

Monthly tax bulletin

May 2025



Welcome to the May 2025 edition of Grant Thornton Bharat's Tax Bulletin – your monthly gateway to the dynamic world of Indian taxation and regulatory developments. This month's edition traverses a broad landscape — from landmark judicial pronouncements and policy shifts to clarifications that could shape business strategic decisions.

We begin with a major development on the global stage: US President Donald Trump's decision to pause the rollout of additional reciprocal tariffs marks a recalibration of America's trade policy. Our detailed note discussing the pause announcement and related opportunities for India can be referred to [here](#).

In a welcome development, India and the UK have concluded a mutually beneficial Free Trade Agreement (FTA). The agreement represents a significant milestone in strengthening the bilateral Comprehensive Strategic Partnership between India and the UK and aims to promote trade in goods and services, facilitate investments, foster innovation, and enhance employment opportunities.

Back home, in the world of direct taxes, the CBDT has offered some relief by waiving interest on delayed TDS/TCS payments under specified conditions and has clarified the non-applicability of TDS on certain LIC withdrawals post 4 April 2025. In the courtroom, important rulings have surfaced — from the Supreme Court delineating the scope of revision powers under Section 263 to the Mumbai Tribunal allowing the carry-forward of long-term capital losses without an immediate set-off in the context of a tax treaty.

FEMA and FDI updates bring encouraging news for Indian companies operating in sectors with FDI restrictions. They may now issue bonus shares to existing non-resident shareholders, provided the compliance norms are met, and shareholding patterns remain unchanged.

In the realm of transfer pricing, the Bombay High Court has underscored the critical need for assessing officers to exercise independent judgement during reassessment proceedings, firmly rejecting actions influenced by directions from superior authorities. In a separate case involving a permanent establishment (PE), the ITAT issued a well-reasoned ruling, striking down an arbitrary 50% income attribution. The Tribunal concluded that since the foreign head office primarily bore the key functions and associated risks, only a limited share of income could justifiably be allocated to the Indian PE.

Lastly, on the indirect tax front, the much-anticipated GST Appellate Tribunal (Procedure) Rules, 2025 are finally here, laying the foundation for the GSTAT to begin functioning. The Kerala High Court's reaffirmation of the mutuality principle clarifies club-member transactions under GST, while the Bombay High Court has quashed the retrospective demand of interest and penalties under Customs linked to advance authorisation imports made before the amendment in relevant provisions in 2024.

We hope this edition provides valuable insights to help you confidently navigate India's evolving tax framework.

Happy reading!



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A

Key developments under direct tax laws

Legislative/other developments

Central Board of Direct Taxes (CBDT) Circular / Notification:

- **CBDT notifies amendment in tax audit report under Form 3CD¹:** The CBDT, with effect from 1 April 2025, notified the following key amendments in Form No. 3CD, i.e., the tax audit report under Section 44AB of the Income-tax Act, 1961 (IT Act):

Also, the CBDT has specified certain changes in Form No.10IH, i.e., the statement of income of a specified fund eligible for concessional taxation under Section 115AD of the IT Act.

