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#GTBharat SHAPING VIBRANT INDIA

Monthly tax bulletin

August 2025

Welcome to the August 2025 edition of Grant Thornton Bharat's Tax Bulletin—your monthly guide to the fast-evolving world of Indian taxation and regulatory developments. This edition presents a diverse mix of policy updates, judicial pronouncements, and global trade developments, each with material implications for businesses operating in today's complex tax environment.

US reciprocal tariffs once again dominate trade headlines, with US President Donald Trump announcing a 25% levy on Indian imports, effective 7 August 2025, following stalled trade negotiations, and a further 25% from 27 August 2025, over Russian oil purchases—bringing the total duties to 50%. These measures are expected to heighten trade tensions and slow the progress on bilateral talks.

Amid this backdrop, India is advancing its trade diversification agenda. The India–EFTA TEPA, effective 1 October 2025, promises sweeping tariff liberalisation, significant FDI inflows, and sectoral growth opportunities. Complementing this, the signing of the India–UK CETA marks a milestone in deepening bilateral economic ties.

Back home, the CBDT notified the categories of payments exempt from TDS where the recipient is an IFSC unit, subject to the prescribed conditions, and issued clarifications on the interest waiver for delays in the TDS/TCS deposit in specified cases. Relief was also granted from higher TDS/TCS transaction rates until 31 March 2024, when PANs became inoperative before 31 May 2024. Based on stakeholder feedback, the Select Committee released its report on the Income-tax Bill, 2025, along with an amended draft incorporating key changes to definitions, deductions, capital gains provisions, carry forward and set-off rules, and General Anti-Avoidance Rules. The Lok Sabha has also issued a gist of the Committee's recommendations. On the judicial front, the Supreme Court held that a foreign enterprise's control over an Indian hotel's core functions, coupled with profit-linked fees, constituted a Fixed Place PE.

In the FEMA space, the RBI amended the Foreign Exchange Management (Export of Goods & Services) Regulations to exempt certain vessels, such as tugs, dredgers, and offshore support vessels, from export declaration requirements, provided they are re-imported into India.

Transfer pricing rulings this month underscore the judiciary's emphasis on procedural compliance and accurate functional characterisation. Key cases cover the quashing of time-barred final assessment orders, remand of adjustments based on unverified TP reports, affirmation of adjustments on contracts executed by an Indian PE of a Chinese head office, and a high court ruling that the failure to issue a draft assessment order in remand proceedings constitutes incurable illegality.

Under GST, GSTN has rolled out new taxpayer-centric functionalities, including appeal options against waiver rejection orders and enhanced real-time consent alerts for ASP/GSP interactions. Judicial highlights include the Supreme Court's reinforcement of taxpayers' appellate rights, the Bombay HC's endorsement of inter-state ITC transfers in amalgamations, and the Karnataka HC's clarification that the salaries of seconded expatriates are not subject to GST where an employer-employee relationship exists.

In Customs, the Supreme Court has ruled that the IGST cannot be retrospectively levied on aircraft and parts re-imported after overseas repairs, provided the relevant notification has not been issued.

We trust this edition equips you with timely insights to navigate regulatory changes with confidence.

Happy reading!

Riaz Thingna
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A

Key developments under direct tax laws

Legislative/other developments

- **CBDT notifies the list of payments to (International Financial Service Centre) IFCS units on which tax is not required to be deducted[1]:** The CBDT, w.e.f. 1 July 2025, has notified various payments in relation to which no tax is required to be deducted if the recipient is an IFSC unit, subject to the fulfilment of the following conditions:
  - The IFSC unit is required to furnish a statement-cum-declaration in Form No. 1[2] to the 'payer', including therein details of previous years (PYs) for which deductions under Sections 80LA(2) and 80LA(1A) of the Income-tax Act, 1961 (the IT Act) were claimed. This form must be filed for each year in which such a deduction is claimed.
  - No requirement of tax deduction on the payment made / credited to the IFSC unit after the date of receipt of Form No. 1. However, the payer needs to furnish the particulars of such payments in its tax deduction at source (TDS) quarterly statements.

  The CBDT has also clarified that tax is not required to be deducted only for those PYs (as declared in Form No. 1) for which the IFSC unit is claiming deduction under Section 80LA of the IT Act. Hence, the payer is required to deduct tax for other years.

  The aforesaid relaxation applies to the income from an IFSC unit's approved business set up in a special economic zone.

  Further, the Principal Director General of Income Tax or the Director General of Income Tax will prescribe procedures, formats, and standards for secure data capture, transmission, and document upload. They will also be responsible for implementing security, archival, and retrieval policies.

