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Monthly tax bulletin

July 2025

Welcome to the July 2025 edition of Grant Thornton Bharat's Tax Bulletin - your monthly guide to the latest Indian taxation and regulatory developments. This edition captures a diverse mix of policy changes and landmark judicial rulings, each carrying significant implications for businesses navigating today's complex tax landscape.

Under direct taxes, the CBDT has announced key changes aimed at easing compliance. The due date for filing income tax returns (ITRs) for AY 2025–26 has been extended to **15 September 2025**, taking into account revised return forms and system readiness. A one-time relaxation has also been granted for processing the ITRs for AY 2023–24 under Section 143(1) till **30 November 2025**. Further, new scrutiny guidelines outline the criteria for compulsory selection of cases based on surveys, recurring additions, or inputs from enforcement agencies. The exemption from TDS on certain payments to the IFSC units, subject to declarations and reporting, is another taxpayer-friendly reform. On the jurisprudential side, the Supreme Court's interpretation of Section 80-IA(9) has resolved a long-standing ambiguity, clarifying that it limits allowability, not computation of deductions under Chapter VI-A.

In the FEMA space, the Reserve Bank of India (RBI) has issued key regulatory clarifications and relaxations, including allowing investment vehicles that issued partly paid units before 23 May 2025, to report such transactions in Form InVI within 180 days without incurring late submission fees. Additionally, the eligibility period for opening a Diamond Dollar account has been extended from two to three years. In a welcome move for the shipping sector, importers can now remit up to USD 50 million in advance without a bank guarantee or standby letter of credit for importing shipping vessels, subject to specific regulatory conditions.

Transfer pricing jurisprudence continues to evolve, with recent rulings reinforcing the importance of substance over form. In one case, the ITAT accepted the use of multi-year data in benchmarking, given a sectoral slowdown, while another ruling emphasised that earlier years' accepted rates for corporate guarantees do not set a binding precedent. A notable judgement also held that a director's resignation did not constitute a restructuring to escape deemed AE classification, reaffirming that economic substance takes precedence over procedural labels.

As India marks eight years of GST, the system continues to mature. The CBIC and GST Council remain focused on simplifying compliance. A notable Sikkim High Court ruling permitted the refund of unutilised ITC upon business closure, a departure from the earlier Supreme Court stance, potentially inviting further legal or legislative review. Meanwhile, GSTN has issued useful advisories, including those on correcting rejected IMS records, procedural clarity on amnesty filings, and the return filing time bar.

In Customs, the Bombay High Court clarified that FTAs with special dispute resolution mechanisms are not enforceable in Indian courts unless they are incorporated into domestic law. Customs authorities continue to retain jurisdiction in cases involving fraud or misrepresentation on import exemptions, reinforcing their enforcement mandate.

The SEZ ecosystem also saw encouraging updates with amendments in SEZ rules providing compliance relief for electronics and semiconductor units. In addition, the Commerce Department is exploring mechanisms to permit domestic sales on a 'duty foregone' basis, a move that could enhance SEZ competitiveness.

We hope this edition provides you with relevant insights and helps you stay ahead in a fast-evolving regulatory environment.

Happy reading!

Riaz Thingna
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A

Key developments under direct tax laws

Legislative/other developments

- **CBDT extends time limit for furnishing ITRs to 15 September 2025[1]:** Explanation 2(c) to Section 139(1) of the Income-tax Act, 1961 (IT Act), provides 31 July as the due date for furnishing the ITR [i.e. 31 July 2025 for assessment year (AY) 2025-26] for taxpayers other than the taxpayer referred in Explanation 2(a)/(aa)/(b) to Section 139(1) of the IT Act.

  The CBDT earlier notified various income-tax return (ITR) forms applicable for AY 2025–26, which were revised structurally to simplify compliance, enhance transparency, and improve reporting accuracy. However, it was observed that the TDS credits (from the TDS statement due by 31 May 2025) will begin to reflect in early June, limiting the effective window for return filing, in the absence of such extension.

