portal](#)



Goods & Services Tax (GST)

4. CBIC Advisory on Implementation of Mandatory HSN Code Reporting in GSTR-1 & GSTR-1A

■ CBIC Advisory on Implementation of Mandatory HSN Code Reporting in GSTR-1 & GSTR-1A

- **Background:**
 - **HSN Code Requirement:** As per **Notification no. 78/2020** (15 October 2020), it became mandatory for taxpayers to report a minimum of 4 or 6 digits of HSN code in **Table 12** of **Form GSTR-1**, based on the **Annual Turnover** in the preceding FY.
 - **Phase-wise Implementation:** Phase 1 and Phase 2 were implemented successfully, with **Phase 2** becoming effective from 1 November 2022.
- **Phase-3 Implementation (From February 2025):**
 - **Changes in GSTR-1 & GSTR-1A:**
 - Manual entry of HSN codes is replaced with a **dropdown selection**.
 - **Table 12** is now split into two tabs: **B2B** and **B2C** to report supplies separately.
 - **Validation Introduced:** Validation checks for supply values and tax amounts are now added for both tabs. In the initial period, these validations will be in **warning mode**, meaning they won't block form submission if failed.



Goods & Services Tax (GST)

5. CBIC Advisory on Filing Application for Rectification of ITC Demand Orders

■ CBIC Advisory on Filing Application for Rectification of ITC Demand Orders

- **Background:**
 - As per **Notification no. 22/2024** (8 October 2024), taxpayers who have received orders confirming demand for wrong availment of ITC under **Section 16(4)** of the CGST Act can now file for rectification if such ITC is now available under the newly inserted **Sections 16(5)** and **16(6)**.
- **Rectification Application Process:**
 - A new functionality has been made available on the GST portal for filing **rectification applications** for orders issued under **Section 73/74**.
 - Steps to file:
 - Log in and navigate to: **Services > User Services > My Applications**
 - Select **'Application for rectification of order'** and click on the **'New Application'** button.

DIRECT TAX

A close-up photograph of Indian currency. In the foreground, there are two tall stacks of gold-colored coins. Behind them, a 500 Rupee banknote is visible, with the number '500' and the text '₹500' clearly shown. The background is a plain, light-colored surface.

Direct Tax Overview

1. Exemption from Tax Deduction/Collection at Source for Transactions with IFSC Units
2. CBDT issues guidance for application of Principal Purpose Test (PPT) under India's Double Taxation Avoidance Agreements (DTAAs) with various countries
3. Presumptive Taxation Scheme for Non-Resident Cruise Ship Operators under Section 44BBC
4. Transfer Pricing – Advance Pricing Agreement (APA) – CBDT's 6th Annual Report (FY 2023-24)

1. Exemption from Tax Deduction/Collection at Source for Transactions with IFSC Units

Exemption from Tax Deduction/Collection at Source for Transactions with IFSC Units

- **Section 194Q & 206C(1H) Overview:**

- **Section 194Q:** Requires **TDS** of **0.1%** on purchases exceeding Rs. 50,00,000.
- **Section 206C(1H):** Requires **TCS** of **0.1%** on sales exceeding Rs. 50,00,000.

- **Amendment (Effective from 1 January 2025):**

The **Ministry of Finance** has exempted the requirement to deduct/collect tax at source on transactions involving the purchase or sale of goods with units located in **International Financial Service Centres (IFSC)**, such as **GIFT City**.

- **Buyer (IFSC Unit):**

- No TDS obligation under **Section 194Q** on purchases exceeding Rs. 50,00,000.

- **Seller (IFSC Unit):**

- No TCS obligation under **Section 206C(1H)** on sales exceeding Rs. 50,00,000.

1. Exemption from Tax Deduction/Collection at Source for Transactions with IFSC Units

Exemption from Tax Deduction/Collection at Source for Transactions with IFSC Units

Condition for Exemption:

- The exemption applies for **10 consecutive years** during which the IFSC unit avails tax deduction under **Section 80LA** of the Income-tax Act.
- For subsequent years, tax deduction/collection obligations will apply.
- IFSC units must submit a declaration (Form 1/1A) specifying the years for which the exemption is claimed.