- **CBDT issues clarification regarding waiver on levy of interest for delay in payment of TDS/Tax Collected at Source (TCS) in certain cases[3]:** The CBDT, in its earlier circular[4], directed certain specified officers to reduce/waive interest levied under Section 201(1A)(ii) / 206C(7) of the IT Act.

  Now, the CBDT has issued the following clarifications:
  - The prescribed authority (i.e., the Chief Commissioner of Income Tax/Director General of Income Tax/Principal Chief Commissioner of Income Tax) is empowered to pass an order for waiver after the date of issue of the aforesaid circular (i.e., 28 March 2025).
  - Based on the earlier circular (Para 6, i.e., the time limit for entertaining the waiver application), the applications for waiver of interest can be made within one year from the end of the financial year (FY) for which the interest is charged. Accordingly, if the interest charged pertains to FY 2023-24, the application can be filed by 31 March 2025.
  - Waiver applications for interest under Section 201(1A)(ii)/ 206C(7) of the IT Act charged before 28 March 2025 can be made subject to Point (b) above.

- **CBDT provides relief from the applicability of a higher rate of TDS/TCS in certain cases where the Permanent Account Number (PAN) becomes inoperative[5]:** The CBDT, in its earlier circular[6], clarified that if PAN becomes inoperative on or before 31 May 2024, higher tax is not required to be deducted/collected by the deductor/collector under Section 206AA/206CC of the IT Act for transactions entered up to 31 March 2024.

  The CBDT received grievances from taxpayers regarding demand notices. In cases where the PAN was inoperative, these notices were issued for defaults related to "short deduction/collection" of TDS/TCS where tax was not deducted/collected at higher rates as per Section 206AA/206CC of the IT Act.

  The CBDT has partially modified its earlier circular[7] to address the grievances. It has clarified that in the cases listed below, higher tax is not required to be deducted/ collected by the deductor/collector under Section 206AA/206CC of the IT Act:
  - Where the amount is paid/credited from 1 April 2024 to 31 July 2025 and the PAN becomes operative (linked with Aadhaar) **on or before 30 September 2025**.
  - Where the amount is paid/credited on or after 1 August 2025 and the PAN becomes operative (linked with Aadhaar) within two months from the end of the month in which the amount is paid/credited.

  In such a case, the deduction/ ollection as mandated in other provisions of Chapter XVIIB/XVIIBB of the IT Act would be applicable.

1. Notification No. 67 of 2025 dated 20 June 2025
2. As per Notification No. 28 of 2024 dated 7 March 2024
3. Circular No. 8 of 2025 dated 1 July 2025
4. Circular No. 5 of 2025 dated 28 March 2025
5. Circular No. 9 of 2025 dated 21 July 2025
6. Circular No. 6 of 2024 dated 23 April 2024
7. Circular No. 3 of 2023 dated 28 March 2023.

- **CBDT relaxes time limit for processing valid Income-tax Returns (ITRs) filed electronically pursuant to an order for condonation of delay[8]:** The second proviso to Section 143(1) of the IT Act provides that no intimation will be issued after the expiry of 9 months from the end of the FY in which the ITR is filed.

  The CBDT observed that the ITRs filed based on an order under Section 119(2)(b) of the IT Act, condoning the delay in filing such ITRs, could not be processed within the aforesaid 9-month time limit due to technical reasons. As a result, a refund was not issued to the taxpayer.

  Now, the CBDT has relaxed the aforesaid 9-month time limit for processing such ITRs. This applies to valid ITRs filed electronically on or before 31 March 2024 pursuant to the aforesaid order under Section 119(2)(b) of the IT Act that remained unprocessed due to the lapse of the statutory timeline.

  Such ITRs will now be processed, and intimations under Section 143(1) of the IT Act will be issued by 31 March 2026.

  The relaxation described above will not apply to cases where any proceeding for the following cases has been completed for the relevant assessment year after filing such ITRs:

  - Assessment under Section 143(3)/144/144B/153A/153C of the IT Act
  - Reassessment under Section 147/148 of the IT Act
  - Recomputation or revision of income under the IT Act

  Further, it has been clarified that where the PAN-Aadhaar is not linked, tax refund or part thereof (due under the provisions of the Act) will not be issued, as stated in the earlier circular.[9]

- **CBDT notifies Cost Inflation Index (CII) for FY 2025-26[10]:** CBDT has notified the CII for FY 2025-26 as 376 w.e.f. 1 April 2026.

- **CBDT clarifies tax treatment under Unified Pension Scheme (UPS)[11]:** The Department of Financial Services introduced UPS as an option under the National Pension System (NPS). The UPS will be applicable to central government employees covered under the NPS.