  In view of various notified changes in ITR forms and the time required for system readiness and rollout of the ITR utilities for the said AY, the CBDT has extended the due date of furnishing the ITR for the aforesaid taxpayer to **15 September 2025.**

- **The CBDT extends the time limit for processing ITRs and sending intimation under Section 143(1) to taxpayers for AY 2023-24 until 30 November 2025[2]:** 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 financial year (FY) in which the ITR is filed.

  In this regard, the CBDT has relaxed the aforesaid 9-month time limit for issuing intimation under the said section. This relaxation will apply to valid ITRs filed electronically under Section 139 of the IT Act for AY 2023–24 that remained unprocessed due to the lapse of the statutory timeline. Further, such ITRs will now be processed, and intimations under Section 143(1) of the IT Act **will be issued by 30 November 2025.**

  It has also been clarified that the above relaxation will not apply to the following returns:

  - ITRs selected in scrutiny;
  - Unprocessed ITRs for any reason attributable to the taxpayer.

  Further, the CBDT has clarified that where the PAN-Aadhaar is not linked, tax refund or part thereof will not be issued[3].

- **CBDT issues guidelines for compulsory case selection for 'Complete Scrutiny' - FY 2025-26[4]:** The CBDT has issued guidelines/procedure for compulsory scrutiny and selection of returns in relation to FY 2025-26 in the following cases:

  - Where a survey was conducted on or after 1 April 2023 [under Section 133A of the IT Act (other than Section 133(2A) of the IT Act)].
  - Where search and seizure/requisition was conducted on or after 1 April 2023 but before 1 September 2024 [under Section 132 or 132A of the Act].
  - Where search and seizure or requisition was conducted on or after 1 September 2024 but before 1 April 2025.
  - Where registration/approval to institutions/charitable trust was not granted or cancelled/withdrawn by the competent authority on or before 31 March 2024 and deduction/exemption was claimed in Form ITR-7 [under Sections 12A, 12AB, 35(1)(ii), 35(1)(iia), 35(1)(iii), 10(23C)(iv), 10(23C)(v), 10(23C)(vi), 10(23C)(via) of the Act].
  - Cases involving addition in earlier AYs on a recurring issue of law, fact, or both, subject to a certain threshold.
  - The taxpayer furnished cases related to specific tax evasion information provided by any law-enforcement agency and the ITR for such year.

  Further, the CBDT also provided the following key clarifications:

  - **Complete scrutiny will not apply, and the case will be selected through the CASS cycle if the ITR has been furnished against notice under Section 142(1) of the IT Act, and such notice was issued based on information contained in the following:**
    - Non-filers monitoring system cycle;
    - Annual information statement;
    - Statement of financial transactions;
    - Centralised processing centre – Tax deducted at source information, or
    - Information received from the Directorate of Intelligence & Criminal Investigation

1. Press release dated 27 May 2025 and Circular No. 6 of 2025 dated 27 May 2025
2. CBDT order dated 9 June 2025
3. Circular No. 3 of 2023 dated 28 March 2023
4. F.No.225/37/2025/ITA-II dated 13 June 2025

- **In the following cases, notice under Section 143(2)/142(1) of the IT Act will be issued:**
  - Where reassessment notices are issued (other than search and seizure/survey).
  - Where notices under Section 142(1) of the IT Act are issued for furnishing the ITR; however, no ITR has been furnished.

  Further, in these cases, the Jurisdictional AO (JAO) will upload underlying documents for access by the National Faceless Assessment Centre (NaFAC) (to be completed by the NaFAC on or before **31 March 2026**).
- **Where a reassessment notice is issued pursuant to a search and seizure/survey conducted on or after 1 April 2021 but before 1 September 2024 (if lying outside central charges):**
  - **Return is furnished:** The JAO will serve the notice under Section 143(2) of the IT Act and the Principal Commissioner of Income Tax (PCIT)/Principal Directorate of Income Tax (PDIT)/Commissioner of Income Tax (CIT)/Directorate of Income Tax (DIT) will ensure that such cases transfer to central charges under Section 127 of the IT Act.
  - **Return is not furnished:** Cases will be transferred to central charges for further necessary action.
- **During search and seizure actions, information about individuals with limited or incidental financial transactions with the main assessee group may emerge. These individuals:**
  - Are not part of the core business or group,
  - Often reside in different cities,
  - Are assessed under Section 148 of the Act (for searches post 1 April 2021) by their JAO.