2. CBDT issues guidance for application of Principal Purpose Test (PPT) under India's Double Taxation Avoidance Agreements (DTAAs) with various countries

CBDT issues guidance for application of Principal Purpose Test (PPT) under India's Double Taxation Avoidance Agreements (DTAAs) with various countries

Background:

- The Multilateral Convention to Implement Tax Treaty Provisions (MLI) entered into force for India on 1st October 2019, modifying certain DTAAs.
- The Principal Purpose Test (PPT) aims to prevent tax treaty abuse and curtail revenue leakage by denying treaty benefits if the principal purpose of a transaction or arrangement is to obtain tax benefits under a DTAA.

PPT Provisions:

- **Text of PPT:** Denies treaty benefits if the principal purpose of an arrangement or transaction was to obtain such benefits, unless the benefit aligns with the purpose of the DTAA.

Purpose: To ensure DTAAs are used for genuine trade, services, capital, and person exchanges, not for tax avoidance.

2. CBDT issues guidance for application of Principal Purpose Test (PPT) under India's Double Taxation Avoidance Agreements (DTAAs) with various countries

CBDT issues guidance for application of Principal Purpose Test (PPT) under India's Double Taxation Avoidance Agreements (DTAAs) with various countries

1. Prospective Application of PPT:

- Applies prospectively from the date the relevant DTAA or amending protocol enters into force.
- For DTAAs with MLI provisions, PPT applies from the date MLI provisions are effective in the respective DTAA.

2. Interplay of PPT with Grandfathering Provisions:

- In treaties with Mauritius, Cyprus, and Singapore, capital gains from shares acquired before 1st April 2017 are grandfathered.
- The PPT **does not apply** to these grandfathered provisions, but other specific provisions (e.g., Limitation of Benefits clause) still apply.

Impact:

- **Foreign Investors:** The guidance clarifies the application of PPT and grandfathering provisions, especially for investors from Mauritius, Singapore, and Cyprus.
- **Action Needed:** Investors must evaluate transactions in light of the new guidance.

3. Presumptive Taxation Scheme for Non-Resident Cruise Ship Operators under Section 44BBC

Presumptive Taxation Scheme for Non-Resident Cruise Ship Operators under Section 44BBC

Background:

- The cruise shipping industry is growing rapidly worldwide, and India's cruise tourism market is projected to grow by 8.55% in the next 5 years.
- To attract cruise tourism, a presumptive taxation scheme was introduced under Section 44BBC of the Income-tax Act, effective from 1st April 2025.
- Under this scheme, 20% of the aggregate amount received by non-resident cruise operators for carrying passengers is treated as business income.

CBDT's Conditions for Availing Presumptive Taxation Scheme:

1. Eligibility Criteria:

- The non-resident must operate a passenger ship with:
 - A carrying capacity of more than 200 passengers, or
 - A length of 75 meters or more.
- The ship must be used for leisure and recreational purposes, with appropriate dining and cabin facilities for passengers.

3. Presumptive Taxation Scheme for Non-Resident Cruise Ship Operators under Section 44BBC

Presumptive Taxation Scheme for Non-Resident Cruise Ship Operators under Section 44BBC

2. Operational Requirements:

- The cruise ship must operate on a scheduled voyage or shore excursion that touches at least two sea ports in India, or the same sea ports at least twice.
- The ship must primarily carry passengers, not cargo.
- The operation must comply with procedures and guidelines issued by the Ministry of Tourism or Ministry of Shipping.

Conclusion:

The new presumptive taxation scheme aims to boost India's cruise tourism sector by offering simplified tax treatment for non-resident cruise ship operators who meet these conditions.

4. Transfer Pricing – Advance Pricing Agreement (APA) – CBDT's 6th Annual Report (FY 2023-24)

Transfer Pricing – Advance Pricing Agreement (APA) – CBDT's 6th Annual Report (FY 2023-24)

What is an APA?