  A request was made to ascertain whether the provisions of Sections 80CCD(1), 80CCD(1B), 80CCD(2), 80CCD(3), 80CCD(4), and Sections 10(12A) and 10(12B) of the IT Act are applicable mutatis mutandis to the UPS.

  The CBDT has now clarified that the provisions mentioned above would apply mutatis mutandis to UPS to the extent of the limits provided in the said sections.

  It has been further clarified that any diversion regarding payout/contributions will require legislative amendment.

- **Ministry of Finance (MoF) notifies protocol amending India-Oman Double Tax Avoidance Agreement (DTAA)[12]:** A protocol amending the DTAA between India and Oman was signed at Muscat on 27 January 2025, and the same came into force on 28 May 2025. The MoF has now notified the protocol amending the India-Oman DTAA under Section 90(1) of the IT Act.

  This protocol specifies that the provisions of the DTAA will apply in India with respect to the income derived in any fiscal year beginning on or after the first day of April following the date on which the protocol enters into force.

  The key changes are as follows:

  - The preamble to the India-Oman DTAA has been revised. The preamble to a tax treaty sets out its object and purpose, and any change to the preamble reflects the governments' intent in applying the provisions. The revised preamble highlights the elimination of double taxation without creating opportunities for non/reduced taxation through tax evasion/avoidance, including treaty shopping.
  - The definition of taxes covered has been updated to include 'Omani tax' (income tax in Oman).
  - The tax rates on royalties and technical fees have been reduced from 15% to 10%.

8. Circular No. 7 of 2025 dated 25 June 2025
9. Circular No. 3 of 2023 dated 28 March 2023
10. Notification no. 70 of 2025 dated 1 July 2025
11. Office Memorandum dated 2 July 2025
12. Notification No. 69 of 2025 dated 25 June 2025

- Terms such as "competent authority", "tax year", and the rules for determining residency for entities with dual residence have been revised.
- A new article - Article 25A - on non-discrimination has been introduced, which ensures fair taxation and treatment for the nationals of both countries.
- The Mutual Agreement Procedure has been amended to resolve disputes over tax within three years of a notification.
- A new article - Article 27B - has been introduced, which incorporates the Principal Purpose Test, wherein treaty benefits are denied if one of the primary purposes of any transaction is to obtain such benefits inappropriately.

- **Select Committee releases the report on the Income-tax Bill, 2025 (IT Bill), along with the amended IT Bill[13]:**
  In the amended IT Bill, underlined words and figures represent the amendments, while items marked with (***) indicate the omissions proposed by the Select Committee.

  Further, the Lok Sabha released the gist of the key recommendations. The key recommendations to the said IT Bill are as follows:

  - Changes in the definition of capital asset, "infrastructure capital company", "micro", "small" enterprises, and parent company.
  - Changes were suggested concerning the deduction from income from house property.
  - Changes were suggested regarding the deduction being allowed on an actual payment basis.
  - Redrafting is suggested for the provision concerning expenditure on scientific research.
  - Suggestions to realign the provision about the consideration received from transferring a capital asset as provided under Clause 79 of the IT Bill.
  - Redrafting the provisions related to carrying forward and setting off to align with the newly used term "beneficial owner".
  - Accepted the stakeholder's recommendation regarding specific changes to the General Anti-Avoidance Rules.

13. Press release dated 21 July 2025
14. Hyatt International Southwest Asia Ltd vs. DCIT (Civil Appeal No. 9766 of 2025)

Judicial developments

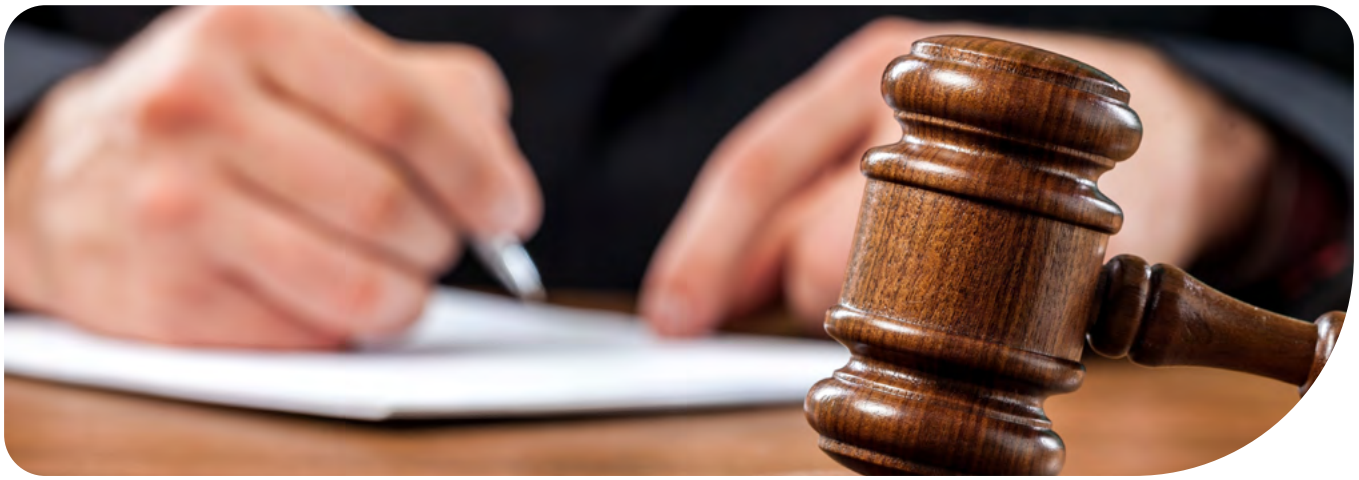
- **Supreme Court (SC): Substantive control of a foreign enterprise on Indian operations constitutes Fixed Place Permanent Establishment (PE)[14]:**