  Such cases do not need to be transferred to central charges unless they fall under the Board's guidelines[5].
- **The cases will be selected for compulsory scrutiny by the International Taxation and Central Circle (ITCC) charges based on the aforesaid parameters (i.e. 1 to 6 above) with the prior approval of PCIT/PDIT/CIT/DIT, and such cases continue to be handled by the ITCC charges:**
  - Communication with the NaFAC for access or further action does not apply to these cases.
- **As per proviso to Section 143(2) of the IT Act, for ITRs filed in FY 2024-25 and selected for compulsory scrutiny, the last date to serve notice is 30 June 2025.**

- **CBDT notifies the list of payments to International Financial Services Centre (IFCS units) on which tax is not required to be deducted[6]:** The CBDT, w.e.f. 1 July 2025, has notified various payments in relation to which no tax is required to be deducted by the payer if the recipient is a unit in 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[7]. This declaration must be submitted to the 'payer' and include details of previous years (PYs) for which deductions were claimed under Section 80LA(2) and 80LA(1A) of the IT Act. This form is to be filed for each year in which such deduction is claimed.
  - No tax is required to be deducted by the payer on the payment made/credited to an IFSC unit after the date of receipt of Form No. 1, and the payer needs to furnish the particulars of such payments in its TDS quarterly statements.

  The CBDT has also clarified that the 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 Act. Hence, the payer is required to deduct tax for other years. The relaxation in this notification applies to income from an IFSC unit's approved business set up in a special economic zone.

  Further, the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems) 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.

5. F.No. 299/107/2013-IT(Inv.III)/1568 dated 25 April 2014
6. Notification No. 67 of 2025 dated 20 June 2025
7. Notification No. 28 of 2024 dated 7 March 2024

Judicial precedents

- **Supreme Court (SC): Section 80-IA(9) restricts the allowability of deductions and not the computation of deduction under various provisions under Heading 'C' of Chapter VI-A[8]:**

  Brief facts

  - Taxpayer furnished ITR for AY 2002-03, declaring a net taxable income after claiming deductions under Section 80-HHC and 80-IA of the IT Act.
  - Reassessment proceedings under Section 147 of the IT Act were initiated based on the observation that a deduction under 80-HHC of the Act was claimed by the taxpayer against its total profits.
  - Subsequently, the taxpayer filed a response to the notice under Section 143(2) of the IT Act by placing reliance on the Madras High Court's (HC's) decision in the case of SCM Creations[9]. The Madras HC held that Section 80-IA(9) of the IT Act does not bar the computation of deductions provided under different provisions of the IT Act. It merely restricts the allowability of deductions to the extent of business profits and gains. However, the Revenue rejected the argument and disallowed the deductions claimed under Sections 80-IA and 80-HHC of the IT Act.
  - The CIT(A) and the Amritsar Tribunal upheld the order of the revenue. Further, an appeal before the Punjab and Haryana HC was also dismissed. While dismissing the appeal, the HC relied upon its own decision in the case of Friends Casting (P) Ltd[10].

  SC analysis and decision

  - Section 80-IA(9) of the IT Act states that the deduction to the extent allowed under Section 80-IA of the IT Act cannot be allowed under any other provision under Heading 'C' of Chapter VI-A of the IT Act. This can be understood with the following example:

    Gross total income – Y
    Deduction claimed under Section 80-IA – X
    Eligible deduction under any other provision under the Heading 'C' of Chapter VI-A – (Y-X)

    Therefore, the total deductions under Heading 'C' of Chapter VI-A cannot exceed the profits and gains of such eligible business of the undertaking or enterprise.
  - The SC upheld the decision of the Bombay HC in the case of Associated Capsules (P) Ltd[11] (which was also approved by the SC in the case of Micro Labs Limited[12].)
  - It was held that 80-IA(9) of the IT Act does not impact the computation of deduction under various provisions under Heading 'C' of Chapter VI-A. It is only at the stage of allowing deduction under the aforesaid provisions that the restrictions specified under Section 80-IA(9) of the IT Act have to be complied with.