- An Advance Pricing Agreement (APA) is an agreement between the government and a taxpayer that determines in advance the arm's length price (ALP) or the manner of determining ALP for international transactions.
- The main goal is to provide certainty to taxpayers regarding the pricing of cross-border transactions with their associated enterprises (AEs).

APA Programme in India:

- Launched in 2012 through Finance Act, 2012 (Sections 92CC and 92CD of the Income-tax Act, 1961).
- The programme allows the CBDT to enter into APAs with taxpayers for a maximum of 5 years, covering international transactions between AEs.
- APAs in India can be:
 - **Bilateral:** Involving CBDT and the tax authorities of another country.

Unilateral: Involving only CBDT.

4. Transfer Pricing – Advance Pricing Agreement (APA) – CBDT's 6th Annual Report (FY 2023-24)

Transfer Pricing – Advance Pricing Agreement (APA) – CBDT's 6th Annual Report (FY 2023-24)

6th Annual Report Highlights:

- **Record 125 APAs Signed:** FY 2023-24 saw the highest number of APAs signed since the programme began.
 - **39 Bilateral APAs:** Signed with countries like the US, UK, and Japan, ensuring 183 years of tax certainty.
 - **86 Unilateral APAs:** Covering sectors such as IT, banking, insurance, engineering, telecommunications, and power.
 - **Methodology:** Most APAs (156 out of 181 transactions) used the **Transactional Net Margin Method (TNMM)**.
 - **Average Time for Finalization:** 65.61 months.

Additional Insights:

- **Rollback Years:** 18 APAs covered 52 rollback years.
- **Tax Certainty:** The 86 unilateral APAs provided 420 years of tax certainty, including 56 rollback years across 17 APAs.

Challenges: Despite the successes, challenges remain, and the CBDT is committed to addressing them for continuous improvement of the APA framework.

Transfer Pricing – Advance Pricing Agreement (APA) – CBDT's 6th Annual Report (FY 2023-24)

4. Transfer Pricing – Advance Pricing Agreement (APA) – CBDT's 6th Annual Report (FY 2023-24)

Year	Unilateral APA	Bilateral APA	Total Applications	APAs Signed	Applications Signed Off	Applications Under Processing
2012-13	97	37	135	107	23	4
2013-14	175	39	218	130	69	15
2014-15	169	30	203	98	74	27
2015-16	113	24	136	65	56	16
2016-17	80	25	106	37	39	29
2017-18	121	52	174	47	36	90
2018-19	124	47	170	58	28	85
2019-20	76	50	128	41	8	77
2020-21	100	33	134	38	10	85
2021-22	39	35	75	11	2	61
2022-23	116	77	195	5	1	187
2023-24	110	78	188	4	2	182
Total	1320	527	1847	641	348	858

BUDGET OVERVIEW - INDIA 2025-26



India's projected GDP growth: 6.4% (compared to 7% in 2024)



Fiscal deficit target: 4.4% of GDP, reflecting fiscal consolidation efforts. Government capex contraction leads to fall in gross fixed capital formation growth from 9.0% (FY24) to 6.4% (FY25)



Government borrowing projected to decline, easing pressure on interest rates, Inflation expected to moderate, supporting consumer spending and investment



Key macroeconomic risks: global recession concerns, oil price volatility, and geopolitical uncertainties

Detailed Analysis of the Union Budget can be viewed on the website. To view the analysis [Click here.](#)



Corporate Laws Overview

1. SBI Report on India's Investment & External Commercial Borrowings (ECB) Landscape
2. MCA Extends Deadline for Filing CSR Return (Form CSR-2) for FY 2023-24 to 31 March 2025
3. Amendments in Foreign Exchange Management (Mode of Payment & Reporting of Non-Debt Instruments) Regulations, 2019 for Foreign Investments



Company Laws

1. SBI Report on India's Investment & External Commercial Borrowings (ECB) Landscape

■ SBI Report on India's Investment & External Commercial Borrowings (ECB) Landscape

India's investment and External Commercial Borrowings (ECB) ecosystem has seen significant growth in recent years. The latest report by **State Bank of India (SBI)** highlights key trends, including investment announcements, the private sector's contribution, and the role of ECBs in corporate financing.