  Brief facts

  - The taxpayer was a tax resident of the United Arab Emirates (UAE) and incorporated under the Companies Law, Dubai. It was engaged in rendering consultancy services in the hotel sector.
  - The taxpayer had entered into two Strategic Oversight Services Agreements (SOSA) with Asian Hotels Limited, India (AHL) for AHL Delhi and AHL Mumbai. As per the SOSA, the taxpayer agreed to provide strategic planning and know-how services for 20 years, extendable to another 10 years.
  - During the assessment proceedings, the taxpayer contended that its income is not taxable in India. The reason cited was the absence of an article for taxing fees for technical services under the DTAA, coupled with the reason that the taxpayer did not have a PE in India. The taxpayer also contended that the visit of its employees to India during the relevant years did not exceed the nine-month threshold.
  - The assessing officer (AO) rejected the taxpayer's contention and passed the draft assessment orders.
  - The AO held that the taxpayer's activities constitute a business connection under Section 9(1)(i) of the IT Act and a Fixed Place PE under Article 5(1) of the DTAA. Further, it was held that the payment received by the taxpayer under the SOSA is royalty and the FTS under Section 9(1)(vi)/(vii) of the IT Act and royalties under Article 12 of the DTAA.
  - The DRP rejected the taxpayer's objections to the draft assessment orders. The AO passed the final assessment orders. The Tribunal also rejected the taxpayer's contention.
  - On further appeal, the HC held that the payment received by the taxpayer was not in the nature of royalty. However, it confirmed the findings of the Tribunal in relation to the constitution of a Fixed Place PE in India.
  - The HC referred the matter to a Larger Bench in relation to the attribution of income, despite the losses incurred by the foreign enterprise. The matter then travelled to the SC.

SC's observations

- Definition of a Fixed Place PE under the DTAA is consistent with the definition provided under Section 92F(iiia) of the IT Act. Similar provisions are also found in international model conventions, which provide an inclusive yet exhaustive definition of PE.
- Profits of an enterprise will be taxable in the country of residence, unless such enterprise carries on business in the source country through a PE situated therein as per Article 7(1) of the India-UAE DTAA. In those cases, profits attributable to the said PE may be taxed in the source country.
- The SC examined the key clauses of the SOSA, which are as follows:
  - If the hotel owner seeks financing or uses the hotel as collateral for unrelated borrowings, they must obtain a lender-approved non-disturbance and attornment agreement acceptable to the taxpayer. This ensures the taxpayer can fulfil the SOSA obligations, including fee collection, without interference.
  - The SOSA was to remain in effect for 20 years with a possibility of an extension of 10 years through mutual agreement.
  - The taxpayer retains complete control and discretion over the strategic and daily operations of the hotel, including branding, marketing, product development, human resources, procurement, use of premises, etc. Further, the taxpayer can assign employees (own or affiliates) to India without prior approval and may recruit non-local staff, including the general manager and key executives.
  - The taxpayer is entitled to 'Strategic Fees', calculated as a percentage of room revenue, other income, and cumulative gross operating profit, rather than a fixed amount.
- The SC observed that two essential conditions must be satisfied to establish a Fixed Place PE, as per its earlier ruling in the case of **Formula One**[15], namely:
  - The place must be "at the disposal" of the taxpayer;
  - The enterprise's business must be carried on through such a place.
- The PE must demonstrate three core attributes, viz., stability, productivity, and a degree of independence.