8. Shital Fibers Limited (TS-612-SC-2025)
9. SCM Creations v. ACIT [304 ITR 319].
10. Friends Casting (P) Ltd. v. CIT [(2011) (50 DTR Judgments 61)].
11. Associated Capsules (P) Ltd vs DCIT and Anr [(2011) (9 taxmann.com 63) (Bombay HC)
12. ACIT vs. Micro Labs Limited [(2015) (64 taxmann.com 199) (SC)

B

Key developments under FEMA law

- **RBI Issues reporting norms for issuance of partly paid units by investments vehicles:** The RBI, vide A.P. (DIR Series) Circular No. 06 dated 23 May 2025, has clarified that investment vehicles that have issued partly paid units to foreign investors prior to the issue of the circular, i.e. before 23 May 2025, may report in Form InVI on the FIRMS portal within 180 days from the date of this circular. No late submission fees will apply if the reporting is done within this window.

  However, for issuances made on or after 23 May 2025, the timeline of 30 days from the date of issuance, as prescribed under the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations 2019, will apply.

- **RBI mandates three years track record to open Diamond Dollar Account:** The RBI has issued the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) (Sixth Amendment) Regulations, 2025, vide Notification No. FEMA 10 (R)(6)/2025-RB dated 29 April 2025 and published on 6 June 2025.

  Earlier, a person with a track record of dealing in the purchase/sale of diamond and other prescribed precious metals for import/export, for at least 2 years, was eligible to open a Diamond Dollar Account. Vide the above notification, the qualification criteria for opening a Diamond Dollar Account have been extended from 2 years to 3 years.

- **RBI allows advance remittance up to USD 50 million for import of shipping vessels:** The RBI, vide A.P. (DIR Series) Circular No. 07, dated 13 June 2025, has allowed the importers to make advance remittance for the import of shipping vessels, without bank guarantee, or an unconditional, irrevocable standby Letter of Credit, up to USD 50 million. This relaxation is subject to the conditions prescribed under Para C.1.3.3. of the Master Direction – Import of Goods and Services dated 1 January 2016.

C

Key developments under transfer pricing law

- **TPO erred in using average PLI of comparables amid auto-industry slowdown; Directs equitable comparison[13]:** The assessee, involved in manufacturing braking systems, used its own three-year financial data to compute the profit level indicator for international transactions. However, the TPO and DRP relied solely on the assessee's one-year data. The ITAT noted that FY 2019–20 was a recessionary year for the Indian automotive industry and emphasised the need for equitable comparison. Referring to relevant rules and OECD guidelines, it held that a weighted average of three years or a direct comparison of FY 2019–20 results should be used. The ITAT found the TPO's approach inequitable and allowed the assessee's appeal.
- **Upholds TP-adjustment qua corporate guarantee commission, made on the basis of bank guarantee rates with risk adjustment[14]:** The assessee, engaged in shipping and crude oil transportation, charged a corporate guarantee fee of 0.5% to one AE and none to another. The TPO applied the external CUP method, using average bank guarantee rates of 1.90% with a 0.5% downward adjustment to account for differences in risk and other qualitative factors, arriving at 1.40% for both transactions. The ITAT held that past assessment rates are not binding on future determinations and found no flaw in the TPO's method or comparables. Despite risk differences, it acknowledged the functional comparability of bank and corporate guarantees and upheld the adjustment, dismissing the assessee's appeal.
- **Deemed-AE relationship ceasing due to common director's share-sale/resignation not 'business restructuring'[15]:** The assessee, a software development service provider, rendered services to its Australian AE, which was treated as an AE due to a common director. The assessee argued that the AE relationship existed only for April and May 2020, as the director resigned and sold shares in June 2020. The TPO and DRP rejected this, citing procedural lapses like filing an addendum instead of a revised Form 3CEB and a lack of disclosure of business restructuring. However, the ITAT held that such procedural irregularities should not deny justice, found no restructuring requiring disclosure, and remitted the matter back to the TPO for fresh adjudication, allowing the assessee to submit revised documentation.
- **Precondition of existence of 'arrangement' unfulfilled, proviso to Section 80IA(10) not applicable[16]:** The assessee, engaged in the export of diamond-studded jewellery, challenged the AO's reference to the TPO under Section 80IA(10) without first establishing an arrangement with the AE that led to more than ordinary profits. The TPO applied TNMM to benchmark sales. The ITAT, relying on the jurisdictional High Court's ruling in the Schmetz India case, held that invoking Section 80IA(10) requires a pre-existing arrangement between the deduction-claiming unit and the AE. It emphasised that high profits alone don't imply such an arrangement, and the TPO cannot proceed without this foundational condition. The ITAT deleted the transfer pricing adjustment and allowed the assessee's appeal.