- **ECB Growth:**

ECBs have become a crucial funding source for Indian companies, supporting capital expansion and modernization. As of **September 2024**, total outstanding ECBs reached **USD 190.4 billion**.

- **Private Sector:** 63% (USD 97.58 billion)
- **Public Sector:** 37% (USD 55.5 billion)

- **ECB Pipeline:**

The demand for overseas funding remains robust, with a strong ECB pipeline.

Interest Rate Trends:

Interest rates on ECBs have declined, reducing borrowing costs for Indian corporates. The **overall cost of ECBs** dropped by **12 basis points** year-over-year, reaching **6.6%** between April-November 2024.



Company Laws

2. MCA Extends Deadline for Filing CSR Return (Form CSR-2) for FY 2023-24 to 31 March 2025

■ MCA Extends Deadline for Filing CSR Return (Form CSR-2) for FY 2023-24 to 31 March 2025

Background:

Under **Section 135 of the Companies Act, 2013**, certain profitable companies are required to allocate at least **2% of their average net profit** over the past 3 years towards **Corporate Social Responsibility (CSR)**. Companies that meet any of the following criteria must comply:

- **Net Worth** ≥ Rs. 500 Crore
- **Turnover** ≥ Rs. 1000 Crore
- **Net Profit** ≥ Rs. 5 Crore

Foreign companies with a branch or project office in India meeting these criteria are also required to adhere to CSR provisions.

CSR activities must be reported annually to the **Ministry of Corporate Affairs (MCA)** in **Form CSR-2**.

Extension of Due Date:

Due to operational challenges faced by companies amidst economic and policy uncertainties, the **MCA has extended the deadline for filing Form CSR-2 for FY 2023-24** from **31 December 2024** to **31 March 2025**. This extension gives companies more time to properly execute and report their CSR initiatives, ensuring quality over rushed compliance.



Company Laws

3. Amendments in Foreign Exchange Management (Mode of Payment & Reporting of Non-Debt Instruments) Regulations, 2019 for Foreign Investments

■ Amendments in Foreign Exchange Management (Mode of Payment & Reporting of Non-Debt Instruments) Regulations, 2019 for Foreign Investments

Background:

To simplify and standardize the process for foreign investments in equity and other non-debt instruments in India, the **Reserve Bank of India (RBI)** has introduced the **Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (3rd Amendment) Regulations, 2025**. These amendments aim to ensure consistency across various investment categories, including foreign portfolio investors (FPIs), foreign venture capital investors (FVCIs), and Indian startups.

Key Amendments Introduced:

1. Mode of Payment for Equity Instruments:

- **Inward Remittances:** Payments must be made through banking channels, from a repatriable foreign currency or Rupee account.

Sale Proceeds: After taxes, the sale proceeds can be remitted abroad or credited to a repatriable foreign currency or Rupee account.



Company Laws

3. Amendments in Foreign Exchange Management (Mode of Payment & Reporting of Non-Debt Instruments) Regulations, 2019 for Foreign Investments

Amendments in Foreign Exchange Management (Mode of Payment & Reporting of Non-Debt Instruments) Regulations, 2019 for Foreign Investments

2. Timeline for Issuance of Equity Instruments:

- **Equity Instruments** must be issued within **60 days** of receiving the consideration. For **partly paid shares**, this timeline is calculated from each instalment.
- If equity instruments are not issued within this period, the consideration must be **refunded** within **15 days** via outward remittance or credit to the investor's account.

3. Foreign Currency Account:

- Indian companies issuing equity instruments may open a **foreign currency account** with an authorized dealer in India.

4. Remittance of Sale Proceeds:

- Sale proceeds, after tax deductions, can be remitted abroad or credited to a repatriable foreign currency or Rupee account maintained as per the applicable regulations.