15. Formula One World Championship Limited v. CIT, International Taxation-3, Delhi & Anr. [(2017) (15 SCC 602)]

SC's verdict

- The 'disposal test' is a key requirement for establishing a Fixed Place PE. The determination of a Fixed Place PE is fact-specific. Thus, determination includes the right of disposal, level of control and supervision, ownership presence, management, and operational authority.
- Frequent and regular visits of the taxpayer's employees to India to implement the SOSA establish a continuous business presence. The stay of each employee for calculating the threshold of 9 months for the constitution of a PE is immaterial.
- The taxpayer exercised enforceable control over the hotel's strategic, operational, and financial aspects, beyond mere policy formulation.
- The duration of the SOSA and the taxpayer's continuous, functional presence meet the stability, productivity, and dependence tests.
- The functions performed by the taxpayer are not merely auxiliary functions but also extend to core and essential functions. This clearly establishes the taxpayer's control over the day-to-day hotel operations.
- The remuneration structure reflects the taxpayer's active commercial involvement and linkage of the taxpayer's income with the financial and operational performance of the hotel.
- In view of the above, the SC concluded that the hotel premises satisfy the criteria required to be classified as a "fixed place of business" or PE.
- The taxpayer's contention regarding the absence of a specific clause in the agreement "permitting the conduct of business from the hotel premises", which negates the existence of a PE, was dismissed. As in the case of Formula One, the SC held that the emphasis is mainly on the substance, i.e., the premises were substantively at the enterprise's disposal for core business functions.
- Reliance placed by the taxpayer on the SC's earlier decision in the case of **E-Funds**[16] was distinguished on the facts.
- On the profit attribution issue, referred to as a larger Bench, the SC observed that taxability depends on business presence, not the global profitability of a foreign enterprise.
- Accordingly, the HC's decision on the issue of a Fixed Place PE was affirmed, and the income received under the SOSA was attributable to such a PE in India.

16. ADIT-1, New Delhi vs. M/s. E-Funds IT Solutions Inc. [(2018) (13 SCC 294)]

B

Key developments under FEMA law

- **RBI permits offshore support vessels to be re-imported into India:** The Reserve Bank of India (RBI) has issued the Foreign Exchange Management (Export of Goods & Services) (Amendment) Regulations, 2025, vide Notification No. FEMA 23(R)/(6)/2025-RB dated 24 June 2025 and published on 4 July 2025. This amendment introduces a new provision under Regulation 4 of the existing Foreign Exchange Management (Export of Goods & Services) Regulations, 2015 ('Principal Regulations').

  The Principal Regulations provide an exemption from submitting a declaration to export certain goods/software. The amendment now permits the export of tugs or tugboats, dredgers, and vessels used for providing offshore support services without such declaration, provided these are re-imported into India. This amendment will be effective from the date of its publication in the Official Gazette, i.e., 24 June 2025.

- **RBI extends annual foreign liabilities and assets return deadline:** Owing to the technical issues being faced on the Foreign Liabilities and Information Reporting (FLAIR) System, the RBI has extended the deadline for filing the annual return on Foreign Liabilities and Assets ('FLA return') for FY 2024-25 from 15 July 2025 to 31 July 2025.

C

Key developments under transfer pricing law

Judicial developments

- **Upholds assessee's WP quashing final assessment order as time-barred[17]:** The Transfer Pricing Officer's (TPO's) order did not suggest any changes to international transactions for the assessee's case; however, the Assessing Officer (AO) issued a draft assessment order. The assessee did not accept the draft nor file objections before the Dispute Resolution Panel (DRP), claiming it was not an "eligible assessee" under the relevant provisions. The AO later passed a final assessment order, which the assessee challenged, arguing that it was issued beyond the permissible time limit. The court observed that the final order was indeed passed after the extended deadline, rendering it time-barred. As a result, the impugned order was quashed and the appeal was allowed.

- **TPO erred in going merely by TPSR qua assessee's functional profile, remits adjustment[18]:** The assessee, engaged in manufacturing defense products, submitted evidence showing that it functioned simply as an assembler under the AE's instructions—lacking capabilities in R&D, product conceptualisation, and marketing. The TP study report had inaccurately described it as a full-fledged manufacturer, assuming all associated risks. The TPO, relying solely on this report without verifying actual functions, selected comparables with independent R&D and significantly higher turnover. The ITAT observed that the TPO failed to examine the assessee's true functional profile and risks. Concluding that a proper analysis would reveal the assessee as an assembler, the matter was remanded to the AO/TPO for fresh examination. The assessee was directed to submit detailed documentation, and the appeal was allowed.