13. Brakes India Pvt Ltd [TS-332-ITAT-2025(CHNY)-TP]
14. Essar Shipping Limited [TS-314-ITAT-2025(Mum)-TP]
15. Inlogic Technologies Pvt. Ltd [TS-339-ITAT-2025(CHNY)-TP]
16. KBS Creations [TS-348-ITAT-2025(Mum)-TP]

D

Key developments under GST law

Legislative/other developments

- **Removal of DIN requirement for GST portal communications bearing RFN[17]:** The CBIC has clarified that quoting a document identification number (DIN) is no longer required for communications issued through the GST portal where a reference number (RFN) is already generated and verifiable. The RFN will serve as the sole unique reference for such communications. Earlier provisions mandating a DIN for all official communications stand modified to this extent.

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

Goods and Services Tax Network Advisory

- **Locking of auto-populated liability in GSTR-3B from July 2025 onwards:** The GSTN has announced that from the July 2025 tax period, the auto-populated tax liability in Form GSTR-3B (based on details in GSTR-1, GSTR-1A, and IFF) will become non-editable. Taxpayers must use Form GSTR-1A to amend any outward supply details before filing GSTR-3B. This change aims to ensure more accurate reporting and compliance.

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

- **Barring of GST returns beyond the three-year time limit from July 2025:** The GSTN has announced that effective July 2025, GST returns will not be permitted to be filed after three years from their due date, as per amendments under the Finance Act, 2023. This restriction applies to GSTR-1, 3B, 4, 5, 5A, 6, 7, 8, and 9. Taxpayers are advised to urgently reconcile records and file any pending returns to avoid non-compliance.

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

- **Launch of E-way Bill 2.0 portal for enhanced interoperable services:** The CBIC has launched the E-Way Bill 2.0 portal effective 1 July 2025, providing seamless interoperability with the existing E-way bill platform. The key enhancements include real-time synchronisation between portals, new functionalities, such as consolidated E-way bill generation, and updates to transporter details. Both portals will operate on a dual-system architecture, allowing operations to continue uninterrupted if one platform faces technical issues. The APIs for all features are available for integration by taxpayers and logistics operators, enabling robust, cross-portal operations and minimising service disruption.

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

- **Rectification of inadvertently rejected records on IMS:** The GSTN has clarified the rectification process for inadvertently rejected invoices, debit notes, ECO documents, and credit notes on the Invoice Management System (IMS). Recipients who have erroneously rejected records after filing GSTR-3B should request suppliers to re-report the same document via GSTR-1A or amendment tables. The accepted records will update GSTR-2B, enabling correct ITC availment or reversal. These actions have no net impact on supplier liability, as amendments reflect only changes. The taxpayers should coordinate with suppliers to ensure accurate credit and liability reporting.