S. No.	Clause reference	Applicable change
1.	Clause 12	"44BBC" would be inserted after "44BBB".
2.	Clause 21(a) (New row inserted)	After the row on "Expenditure incurred to provide any benefit or perquisite", a new row would be inserted for "Expenditure incurred to settle proceedings initiated in relation to contravention under such law as notified by the Central Government in the Official Gazette in this behalf"
3.	Clause 22	The existing Clause 22 regarding the reporting of micro, small and medium enterprise (MSME) payments would be substituted with the following: <ul style="list-style-type: none"> • Amount of interest inadmissible under Section 23 of the MSMED Act); or • Total amount required to be paid to a micro or small enterprise, as referred to in Section 15 of the Micro, Small and Medium Enterprise Development Act, 2006 (MSMED Act), during the previous year; • Of the amount referred to in the (ii) above, amount: <ul style="list-style-type: none"> - paid up to the time given under Section 15 of the MSMED Act; - not paid up to the time given under Section 15 of the MSMED Act and inadmissible for the previous year.
4.	Clause 31(a) and 31(b)	For item (ii), the following item would be substituted: "Amount of each loan or deposit taken or accepted and code of the nature of such amount, as given in Note 1 of the notification".
5.	Clause 31(c)	For item (ii), the following item would be substituted: "Amount of each repayment of loan or deposit or any specified advance and code of the nature of such amount, as given in Note 1 (provided in the notification)".
6.	New Clause 36B inserted (Buy-back of shares)	Clause 36B has been inserted after Clause 36A. The new clause is as under: <ul style="list-style-type: none"> • Whether the assessee has received any amount for the buy-back of shares as referred to in Section 2(22)(f) of the IT Act? (Yes/No) • If yes, please furnish the following details: <ul style="list-style-type: none"> - Amount received (in INR); - Cost of acquisition of shares bought back

1. Notification No. 23 of 2025 dated 28 March 2025

- **CBDT allows waiver of interest for delay in tax deducted at source (TDS) / Tax collected at source (TCS) payment in certain cases²:**

Sections 201(1A)(ii) and 206C(7) of the IT Act levy interest on the failure to pay TDS/TCS, respectively, within the prescribed timelines.

The CBDT, w.e.f. 28 March 2025, directed certain specified officers to reduce/waive the interest levied under the aforesaid sections, subject to the fulfilment of the conditions mentioned below:

- Payment is initiated by the taxpayers/deductors/collectors, and the amount is debited from their bank account on or before the due date; and
- Tax could not be credited to the central government (CG) before the due date due to technical problems (beyond taxpayer/deductor/collector's control).

Further, the CBDT has provided the following key clarifications:

- **Time limit for filing the application:** Within one year from the end of the financial year (FY) for which the interest under Sections 201(1A)(ii) and 206C(7) of the IT Act is levied.
- **Time limit for disposal of application:** Within six months from the end of the month in which it was received.
- An application for waiver can be considered, even if the interest under Sections 201(1A)(ii)/ 206C(7) of the IT Act has already been paid.

- **CBDT notifies certain changes in TDS statement in Form 26Q and 27Q³:**

The Finance (No.2) Act, 2024 [FA (No.2), 2024], w.e.f. 1 April 2025, inserted Section 194T of the IT Act for tax deduction at source on salary, remuneration, commission, bonus or interest paid by firm to its partner(s), if the aggregate sum during a FY exceeds INR 20,000.

In this regard, the CBDT amended the TDS statement in

Forms 26Q and 27Q (w.e.f. 27 March 2025) for reporting details relating to Section 194T of the IT Act.

- **The CBDT notifies that tax is not required to be deducted on the withdrawal of the sum under the Life Insurance Corporation (LIC) plan by individuals⁴:**

Section 194EE of the IT Act levies TDS at the rate of 10% on withdrawal of the amount deposited (along with interest accrued) under notified schemes or annuity plan of the LIC where deduction is claimed by the individual/HUF under Section 80CCA of the IT Act.

In this regard, the CBDT has notified that tax is not required to be deducted under Section 194EE of the IT Act in case of withdrawals by individuals, if such withdrawal takes place on or after 4 April 2025.

- **CBDT notifies last date for filing application under Direct Tax Vivad se Vishwas Scheme, 2024 (VsV Scheme, 2024)⁵:**

The FA (No. 2), 2024, w.e.f. 1 October 2024, introduced the VsV Scheme, 2024, for the settlement of disputes pending as on 22 July 2024. The taxpayers opting for the scheme would get immunity from the imposition of penalty, interest on the tax in arrears and initiation of proceedings under the IT Act in respect of any offence.

In this regard, the CBDT has notified that the last date for filing a declaration under the VsV Scheme, 2024, is 30 April 2025.

