

Quarterly GAAP Bulletin

Updates from July to September 2025

October 2025



Introduction

Dear reader,

Grant Thornton Bharat is delighted to present the 'Quarterly GAAP Bulletin', a bulletin that summarises significant accounting, auditing, and related updates. This publication has been compiled to meet the needs of dynamic Indian businesses and focuses on key developments in India and across the globe.

To access the source of information and complete details, you can click the hyperlinked text below each update.

We would be pleased to receive your valuable feedback. Please write to us at npsg@in.gt.com with your comments, questions, or suggestions.

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Feb

01

India updates – Effective



A. Accounting updates

1. Companies (Indian Accounting Standards) Second Amendment Rules, 2025

The Ministry of Corporate Affairs (MCA), in consultation with the National Financial Reporting Authority (NFRA), notified the Companies (Indian Accounting Standards) Second Amendment Rules, 2025, on 13 August 2025. These rules came into effect on 19 August 2025 upon publication in the official gazette.

The key amendments in the Indian Accounting Standards (Ind AS) include:

01

Classification of 'Liabilities as Current or Non-current' and 'Non-current Liabilities with Covenants' [Amendments to Ind AS 1, 'Presentation of Financial Statements' (Ind AS 1)]

Amendments have been made to Ind AS 1 to clarify and enhance the disclosure requirements pertaining to classification of liabilities. Amongst others, it has been clarified that the right to defer settlement of a liability for at least 12 months after the reporting period must have substance and must exist at the end of the reporting period. Further, the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability.

Under the current Ind AS 1, a carve-out from the corresponding IAS 1 under International Financial Reporting Standards (IFRS) exists with respect to classification of a liability in case of a breach of covenants that are condoned by the lender after the balance sheet date but before the approval of financial statements for issue. Under Ind AS 1, such liability is not re-classified as a current liability. Such carve-out has been proposed to be continued temporarily until the financial year (FY) beginning on or after 1 April 2025, however, the accounting and disclosure requirements are proposed to be aligned with IAS 1 from the FY beginning on or after 1 April 2026.

In case where an entity classifies liabilities arising from loan arrangements as non-current and the right to defer settlement of those liabilities is subject to the compliance with specified covenants within 12 months after the reporting period, in such situations, the entity shall disclose information about the covenants and the carrying amount of related liabilities, along with facts and circumstances, if any, that indicate potential difficulty complying with the applicable covenants.

Further, with effect from 1 April 2026, the company is also required to disclose the following non-adjusting events that occur between the end of the reporting period and the date the financial statements are approved for issue, in accordance with Ind AS 10, 'Events after the Reporting Period':

- Refinancing on a long-term basis of a liability classified as current;
- Rectification of a breach of a long-term loan arrangement classified as current;
- The granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement classified as current; and
- Settlement of a liability classified as non-current.

An entity is required to apply aforesaid amendments to Ind AS 1 retrospectively for annual reporting periods beginning on or after 1 April 2025, except for the specific amendments relating to breach of covenants as discussed above and the disclosure of subsequent non-adjusting events that are applicable retrospectively for annual reporting periods beginning on or after 1 April 2026.

02

Supplier Finance Arrangements [Amendments to Ind AS 7, 'Statement of Cash Flow' (Ind AS 7) and Ind AS 107, 'Financial Instruments Disclosure' (Ind AS 107)]**Supplier finance arrangement**

Supplier finance arrangements involve one or more finance providers offering to pay amounts owed by an entity to its suppliers, with the entity agreeing to repay the finance provider on the same date or a later date than when the suppliers are paid. These arrangements generally provide extended payment terms to the entity or offer early payment terms to suppliers, resulting in payment terms that differ from the original invoice due date. The common terms used for such arrangements include supply chain finance, payables finance, and reverse factoring. It is clarified that specific arrangements are excluded from supplier finance arrangements, such as credit enhancements, including financial guarantees or letters of credit used as guarantees, and instruments used by the entity to settle directly with suppliers, such as credit cards.

Disclosure requirements

To enable the users of financial statements to assess how supplier finance arrangements affect an entity's liabilities and cash flows and their effect on the entity's exposure to liquidity risk, the following shall be disclosed:

- a) The terms and conditions of the arrangements
- b) As at the beginning and end of the reporting period:
 - i. The carrying amounts and associated line items presented in the entity's balance sheet are of the financial liabilities that are part of a supplier finance arrangement.
 - ii. The carrying amounts and associated line items of the financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers.
 - iii. The range of payment due dates for the financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements.
- c) The type and effect of non-cash changes in the carrying amounts of financial liabilities with respect to the supplier finance arrangement. Examples of non-cash changes include the impact of business combinations, exchange differences, or other transactions that do not require the use of cash or cash equivalents.