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

17. Circular No. 249/06/2025-GST dated 9 June 2025

Judicial developments

- **Sikkim HC allows refund of unutilised input tax credit upon closure of business[18]:** The Sikkim HC has held that a taxpayer is eligible to claim a refund of accumulated unutilised ITC upon closure of business, irrespective of the fact that the GST provisions do not explicitly provide for such a refund.

  Observing that the CGST Act does not contain any express restriction on granting refunds in the case of business closure, the HC set aside the impugned appellate order and directed that the refund claim be allowed.

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

- **Karnataka HC classifies buying support services as export, not intermediary services under GST[19]:** The Karnataka HC has held that buying support services rendered by the petitioner to its overseas affiliate qualify as export of services and do not fall within the ambit of 'intermediary' under the GST law.

  The court emphasised that the services were rendered on a principal-to-principal basis, without any arrangement or facilitation between the two other parties, and without any authority to bind the foreign recipient.

  The HC further held that the refund claim was filed well within the extended time limit, and accordingly, directed the authorities to process the refund, along with applicable interest.

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

- **Gujarat HC holds that omission of Rule 96(10) abates all pending refund proceedings[20]:** The Gujarat HC has held that the omission of Rule 96(10) of the CGST Rules, 2017, by notification[21], effectively nullified all refund-related proceedings initiated under the said rule that were pending as on the date of its omission.

  Invoking the principles under the General Clauses Act, the HC ruled that in the absence of a saving clause, such an omission operated as a repeal, resulting in the abatement of ongoing show cause notices, appeals, writ petitions, and refund rejections where final relief had not yet been granted. Consequently, the impugned orders and show cause notices issued under the erstwhile Rule 96(10) were quashed.

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

- **Allahabad HC sets aside ITC denial under Section 16(2)(c) and holds that buyer cannot be penalised for supplier's default[22]:** The Allahabad HC ruled that the ITC cannot be denied to a bonafide purchaser solely due to the supplier's default in depositing tax, provided the recipient has fulfilled all other statutory conditions.

  The court held that the GST law does not empower a purchaser to ensure supplier compliance, and penalising the recipient for the supplier's non-payment is unjust. Relying on the SC's and Madras HC's precedents, the court emphasised the need for authorities to act against defaulting suppliers and not punish compliant recipients. The assessment and appellate orders were quashed, with directions to reconsider the matter and provide a fair hearing to all parties.

18. SICPA India Private Limited (WP(C) No.54 of 2023)
19. M/s. Columbia Sportswear India Sourcing Private Limited (WP No. 12116 of 2024)
20. Addwrap Packaging Private Limited (R/SCA No. 22519 of 2019)
21. Notification No. 20/2024-CT dated 8 October 2024
22. M/s R.T. Infotech (WRIT TAX No. 1330 of 2022)

E

Key developments under erstwhile indirect tax laws, Customs, Foreign Trade Policy (FTP), Free Trade Agreements (FTAs) SEZ laws, central and state incentive schemes, State Amnesty Scheme, etc.:

Legislative/other developments

- **Government launches portal for Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI):** The Ministry of Heavy Industries has launched the application portal for SPMEPCI, aimed at attracting global EV manufacturers and boosting domestic value addition in electric passenger cars. The scheme, open for applications until **21 October 2025**, offers concessional duty on the CBU imports and requires a minimum INR 4,150 crore investment, with phased domestic value addition milestones. The initiative supports the 'Make in India', 'Aatmanirbhar Bharat', and Net Zero 2070 goals, fostering India's position as a global EV hub.

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

- **Government of Gujarat launches Electronics Component Manufacturing Policy-2025:** The Gujarat government has launched the Electronics Component Manufacturing Policy-2025 to boost investment, localisation, and growth in electronics component and sub-assembly manufacturing. Effective for six years from FY 2025–26, the policy aligns with the MeitY's ECMS and aims to increase domestic value addition and reduce imports. Eligible projects must be approved under ECMS and located in Gujarat. Incentives will match central ECMS benefits, with annual disbursal by the Gujarat State Electronics Mission. The policy also supports workforce development through funding of up to INR 12.5 crore per project.