- **CBDT notifies list of any other goods for collecting tax at the rate of 1%⁶:**

Section 206C(1F) of the IT Act requires a seller to collect tax at the rate of 1% on the sale of a motor vehicle whose value exceeds INR 10 lakhs.

The FA (No. 2), 2024, extended the scope of the aforesaid provision to levy tax at the rate of 1% on any other goods as notified by the CG (i.e. in the nature of luxury goods) if the value of such goods exceeds INR 10 lakhs.

2. Circular No. 5 of 2025 dated 28 March 2025

3. Notification no. 22 of 2025 dated 27 March 2025

4. Notification No. 27 of 2025 dated 4 April 2025

5. Notification dated 8 April 2025 (F. No. 32/2025/ F. No. 370142/9/2025-TPL)

In this regard, the CBDT, w.e.f. 22 April 2025, notified the following luxury goods:

- Any wristwatch
- any art piece, such as antiques, paintings, sculptures
- any collectibles, such as coins and stamps
- any yacht, rowing boat, canoe, or helicopter
- any pair of sunglasses
- any bag, such as handbags, purses
- any pair of shoes
- any sportswear and equipment such as golf kits, ski-wear
- any home theatre system
- any horse for horse racing in race clubs and a horse for polo

The CBDT has also amended Form 27EQ to include the aforesaid goods within the table. Further, it had issued clarification in the form of FAQs, which inter alia provides that tax is required to be collected on the sale of a single item of the aforesaid goods, if its value exceeds INR 10 lakhs.

- **CBDT notifies certain acts pursuant to amendment made vide FA (No. 2) Act, 2024, in Explanation 3 to Section 37 of the IT Act ⁷**

Explanation 3 to Section 37 of the IT Act provides the cases where expenditure incurred by the assessee would be regarded as “expenditure incurred in relation to an offence, or which is prohibited by law”.

The FA (No. 2), 2024, amended the aforesaid provision w.e.f. 1 April 2025, to provide that the expenditure incurred for the settlement of proceedings initiated in relation to contravention under the notified law would not be regarded as “expenditure incurred for the purpose of business or profession”.

In this regard, w.e.f. 23 April 2025, the CBDT has notified the following Acts:

- The Securities and Exchange Board of India Act, 1992
- The Securities Contracts (Regulation) Act, 1956;
- The Depositories Act, 1996;
- The Competition Act, 2002



6. Notification No. 35 of 2025 dated 22 April 2025 and Notification No. 36 of 2025 dated 22 April 2025

7. Notification No. 38 of 2025 dated 23 April 2025

Other direct tax judicial precedents:

- **Mumbai Tribunal: Carry forward of long-term capital losses incurred on sale of shares allowed without being set off against the capital gains⁸**

Brief facts

- The taxpayer was a tax resident of Mauritius and had purchased compulsorily convertible preference shares (CCPS) of an Indian company, which were subsequently converted into equity shares in 2016.
- In the relevant FY, it sold these equity shares and claimed capital gains earned as exempted as per the grandfathering provisions of the India-Mauritius tax treaty (since the shares were acquired prior to 1 April 2017).
- Further, in the said FY, it also sold shares of another Indian company in two tranches, i.e., (i) It incurred a capital loss [carried forward to the subsequent year under the IT Act], and (ii) it earned a capital gain [claimed as exempted under Article 13(3) and Article 13(4) of the India-Mauritius tax treaty].
- The AO rejected the aforesaid computation and held that the LTCG and loss would be computed on an aggregate basis, instead of a transaction-wise approach.

Tribunal's observations and ruling

- **Whether 'gains' under Article 13(3)/(4) include 'loss'?**
 - The India-Mauritius tax treaty is silent on the treatment of losses arising from the transfer of capital assets. It is unclear whether gain could be interpreted to include loss, which may be possible, subject to later negotiations.
 - As per the Vienna Convention, treaties need to be interpreted in good faith based on the ordinary meaning to be given to the terms in their context and in light of their object and purpose. The court also referred to the principle of 'effectiveness', which is preferring an interpretation that fulfils the treaty's aim and gives effect to the state's intent as given in various articles.