An entity shall apply those amendments for annual reporting periods beginning on or after 1 April 2025. The disclosures mentioned above are not required for comparative periods and the interim period presented within the annual reporting period in which an entity first applies these amendments.



03

International Tax Reform – Pillar Two Model Rules [Amendments to Ind AS 12, Income Taxes (Ind AS 12)]

This amendment introduced recognition and separate disclosure requirements in respect of income taxes arising from the tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules (hereafter referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’). A temporary exemption has been provided from recognising or disclosing information about deferred tax assets and liabilities pursuant to Pillar Two income taxes. However, the entity needs to disclose that it has applied this exception.

Additionally, the current tax expense (or income) related to Pillar Two income taxes must be disclosed separately. Furthermore, in periods when Pillar Two legislation is enacted or substantially enacted but not yet in effect, the entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

An entity shall apply the amendments introducing the scope and temporary exemption from recognising or disclosing deferred tax assets and liabilities related to Pillar Two income taxes immediately upon issuance retrospectively in accordance with Ind AS 8. The remaining amendments, which prescribe disclosure requirements for exposure to Pillar Two income taxes, will be applied to annual reporting periods beginning on or after 1 April 2025.

In addition to the above, minor clarificatory and/or conformity amendments have been made to Ind AS 10, 28, 32, 101, 108, 109, and 115.

[Click here for the MCA notification](#)



2. EAC opinion on recognition of liability towards committed planned expenditure under Ind AS framework

The Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) has issued an opinion on the recognition of liability towards planned expenditure committed for stage-II forest clearance and environmental management plan under the environmental clearance (EC) of a bauxite mine received from the Ministry of Environment, Forest and Climate Change (MoEF&CC).

According to the facts of the case, a company engaged in bauxite mining, alumina and aluminum manufacturing, and power generation has been allotted a new bauxite mine to secure bauxite for its alumina refinery. The company has obtained stage-I forest clearance for the use of forest land. It has made specific commitments to fulfill certain conditions for obtaining Stage-II forest clearance from the MoEF&CC for the operation of the mine, which requires certain activities to be undertaken in the mining lease area. The cost of these activities is estimated to be INR 9.89 crores. Based on this undertaking, the company obtained Stage II forest clearance. Similarly, the company received an EC from MoEF&CC for the operation of the mine, subject to certain conditions that require the procurement/installation of specific equipment, as well as the execution of certain works during mine operations, with a cost estimated to be INR 120 crores. These statutory clearances were mandatory before entering into mining lease agreements.

The issue raised with EAC is whether a provision is required to be recognised for these conditions to be fulfilled, namely, activities/works to be undertaken or equipment to be procured/installed for which the company has already given an undertaking or commitment to the MoEF&CC as part of obtaining clearances.





In accordance with Ind AS 37, 'Provisions, Contingent Liabilities and Contingent Assets' (Ind AS 37) read with guidance given under IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' (IAS 37), the EAC evaluated and noted that the obligation towards fulfilling conditions for getting forest and environment clearance could be considered as a legal obligation. However, one of the essential criteria for recognising a provision is that the entity has a present obligation as a result of a past event. The enactment of a law is not sufficient to give rise to an entity's present legal obligation; an entity has a present obligation only when the event to which the law applies has occurred. Furthermore, Ind AS 37 states that no provision is recognised for costs that are expected to be incurred in the future.

The EAC is of the view that when an entity commits as part of the undertaking given by that entity to undertake certain activities before or as part of obtaining clearances, such obligation is not a present obligation as a result of a past event. The costs that the company would incur to fulfil these commitments in subsequent years are costs that it would need to incur to operate in the future; the obligations for those costs did not exist independently of the company's future actions. The company will have that present obligation only when it undertakes these activities, including entering the forest land and commencing mining operations in subsequent years.

Furthermore, regarding other conditions for recognising provisions, the Committee noted that settling the obligation mentioned above would require an outflow of resources embodying economic benefits, and a reliable estimate of the amount of the obligation could be made. Therefore, the company should recognise a provision for such an obligation as and when it incurs the present obligation.

[Click here to access the EAC opinion](#)

3. EAC opinion on accounting treatment of investment in erstwhile associate under Ind AS framework

The EAC of the ICAI has issued an opinion on the accounting treatment of an investment in an erstwhile associate under the Ind AS framework.

This pertains to a case involving a company engaged in the business of 3D printing software and defense equipment, which had invested in an associate company in the 1970s. The associate company later became financially distressed and was referred to the erstwhile Board for Industrial and Financial Reconstruction (BIFR) in 1998-99. Due to prolonged losses in the associate company, the company fully provided for the investment and thereby carried a provision of 100% of its investment in this associate company in its financial statements. The investment was carried at a notional value of INR 1 for several years.