- **Upholds TP-adjustment w.r.t execution of onshore/offshore contracts by Indian PE of Chinese Head Office[19]:** The assessee, a project office (PO) in India acting as the PE of its overseas Head Office in China, faced TP adjustments related to onshore and offshore activities and profit attribution. The Head Office had entered into contracts with a third-party customer for equipment supply and services, and established a PE in India for execution. The TPO treated

17. Cholamandalam MS General Insurance Company Limited [TS-426-HC-2025(MAD)-TP]
18. Alpha Elsec Defence & Aerospace Systems Pvt Ltd [TS-413-ITAT-2025(Bang)-TP]
19. TBEA Shenyang Transformer Group Company Limited [TS-418-ITAT-2025(Ahd)-TP]

transactions between the PE and the Head Office as international transactions and applied ALP adjustments. The ITAT upheld the Special Bench's view that such transactions are subject to transfer pricing provisions. It found the Head Office to be an AE under Section 92A(2)(g), rejected the CUP method, and noted that the onshore contract was subcontracted to Indian entities with prices imposed on the PE, resulting in losses. The ITAT held that the contract was not at arm's length and affirmed the TPO's approach, dismissing the assessee's appeal.

- **Disposes of assessee's petition, directs availing remedy before lower authorities[20]:** The assessee challenged the draft assessment order issued under Section 144C(1), arguing that it was inconsistent with the TPO's order on ALP determination. The AO had issued a showcause notice proposing TP adjustments beyond the scope of the TPO's findings. The high court held that the assessee had an adequate remedy through the DRP or appellate authorities and clarified that any objections filed before the DRP would be considered on the merits. Accordingly, the petition was disposed of.
- **Holds ITAT's remand does not dispense with mandatory procedure u/s.144C; reverses single judge order[21]:** The ITAT had remanded the matter to the AO/TPO for fresh consideration, allowing the assessee to raise additional grounds. A single judge held that the remand was limited to selecting the appropriate method for ALP determination and assessing any benefit or markup on raw material pricing, concluding that a draft assessment order was unnecessary. The assessee challenged this view through a writ petition. The court clarified that the ITAT's remand covered all issues afresh, rendering the earlier draft order void. It held that any variation prejudicial to the assessee, even if arising from a remand, mandates the issuance of a draft assessment order under Section 144C(1). Failure to do so constitutes an incurable illegality, not a mere procedural lapse. Relying on precedents from the Bombay and Delhi High Courts, the court allowed the assessee's appeal.

20. Idemia Syscom India Pvt Ltd [TS-405-HC-2025(DEL)-TP]
21. Enfinity Solar Solutions Pvt Ltd [TS-381-HC-2025(MAD)-TP]

D

Key developments under GST law

Goods and Services Tax Network Advisory

- **Appeal filing against waiver rejection orders (Form SPL-07):** The GSTN issued an advisory enabling taxpayers to file appeal applications (Form APL 01) against rejection orders issued in Form SPL-07 on the GST portal under the waiver scheme.

  Taxpayers who had filed waiver applications using Form SPL-01/SPL-02 and received rejection orders in Form SPL-07 can now submit appeals online through the portal. This functionality aims to streamline dispute resolution under the waiver framework and provide taxpayers with a formal appellate remedy.

  (Please **click here** to refer to the advisory)

- **Real-time consent alerts and access control for ASP/GSP interactions enabled on GST portal:** The GSTN has announced new security features for taxpayers using ASPs via GSPs. Taxpayers will now receive real-time email/SMS alerts when the OTP consent is granted to an ASP, along with details like name, time, and validity.

  A dashboard feature will also allow viewing and revoking ASP access directly from the GST portal. The rollout dates will be notified through separate advisories.

  (Please **click here** to refer to the advisory)

Judicial developments

- **SC held that final adjudication order is mandatory even if tax and penalty under protest[22]:** The SC has held that the issuance of a reasoned order under Section 129(3) of the CGST Act is a mandatory statutory requirement, even where the taxpayer has deposited tax and penalty for the release of detained goods.

  The SC, while reversing the Allahabad HC's ruling that ruled proceedings stand concluded under Section 129(5), clarified that the payment under protest does not conclude proceedings, and a speaking order is essential to uphold the taxpayer's right to appeal. Further, the SC also cited the CBIC circular[23] mandating the issuance of a final order in Form MOV-09 and uploading its summary in Form DRC-07, regardless of the payment status.

  (Please **click here** for the alert)

- **Bombay HC held that inter-state transfer of ITC is allowed post amalgamation[24]:** The Bombay HC has permitted the transfer of unutilised input ITC from a transferor registered in Goa, to a transferee in Maharashtra, pursuant to an NCLT-approved amalgamation.

  The HC clarified that neither Section 18(3) of the CGST Act, nor Rule 41 of the CGST Rules, imposes any restriction on inter-state ITC transfer and held that the ITC is a vested right forming part of the business's assets and liabilities that cannot be denied due to the GST portal constraints. It directed that the transfer be allowed manually and recommended that the GST Council and GSTN update the portal to enable such transfers electronically.