- On applying the above principles to Article 13(4) of the tax treaty, the Tribunal held that non-taxability of the capital gains in India prior to 1 April 2017 could not act to the disadvantage of the taxpayer. This is because the tax treaty (read with Section 90(2) of the IT Act) provides the taxability on capital gains based on the recipient's place of residence.

- **Whether each transaction could be considered as a different source of income?**

- After referring to the Special Bench's decision in the case of **Montgomery Emerging Market Fund⁹**, the Tribunal held that the loss and gain earned from the sale of shares in the first and second tranches are to be considered as different sources of income.

- **Whether income exempted by the tax treaty would enter the computation of total income?**

- Basis the Bombay HC's judgement in the case of **N.M. Raiji¹⁰**, the Tribunal further held that capital gains exempted in India under the tax treaty could not form part of the taxpayer's total income computation in India.
- Therefore, setting off the loss on sale of shares in the first tranche against the capital gains on the sale of the second tranche of shares would amount to taxing the gain in India, which amounts to violation of Article 13(3)/(4) of the tax treaty (as it stood before the amendment).

- **SC's decision on the power of the Commissioner of Income-tax (CIT) in order to invoke Section 263 of the IT Act¹¹**

Brief facts

- For AY 2018-19, the taxpayer's case was selected for limited scrutiny, on issues such as refund claim, share capital/other capital, and deduction/total income under Chapter VI-A of the Act. The AO accepted the taxpayer's ROI post conducting an inquiry on the said issues.
- Subsequently, PCIT set aside the AO's order for denovo assessment and held that it was erroneous and prejudicial to the revenue's interests. In this regard, PCIT noticed that AO failed to make adequate enquiries in

8. Matrix Partners India Investment Holdings, LLC [TS-85-ITAT-2025]]

9. JCIT vs. Montgomery Emerging Market Fund [2006] 100 ITD 217 (Mumbai Trib.)(SB),

10. CIT vs. N.M. Raiji [(1949) 17 ITR 180] (Bombay HC)],

11. Rameshkumar Tulidas Kaneriya (TS-172-SC-2025)]

B

Key developments under FEMA law:

relation to deductions claimed by the taxpayer and the identity / financial worthiness of subscribers to certain preference shares issued by the taxpayer.

- The Tribunal adjudicated the matter in the taxpayer's favour. Subsequently, the Revenue filed an appeal before the HC against the Tribunal's decision.
- The HC dismissed the Revenue's appeal after observing that the AO had issued a questionnaire on the deductions claimed by the taxpayer and called for related documents. The HC held that the factual aspects have been thoroughly examined by the Tribunal.
- Further, the HC observed that PCIT did not point out any further enquires, which were required to be conducted by the AO. The HC was of the view that section 263 of the IT Act cannot be invoked merely on the ground that the AO should have conducted more enquires.
- Subsequently, the Revenue filed an SLP before the SC.

SC's ruling

- **The SC dismissed the Revenue's SLP and held as under:**
 - In this case, there was no failure by the AO to conduct an investigation.
 - If the AO makes no addition after conducting an investigation, the CIT can invoke powers under Section 263 of the IT Act based on merits and make an addition. However, the CIT cannot remand the matter back to the AO on the premise that there was a failure to investigate.
 - There is a distinction between the failure/absence of investigation and a wrong decision/conclusion (which can be corrected by CIT).
 - The AO may undertake a superficial and random investigation that may justify remitting the matter back to the AO. However, in such cases, the CIT must record the AO's failure to establish the error as well as the prejudice caused to the Revenue.