Company Laws

3. Amendments in Foreign Exchange Management (Mode of Payment & Reporting of Non-Debt Instruments) Regulations, 2019 for Foreign Investments

Amendments in Foreign Exchange Management (Mode of Payment & Reporting of Non-Debt Instruments) Regulations, 2019 for Foreign Investments

5. Investments by FPIs & LLPs:

- Foreign Portfolio Investors (FPIs) can make investments via inward remittance, Special Non-Resident Rupee (SNRR) accounts, or foreign currency accounts. Sale proceeds can be remitted abroad or credited to an eligible account.

6. Convertible Notes for Startups:

- **Startups** can issue **convertible notes** to foreign investors, with payments made via inward remittance or repatriable accounts. Repayment or sale proceeds may also be remitted abroad or credited to a repatriable account.
- **Special Rupee Vostro Accounts** are now explicitly included for foreign investments, enabling broader participation in Rupee-denominated transactions.

These changes aim to modernize India's foreign investment framework, improving transparency and operational efficiency while encouraging participation in Rupee-based transactions.



Compliance Calendars - February 2025

Overview

1. GST February 2025 Compliance Calendar
2. Other Tax February 2025 Compliance Calendar



Compliance Calendar GST

1. GST Compliance Calendar
- All Important due dates for
February 2025 at one place!

■ GST Compliance Calendar - February 2025

S.No	Particulars of Compliance	Form/Return	Period	Due Date
1	Filing of outward supplies for January 2025	GSTR 1	January 2025	11.02.2025
2	To be filed by the persons who is required to deduct TDS (Tax deducted at source) under GST	GSTR 7	January 2025	10.02.2025
3	To be filed by Input Service Distributors	GSTR 6	January 2025	13.02.2025
4	To be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST	GSTR 8	January 2025	10.02.2025
5	To be filed by Non-Resident Taxpayers and ODIAR services provider	GSTR 5/5A	January 2025	20.02.2025
6	Taxpayers with an annual turnover exceeding ₹ 5 Crores.	GSTR 3B	January 2025	20.02.2025
7	QRMP	Monthly Payment	January 2025	23.02.2025

Compliance Calendar Direct Tax

2. Other Tax Compliance Calendar - All Important due dates for February 2025 at one place!

Other Tax Compliance Calendar - February 2025

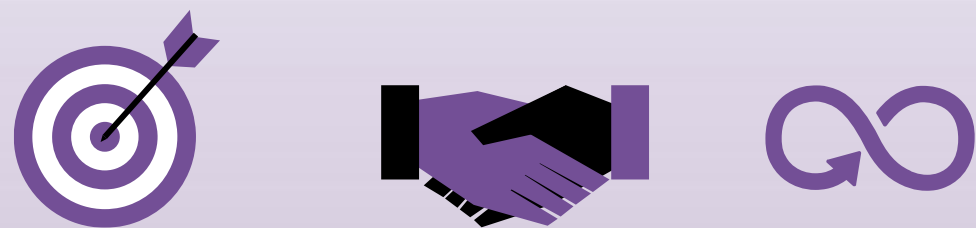
S.NO	Particulars of Compliance	Forms/Return	Period	Due Date
1.	Due date for deposit of tax deducted/collected for the month of January 2025.	Challan No. ITNS-281	January 2025	07.02.2025
2.	To be filed by entities who are required to deduct tax at source before making certain payments such as salaries, interest , commission etc.,	-	January 2025	07.02.2025
3.	Due date for furnishing of Form 24G by government offices where TDS/TCS was paid without a challan.	Form 24G	January 2025	15.02.2025
4.	Provident fund(PF) & ESI Payment and returns	-	January 2025	15.02.2025
5.	Filing Professional Tax returns by the employers or the individuals who are liable to pay professional tax	-	January 2025	15.02.2025

➤ About US

J D P & Co is a top-tier professional services firm specializing in Audit, Tax, FEMA, and corporate law matters, committed to delivering premium-quality services to our clients.

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Chartered Accountants

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Quality.Collaboration.Innovation

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