  (Please **click here** for the alert)

- **Karnataka HC ruled out GST applicability on expat salaries where Indian entity exercises control[25]:** The HC, while differentiating the factual scenario in the case of Northern Operating Systems[26], held that the seconded employees are fully integrated into the Indian entity through independent employment contracts, received salaries directly from the Indian employer, with applicable tax deducted at source, subject to the Indian entity's exclusive control over their roles, human resource functions, and performance management.

  Accordingly, these factors collectively indicated an employer-employee relationship, falling outside the scope of supply as per Schedule III of the CGST Act. The HC further referred to the CBIC circular[27], read with the relevant valuation provisions, and stated that in related party transactions, where no invoice is raised and the full ITC is available, the value may be treated as 'Nil'.

  (Please **click here** for the alert)

22. ASP Traders (Civil Appeal No. 9764/2025)
23. Circular No. 41/15/2018-GST
24. Umicore Autocat India Pvt. Ltd (WP No. 463/2024)
25. Alstom Transport India Ltd. (WP No. 1779/2025)
26. Civil Appeal Nos.2289-2293 of 2021
27. Circular No. 210/4/2024-GST

E

Key developments under erstwhile indirect tax laws, Customs, Foreign Trade Policy, SEZ laws, etc.:

Legislative/other developments

- **India–EFTA TEPA to come into force from 1 October 2025:** India's TEPA with the EFTA bloc comprising Iceland, Liechtenstein, Norway, and Switzerland will come into effect from 1 October 2025, following its signing in March 2024 and ratification by Switzerland in June 2025. The agreement, finalised after 16 years and 21 negotiation rounds, includes provisions on tariff liberalisation, investment, intellectual property, and regulatory alignment.

  The EFTA will eliminate the duties on 99.6% of Indian exports, while India will reciprocate for 95.3% of EFTA exports, with safeguards for sensitive sectors.

  The TEPA also includes a USD 100 billion FDI commitment over 15 years, projected to create 1 million direct jobs. The key Indian sectors expected to benefit include pharmaceuticals, textiles, IT, clean energy, and MSMEs. Indian consumers will gain enhanced access to premium EFTA products such as Swiss watches, chocolates, and medical devices. The agreement aligns India with global sustainability and IPR norms and is positioned as a strategic model for future FTAs with the EU, UK, and Canada.

  (Please **click here** for the detailed update)

- **India–UK Comprehensive Economic and Trade Agreement signed on 24 July 2025:** India and the United Kingdom share a long-standing economic relationship rooted in trade, investment, and shared democratic values. In pursuit of strengthening this partnership, both nations launched the negotiations for CETA in January 2022, aiming to foster greater economic integration in the post-Brexit landscape.

  After 15 rounds of negotiations spanning over 3 years, the two countries formally signed the India-UK CETA on 24 July 2025. This landmark agreement is India's first comprehensive trade pact with a European country. It represents one of the most ambitious bilateral deals concluded by the UK since exiting the European Union.

  The agreement is designed to enhance market access, eliminate or reduce tariffs, promote trade in services and investment, and establish robust cooperation mechanisms across various sectors. The bilateral trade between the two countries is nearly USD 56 billion, and the agreement is projected to double this figure by 2030.

  (Please **click here** for the detailed update)

- **US imposes 25% reciprocal tariffs on Indian imports effective 7 August 2025:** The US has announced the imposition of a 25% ad valorem duty on imports from India, effective from 7 August 2025, under a modified executive order issued on 31 July 2025. This move follows earlier orders and a 90-day negotiation window granted in April 2025, which was extended until 1 August 2025. While India faces a 25% tariff, other countries such as Laos and Syria face duties exceeding 40%, whereas some, including the UK and Brazil, face lower rates of around 10%.

  The tariff measure aims to correct trade imbalances under national security considerations, invoking powers under the IEEPA, the National Emergencies Act, and the Trade Act of 1974. The order also introduces anti-evasion provisions, including a 40% penalty duty on transshipped goods, and enhances enforcement through the US Trade Representative and the Department of Commerce. Transitional provisions apply to the goods already in transit, and tariff actions on China remain unchanged.

  (Please **click here** for the detailed update)

- **US imposes additional 25% tariff on Indian imports over indirect Russian oil trade links, effective from 27 August 2025:** On 6 August 2025, US President Donald Trump issued an executive order imposing an additional 25% ad valorem tariff on all imports from India, citing India's direct or indirect import of crude oil from the Russian Federation. The US government has concluded that India's continued engagement with Russian-origin crude, including through third-country intermediaries, undermines US foreign policy and national security interests.