- **RBI updates Master Directions on Compounding of Contraventions:** The updated Master Direction on Compounding of Contraventions bearing number 04/2025-26 dated 24 April 2025, along with A.P. (DIR series) Circular No. 02/2025-26 dated 22 April 2025 and A.P. (DIR Series) Circular No. 04/2025-26 dated 24 April 2025, was issued incorporating the notification bearing number 17/2024-25 dated 1 October 2024. The key changes are highlighted as under:
 - Reapplication for compounding in relation to the same transaction for which a compounding order has already been issued is to be treated as a fresh application. As such, the application will be processed independently and adjudicated accordingly.
 - The compounding authority may cap the maximum compounding amount at INR 2 lakhs for non-reporting related contraventions, depending upon the case's merits.
 - Certain additional details, i.e., the applicant's mobile number, the Reserve Bank's office, and the mode of submission of the application are required to be mentioned in the email to the RBI Regional Office post, making payment of the compounding application fee/compounding amount to ensure that payments are mapped to the correct office and avoid delays in processing compounding applications.
- **Clarification on issuance of bonus shares to existing non-resident shareholders in prohibited sectors:** The department for the Promotion of Industry and Internal Trade, under the Ministry of Commerce and Industry, vide Press Note No. 2 (2025 Series) on 7 April 2025, clarified that Indian companies in sectors with restricted FDI will now be able to freely issue bonus shares to their existing non-resident shareholders, subject to keeping shareholding structure intact and complying with all other applicable laws, if any.

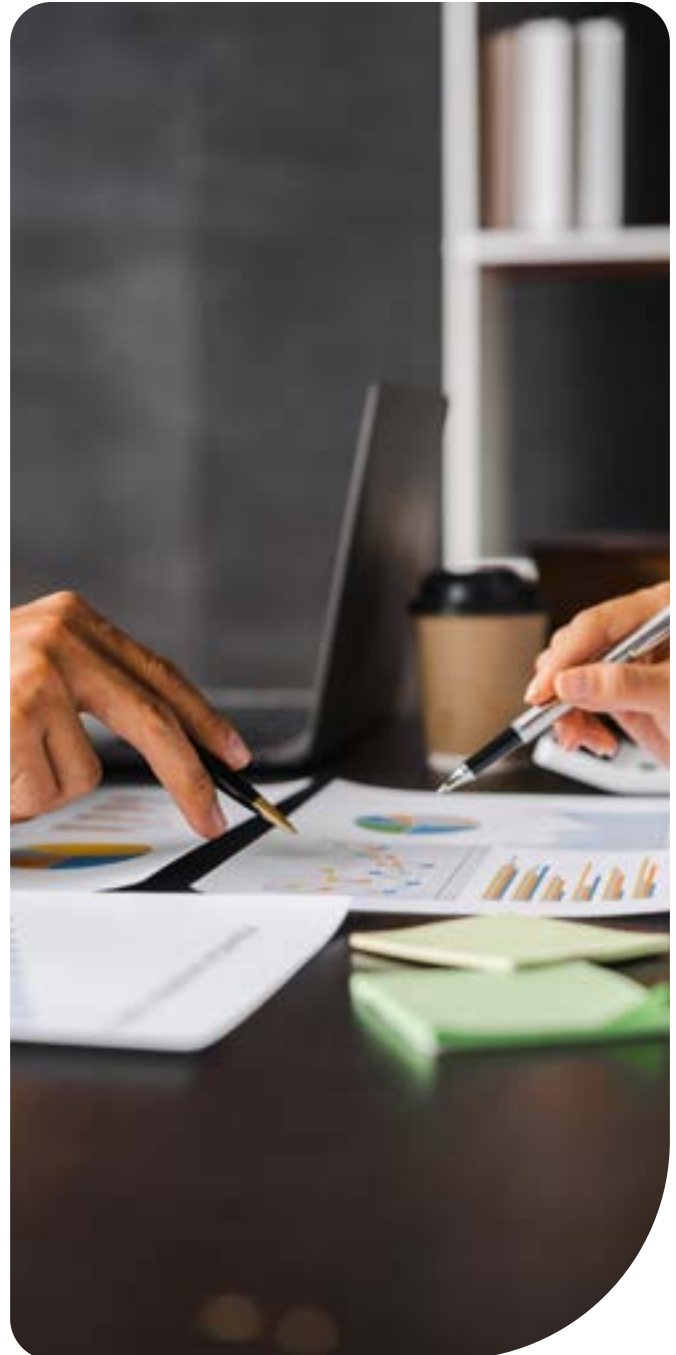




Key developments under transfer pricing law:

Judicial developments:

- **Reassessment proceedings quashed for the AO acting under dictation or on borrowed satisfaction¹²:** The Bombay High Court upheld the ITAT's order quashing the reassessment proceedings against the assessee. The court noted that the reassessment was initiated within the prescribed four-year period, but the parameters for failing to fully and truly disclose material facts did not apply. The reassessment process was initiated based on directions from superior officers, not the AO's independent belief. The HC highlighted that the AO acted under the dictation of superiors without independently applying his mind to the materials on record. Consequently, the reassessment proceedings were vitiated, and the appeal was dismissed.
- **Assessment order time-barred due to delay¹³:** The Delhi High Court allowed the assessee's writ petition, noting that no assessment order had been framed despite the ITAT's remand order. The ITAT had remitted the TP adjustment on AE-receivables to the DRP without an enhancement notice to the assessee. The HC observed that the 12-month period for framing the assessment order expired on 21 October 2021. Consequently, the HC declared that any assessment proposed for the said assessment year would be time-barred.
- **Deletes ad hoc income attribution to permanent establishment (PE)¹⁴:** The Mumbai ITAT ruled that the income allocation to the Project Office (PO) in India, a PE of an Italian company, was at arm's length. The ITAT deleted the 50% ad hoc income attribution made by the AO. The Tribunal emphasised that the attribution of revenue between the PO and the Head Office (HO) in Italy is an international transaction subject to TP regulations, which were duly complied with by the assessee. The operating margin earned by the PO was higher than the arm's length range of the margins of the comparable companies. The AO failed to conduct a proper functional, asset, and risk (FAR) analysis, leading to the unsustainable ad hoc adjustment. The ITAT noted that the major functions and risks were borne by the HO in Italy, with the PO in India playing a limited role. Consequently, the income allocation to the PO was deemed appropriate, and no further attribution was required.



¹². Agfa India Pvt Ltd [TS-128-HC-2025(BOM)-TP]

¹³. Consulting Engineering Services (India) P. Ltd [TS-179-HC-2025(DEL)-TP]

¹⁴. Fincantieri SPA Italiani SPA Trieste (TS) [TS-123-ITAT-2025(Mum)-TP]

D

Key developments under GST law

Legislative/other developments:

- **CBIC issues guidelines to streamline GST registration process¹⁵:** The CBIC has issued revised guidelines standardising the GST registration process to prevent fraud while minimising hardship for genuine applicants. The key measures include strict reliance on the indicative documents list in FORM GST REG-01, restrictions on presumptive queries unrelated to submitted documents and defined timelines for processing applications. Physical verification procedures and document requirements have been clarified for various premises types, including owned, rented, shared, and SEZ locations. Officers must now obtain higher approval for additional document requests and adhere to the stipulated timeframes for approval or rejection. (Please [click here](#) to refer to the instruction)
- **Central government notifies GST Appellate Tribunal (Procedure) Rules, 2025:** The G-STAT Rules, 2025, as notified on 24 April 2025, provide a detailed procedural framework to operationalise the GST Tribunal's functioning. These rules lay down key aspects of the Tribunal's operations, including filing appeals, relevant forms, submission and verification of documents, conduct of hearings, disposal of cases, and procedural compliance. The rules vest the Tribunal with inherent powers to extend procedural timelines, admit additional evidence wherever justified, rectify errors apparent on the record, condone procedural lapses and impose costs where necessary. (Please [click here](#) to refer to the alert)