In FY 2016-17, the company adopted Ind AS, and at that time, the investment was measured at fair value as 'deemed cost' under Ind AS 101, first-time adoption of Indian Accounting Standards (Ind AS 101).

In FY 2021-22, the associate made a right issue of shares at a premium, which the company did not subscribe to, reducing its holding to 19%. Thereby, it discontinued to be an 'associate' of the company, and hence, the same was measured at fair value through profit and loss (FVTPL) as per the requirements of Ind AS 109, Financial Instruments (Ind AS 109).

By FY 2023-24, the erstwhile associate's net worth had turned positive, with future profitability being expected. In view of the turnaround of the erstwhile associate, the company's management has decided to value the investment in the erstwhile associate at fair value.





[Click here to access the EAC opinion](#)

The querist has raised a question with the EAC of ICAI regarding whether the company has the option to measure its investment at fair value through other comprehensive income (FVTOCI) in FY 2023-24, considering the turnaround by the erstwhile associate and expected future profits.

Based on the facts, the EAC noted that the investments in equity instruments falling within Ind AS 109 are required to be measured at fair value. The company may make an irrevocable election to present subsequent changes in fair value through other comprehensive income (OCI) instead of through profit or loss at the initial recognition of equity instruments, as per the requirements of Paragraphs 4.1.4 and 5.7.5 of Ind AS 109.

As per Ind AS 109, the option to measure instruments at the FVTOCI is available only at the time of initial recognition of equity instruments and not subsequently. In the extant case, after the right issue by the associate company during FY 2021-22, the associate company was no longer considered to be an associate of the company, and hence, the company should have applied the requirements of Ind AS 109 for the first time in accounting for its equity investments in the erstwhile associate company in the FY 2021-22.

In that year, the company could have irrevocably elected to present the subsequent changes in fair value through the OCI (provided the conditions of Paragraph 5.7.5 of Ind AS 109 were met).

However, since the company did not make such an election during FY 2021-22, this option is not available in subsequent reporting periods. Therefore, the EAC concluded that in the existing case, the company cannot measure its investment in the equity shares of the erstwhile associate company at the FVTOCI; instead, it should measure its investment in the equity shares of X Ltd. at fair value through profit or loss.

4. EAC opinion on accounting treatment and presentation of perpetual loan under the Ind AS framework

The EAC of ICAI has issued an opinion on the accounting treatment and presentation of perpetual loans under the Ind AS framework.

The company in question is a Government of India ('GOI') undertaking under the Ministry of Defence, primarily engaged in the construction and repair of ships and submarines. It had received a financial restructuring package of INR 824.90 crores from the GOI in FY 2010–11, and as part of the package, INR 452.68 crores were provided as grant-in-aid to clear outstanding liabilities, while INR 372.22 crores, comprising of existing loans, accrued interest, and guarantee fees were converted into a perpetual, interest-free loan with no repayment obligation. The company was following the Indian GAAP (IGAAP) until FY 2023–24 and transitioned to Ind AS from FY 2024–25.

The company sought the opinion of the ICAI's EAC on whether the perpetual loan should be classified as 'Equity' under Ind AS. Specifically, the query focused on the recognition, classification, and presentation of such instruments under Ind AS 32, Financial Instruments Presentation (Ind AS 32), considering there is no contractual obligation to repay or pay interest, nor any obligation to settle in the issuer's own equity instruments.

The EAC concluded that since the company has:

No obligation to repay loan or pay interest (i.e., no obligation to pay cash or other financial asset),

No obligation to exchange for any other financial assets or financial liabilities under conditions that are potentially unfavourable to the company,

No obligation to settle such a loan in its own equity instruments;

It does not meet the definition of a financial liability as per the requirements of Ind AS 32, but fulfils the conditions of an equity instrument as per Paragraph 16 of Ind AS 32. Therefore, it should be classified as 'Instruments entirely equity in nature' in the financial statements.

Further, as per Ind AS 1 and Division II of Schedule III of the Companies Act, 2013 (the Act), such instruments evidencing residual interest in the company's net assets should be presented under the 'Equity' section of the balance sheet, following 'Equity Share Capital' and before 'Other Equity', with appropriate disclosures in the Statement of Changes in Equity.

[Click here to access the EAC opinion](#)

5. FAQs on guidance note on financial statements of non-corporate entities

The Accounting Standards Board (ASB) and Auditing and Assurance Standards Board (AASB) of the ICAI have published frequently asked questions (FAQs) on 8 July 2025, to clarify and support the implementation of the Guidance Note on Financial Statements of Non-Corporate Entities (Guidance Note) applicable for the accounting period beginning on or after 1 April 2024.