  Effective 27 August 2025, all Indian-origin imports into the US will attract this new 25% duty, in addition to the existing 25% reciprocal tariff already applicable under Executive Order 14257 (dated 2 April 2025, as modified on 31 July 2025), effectively raising the total additional duty to 50% on covered goods.

  (Please **click here** for the detailed update)

Judicial developments

- **SC affirms non-applicability of retrospective IGST on re-imported goods sent abroad for repair[28]:** The SC has dismissed the department's appeal against the CESTAT ruling that the IGST cannot be retrospectively levied on aircraft or aircraft parts re-imported into India after repairs carried out abroad, before the issuance of the notification[29].

  The Tribunal had earlier held that under the unamended notification[30], only the basic customs duty was payable on the repair value of such goods, and the IGST was not applicable.

  While rejecting the department's argument that the 2021 amendment was clarificatory in nature, the SC held that it had introduced a substantive new levy that could not apply retrospectively and reaffirmed the principle that exemption notifications must be interpreted strictly and allowed all appeals filed by the assessee.

  (Please **click here** for the alert)

- **SC held no bar on parallel adjudication by the Revenue and criminal proceedings under the Central Excise laws[31]:** The SC has dismissed the appeal, holding that the pendency or procedural setting aside of departmental adjudication does not bar or vitiate criminal prosecution under the CE Act and held that criminal proceedings may continue unless the accused are exonerated on merits in departmental proceedings.

  The SC reiterated the independence of criminal and departmental actions in taxation statutes and refused to interfere with the HC's order declining discharge. The court reinforced the principle that quashing or remanding departmental orders on technical grounds does not automatically warrant discharge from criminal prosecution arising from the same facts.

  (Please **click here** for the order)

- **SC held no anti-dumping duty if imported goods are not complete machines in CKD condition[32]:** The SC dismissed the Revenue's appeal and upheld the ruling of the CESTAT that no anti-dumping duty is applicable on the goods imported by Huarong Plastic Machinery India Pvt. Ltd., as the goods were not complete machines in the CKD condition and were rightly classified under Tariff Item 8477 90 00.

  The issue of law, if any, was kept open. The SC affirmed the principle that in the absence of a classification change in the SCN, duty under a different heading cannot be imposed.

  (Please **click here** for the order)

- **SC upholds exemption from service tax on international roaming services treated as export[33]:** The SC affirmed the CESTAT's decision holding that services such as international roaming, marketing, and technical support provided by Indian entities to foreign group companies qualify as exports under the Export of Service Rules, 2005. It reiterated that service tax liability depends on the recipient's location and receipt of convertible foreign exchange, not the place of performance or end-use.

  While dismissing the Revenue's appeal, the court found no perversity in the CESTAT's factual findings and upheld the refund of the Cenvat credit to the assessees.

  (Please **click here** for the order)

- **CESTAT upholds service tax on secondment of expats as manpower supply[34]:** The CESTAT Chennai has upheld the levy of service tax on the secondment of expatriate employees by a foreign group entity to an Indian company, classifying the arrangement under 'Manpower Recruitment or Supply Agency Services'. Citing the SC's ruling in the NOS case[35], the Tribunal observed that decisive control and employment relationship remained with the foreign entity. The secondees retained lien with the overseas employer, foreign policies governed their terms of employment, and their salaries were based on overseas structures.

  The Tribunal rejected the Indian entity's argument that the absence of a markup or reciprocal arrangement negated consideration, holding that the reimbursement of social security contributions formed part of the taxable value, as the liability never vested with the Indian company. It also held that the Indian entity lacked control over altering employment terms or preventing repatriation of employees, reaffirming the supply of manpower construct. The Tribunal distinguished its earlier ruling in the SC case[36], stating it was not binding, as it was rendered on consent. Accordingly, the tax demand was upheld, with partial relief granted.

  (Please **click here** for the alert)

28. Inter Globe Aviation Limited (Civil Appeal Diary No(S). 6685/2025)
29. Notification No. 36/2021-Customs dated 19 July 2021
30. Notification No. 45/2017-Customs dated 30 June 2017
31. Rimjhim Ispat Ltd. & ORS (Criminal Appeal No. 268/2017)
32. Huarong Plastic Machinery India Pvt. Ltd (Civil Appeal Diary No. 22159/2025)
33. Vodafone India Ltd. (Civil Appeal Nos. 10815-10819 of 2014)
34. Daimler India Commercial Vehicles Pvt. Ltd. (Service Tax Appeal No.41621 to 41625/2019)
35. Northern Operating Systems (2022) 17 SCC 90)
36. Boeing India Defense case (2025 (1) TMI 833 SC)

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