Goods and Services Tax Network Advisory

- **Case-insensitive invoice number processing for IRN generation from 1 June 2025:** The GSTN has announced that from 1 June 2025, the Invoice Registration portal will treat invoice or document numbers as case-insensitive for generating Invoice Reference Numbers (IRNs). Variations in invoice No. (e.g., "abc", "ABC") will be considered identical, with all entries converted to uppercase before IRN processing. This aligns with the existing case-insensitive treatment of invoice numbers in Form GSTR-1. (Please [click here](#) to refer to the advisory)
- **Reporting of inter-state supplies in Table 3.2 of GSTR-3B from April 2025:** The GSTN has announced that from April 2025 onwards, values auto-populated in Table 3.2 of Form

GSTR-3B covering inter-state supplies to unregistered persons, composition taxpayers, and UIN holders will become non-editable.

Any corrections must be made by amending the corresponding entries in GSTR-1A or GSTR-1/IFF filed for subsequent tax periods. Taxpayers are advised to ensure accurate reporting in Form GSTR-1, GSTR-1A, or IFF to avoid discrepancies.

(Please [click here](#) to refer to the advisory)

- **Implementation of Phase-III of mandatory HSN reporting in GSTR-1/1A:** Continuing the phased rollout¹⁶, Phase-3 of HSN code reporting in Table 12 of GSTR-1 and 1A will be implemented from the May 2025 return period.

Additionally, reporting in Table 13, covering the list of documents issued during the tax period will become mandatory from the same period.

(Please [click here](#) to refer to the advisory)

Judicial developments:

- **Kerala HC strikes down GST on services of club to members; upholds mutuality principle¹⁷:** The Kerala HC ruled that the amendments seeking to tax services provided by clubs or associations to their members violate the constitutional principle of mutuality. While citing precedents¹⁸, the HC held that clubs and their members are not separate persons, and transactions between them do not constitute taxable supplies. It further observed that the Parliament cannot override constitutional interpretations through deeming provisions or statutory amendments without altering the Constitution itself. Accordingly, the impugned amendments, including their retrospective application from 1 July 2017, were struck down. (Please [click here](#) for the detailed alert)
- **Bombay HC quashes GST demand on contractual development rights; limits RCM to statutory TDR/FSI transfers¹⁹:** The Bombay HC held that development rights granted under a private development agreement, without any independent transfer of statutory TDR or FSI, do not attract GST under Entry 5B of Notification No. 13/2017-Central Tax (Rate). The HC clarified that contractual development rights differ from statutory TDR/FSI and that reverse charge can only apply where such statutory rights are transferred. Accordingly, GST demand and related proceedings were quashed.

15. Instruction No. 03/2025-GST dated 17 April 2025

16. Notification No. 78/2020 - Central Tax

17. The Indian Medical Association (W.A. 1659/2024)

18. Calcutta Club and Ranchi Club

19. M/s. Shrinivasa Realcon Pvt. Ltd. (W.P. 7135 /2024)

E

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

Legislative/other developments:

- **India – UK finalise Free Trade Agreement and Double Contribution Convention:** The India-United Kingdom (UK) FTA and the Double Contribution Convention were concluded on 6 May 2025. The agreement represents a significant milestone in strengthening the bilateral Comprehensive Strategic Partnership between India and the UK. It aims to promote trade in goods and services, facilitate investments, foster innovation, and enhance employment opportunities. The FTA also incorporates provisions to promote mobility, regulatory cooperation, and sustainable economic growth. This FTA aligns with India's Viksit Bharat @ 2047 vision and represents the country's most comprehensive trade deal to date. (Please [click here](#) for the detailed update)
- **MeitY launches Electronics Component Manufacturing Scheme, 2025 to boost self-reliance:** The Ministry of Electronics and Information Technology (MeitY) has notified the Electronics Component Manufacturing Scheme, 2025, to promote domestic manufacturing of critical sub-assemblies, components, and capital equipment, reducing import dependence. The scheme offers turnover-linked, hybrid, and capex incentives, with disbursements tied to employment and investment thresholds. With a projected investment of INR 59,350 crore and production exceeding INR 4,56,500 crore, it aims to strengthen domestic value addition and deepen India's integration into global value chains. The application window opens from 1 May 2025 for eligible segments. (Please [click here](#) for the detailed update)
- **DGFT introduces 'Mode of Export of Services' field in eBRC format w.e.f. 1 May 2025²⁰:** A new 'Mode of Export of Services' field has been introduced in the Electronic Bank Realisation Certificate (eBRC) format for eBRCs generated