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

Judicial developments

- **SC stays VAT recovery on transfer of right to use satellite transponder capacity in Karnataka[23]:** The SC has stayed the recovery of Karnataka VAT on "transfer of right to use" satellite transponder capacity for the period July 2008–March 2014. This follows the Karnataka HC's earlier decision limiting interim protection to April 2005–March 2010 and requiring a 50% deposit for later periods. The SC's order maintains the status quo pending final adjudication, with the matter being scheduled for hearing in August 2025.

- **SC issues notice in SLP challenging Karnataka HC's order affirming levy of VAT on transfer of right to use Set Top Boxes[24]:** The SC has issued notice in the SLP challenging the decision of the Karnataka HC wherein it had upheld the levy of VAT on the transfer of the right to use STBs supplied by cable TV operators to subscribers, holding that STBs qualify as "goods" and that providing effective control to subscribers amounts to a "sale" under the Karnataka VAT Act, 2003, and Article 366(29A)(d) of the Constitution. The HC had also validated the retrospective application of the Karnataka GST Act, 2017, through notification dated 15 March 2021.

- **Bombay HC upholds Customs authorities' power to issue SCN despite Article 24 of AIFTA[25]:** The Bombay HC has ruled that Article 24 of the ASEAN-India Free Trade Agreement (AIFTA), which provides a special dispute resolution mechanism, does not restrict Indian customs authorities from issuing SCNs or adjudicating import exemption cases involving misrepresentation or fraud. The Court clarified that, in the absence of specific incorporation into Indian law, treaty provisions like Article 24 of AIFTA are not enforceable before Indian courts. It held that the Customs Act, 1962, remains the governing legislation for such matters, and dismissed the petitions challenging customs' jurisdiction, vacating all interim reliefs.

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

23. Antrix Corporation Limited (CA No.2349-2352/2010)
24. M/s Atria Convergence Technologies Ltd and Ors (SLP(C) No. 15350/2025)
25. Purple Products Pvt. Ltd. and Kothari Metals Ltd. (WP No.2831 and 2491 of 2018)

- **Bombay HC allows simultaneous rebate and drawback for exporters if CENVAT credit is reversed[26]:** The Bombay HC has ruled that exporters can claim both a rebate of excise duty paid on exported goods under Rule 18 of the Central Excise Rules, 2002, and input-side duty drawback at the all-industry rate under the "CENVAT not availed" category, provided the CENVAT credit on inputs is reversed prior to export. The Court clarified that these benefits address different tax incidences input and output stages and do not amount to a double benefit, relying on the SC's decisions in the Bombay Dyeing and Spentex Industries Ltd case. The judgement further held that reversal of the CENVAT credit is treated as non-availment, enabling the eligibility for higher drawback rates, and confirmed that there is no requirement for rebate-eligible duty to be paid in cash. The impugned denial order was set aside, restoring the exporter's rebate and quashing related proceedings.
- **CRS services not taxable as OIDAR under the service tax laws - CESTAT[27]:** The CESTAT Delhi has held that the services provided by the foreign computer reservation system (CRS) providers for global ticket bookings do not qualify as OIDAR services under the erstwhile service tax regime. The Tribunal found that CRS companies merely facilitated access to existing data rather than actively supplying information in electronic form, and thus no service tax liability arises on such transactions.

  (Please **click here** for the detailed alert)
- **Recovery of FMS benefits not valid without prior cancellation of scrip by DGFT - CESTAT[28]:** The CESTAT Delhi has ruled that the recovery of benefits availed under the Focus Market Scheme (FMS), along with penalties and confiscation, is not permissible unless the DGFT has first cancelled the relevant scrip. The Tribunal held that Section 28AAA of the Customs Act cannot be invoked before such cancellation, and further set aside penalties and confiscation, citing procedural lapses in reliance on untested statements and lack of cross-examination.

26. Indorama Synthetics Limited (Writ Petition No. 5120 of 2022)
27. Air India Ltd. (Service Tax Appeal No. 52780/2014)
28. M/s Colour Cottex Pvt Ltd (C.A. No. 55760/2023)

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