on or after 1 May 2025. The update aims to enhance the classification of services export data in line with WTO-GATS commitments. Exporters will now be required to select the applicable GATS mode of service supply during self-certification of eBRCs linked to IRMs.

Judicial developments:

- **SC evaluates if mobile chargers bundled with handsets are 'accessories' or essential parts²¹:** The SC examines whether mobile chargers sold with handsets in a single retail package qualify as accessories, attracting separate tax, or as essential parts of the handset under the Punjab VAT Act, 2005. The court reviewed the relevance of Rule 3(b) of the General Rules of Interpretation (GIR) concerning composite retail sets and noted the absence of statutory provisions allowing value splitting of bundled goods. Recognising the complexity of the issue and divergent judicial views, the Bench stressed the need to determine whether the handset imparts the essential character to the package. The matter has been adjourned for further hearing.
- **SC affirms that pendency of appeal does not extend the limitation for refund claims under the Central Excise Act²²:** The SC upheld the Delhi HC's ruling that the pendency of an appeal or stay does not suspend the obligation to file a refund claim within the prescribed period under Section 11B of the Central Excise Act. The court further confirmed that the interest on delayed refunds under Section 11BB accrues only after three months from the date of the refund application, not from the date of the appellate order. Refunds of duty remain subject to statutory conditions, distinct from automatic refunds of pre-deposits.
- **SC upholds HC's ruling directing GST alignment of industrial incentive schemes²³:** The SC dismissed the

20. Trade Notice No. 02/2025-26 dated 21 April 2025

21. M/s Samsung (India) Electronics Pvt. Ltd.

22. Goldy Engineering Works (W.P. (C) 4332 and 12143/2022)

state's appeal and affirmed the Calcutta HC's decision, holding that industrial incentives promised under the VAT-era schemes must be honoured post-GST by suitably adapting the scheme. The court upheld the principle of legitimate expectation, directing the state to align the incentive framework with GST and ensure that industrial units are not deprived of the promised benefits due to administrative inaction or legislative change.

- **Bombay HC invalidates the demand of interest, penalty and fine on IGST for advance authorisation imports made before the amendment in relevant provisions in 2024²⁴:** The Bombay HC ruled that the demands for interest, penalty, and redemption fine on IGST due to non-compliance with the pre-import condition under the advance authorisation scheme were unsustainable for imports made before the 2024 amendment to Section 3(12) of the Customs Tariff

Act. The HC clarified that the amendment was applicable prospectively and affirmed that penalties and interest require clear legal backing. It also held that the circular, to the extent mandating interest recovery, exceeded legal authority. The import was deemed regularised upon IGST payment, barring further penal action.
(Please [click here](#) for the detailed alert)

- **Bombay HC reserved judgement on classification and the applicable rate of customs duty on imported car kits²⁵:** The Bombay HC has heard the challenge against a 12-year-old SCN on the classification of CKD kits (8703) vs. auto parts (8708) and the legality of delayed adjudication. The HC had questioned the validity of revisiting 12-year-old assessments and acknowledged limitation as the primary issue. After the completion of the arguments, the court has, as of now, reserved the judgement on this matter.



23. Emami Agrotech Ltd. (WPA 4916/2022)

24. A.R. Sulphonates Pvt. Ltd. (W.P. 19366/2024)

25. Skoda Volkswagen India (WP No. 2051/2025)



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