This guidance note replaces the earlier technical guide and aims to standardise the financial reporting for entities not governed by the Act or the Limited Liability Partnership Act, 2008 (LLP Act), such as sole proprietorships, HUFs, partnerships, societies, and trusts. The FAQs address key aspects, including applicability, exemptions, prescribed formats, auditor responsibilities, and the classification of entities into micro small and medium enterprises (MSMEs) and large entities. They also provide clarity on disclosure requirements, comparative figures, and auditor reporting in case of non-compliance, thereby promoting consistency, transparency, and improved quality in financial statements across non-corporate entities.

Following 19 September 2025, the ICAI has provided relaxation in compliance with this guidance note for FY 2024-25, offering an option to adopt it voluntarily for FY 2024-25.

[Click here to access the FAQs](#)

[Click here for Guidance Note](#)

[Click here for the announcement of relaxation for voluntary implementation](#)



6. Revised edition of technical guide on 'Accounting for Expenditure on Corporate Social Responsibility Activities'

The ICAI has issued the revised July 2025 edition of its technical guide on accounting for expenditure on corporate social responsibility (CSR) activities (Technical Guide), which provides comprehensive guidance on the accounting, presentation, and disclosure of the CSR expenditures under Section 135 of the Act.

The technical guide incorporates the latest amendments, circulars, and guidance issued by the MCA, providing updated and practical guidance on the key aspects of CSR accounting and compliance.

It addresses various scenarios, including cash and in-kind contributions, unspent and excess CSR amounts, income from CSR activities, and capital asset creation, ensuring transparency and compliance. It also clarifies the accounting treatment for CSR funds routed through implementing agencies and includes illustrative examples and journal entries to aid accurate financial reporting.

[Click here for the Technical Guide](#)





B. Auditing updates

1. Revised guidance note on tax audit under Section 44AB of the Income Tax Act, 1961

On 4 July 2025, the Direct Tax Committee (DTC) of the ICAI issued a 'Guidance Note on Tax Audit under Section 44AB of the Income Tax Act, 1961' (Guidance Note), incorporating amendments to the Income Tax Act, 1961 (the Income Tax Act), which were made by the Finance (No. 2) Act 2024, Finance Act 2025, and the recent changes that have been notified in Form No. 3CD. The Guidance Note is a revision of the version issued in 2023 by the ICAI.

[Click here for revised guidance note](#)

2. FAQs on Management Representation Letter

The AASB of the ICAI has issued FAQs on the Management Representation Letter (MRL) in August 2025.

The publication is issued to enable auditors to comply with the requirements of Standards on Auditing (SA) 580, 'Written Representations' and to obtain necessary management representations effectively. The publication contains FAQs on MRL and responses to these FAQs. Further, this publication also contains four appendices, which include illustrative templates on the representation letter, format for updating MRL, format for additional considerations, and SA 580 compliance checklist.

[Click here for the ICAI publication](#)



3. Checklist for issuance of certificate

The Centre for Audit Quality Directorate (CAQ) of the ICAI has issued an illustrative checklist for the issuance of certificates which is based on the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) (Guidance Note) issued by the ICAI, to help members comply with the requirements of the Guidance Note.

The checklist is structured into three sections:

1. Section A - Applicability
2. Section B - Procedure checklist
3. Section C - Completion checklist

Members of the ICAI are encouraged to refer to the Guidance Note while applying the illustrative checklist.

[Click here to access the checklist issued by the ICAI](#)

[Click here to access the Guidance Note issued by the ICAI](#)



4. Widening the scope of mandatory applicability of the Audit Quality Maturity Model (AQMM) and disclosure of the AQMM levels on the ICAI website and peer review certificates

The CAQ of the ICAI, vide an announcement dated 11 August 2025, has expanded the scope of mandatory applicability of AQMM version 2.0 and disclosure of AQMM levels on the ICAI website and peer review certificates.

Currently, the AQMM is mandatory for firms auditing listed entities, banks (excluding cooperative banks and multi-state cooperative banks), and insurance companies, except for firms conducting only branch audits.

The scope of the mandatory applicability of the AQMM version 2.0 has been made compulsory in a phased manner for the following categories of firms:

Category of firms	Date of applicability (Peer review conducted on or after)
Firms auditing the holding/subsidiary/ associates/joint ventures of the following entities: a) A listed entity b) Banks other than cooperative banks (except multi-state cooperative banks) c) Insurance companies However, firms conducting only branch audits are not covered.	1 April 2026
Firms that propose to undertake a statutory audit of unlisted public companies: • Having paid up capital of not less than INR 500 crores, or • Having an annual turnover of not less than INR 1,000 crores or • Having, in aggregate, outstanding loans, debentures, and deposits of not less than INR 500 crores As on 31 March of the immediately preceding financial year.	01 April 2026
Firms which propose to undertake the statutory audit of entities that have raised funds from public or banks or financial institutions of over INR 50 crores during the period under review, or of any body corporate, including trusts that are covered under public interest entities.	1 April 2027

The level of the firm assessed under the AQMM is currently being hosted by the Peer Review Board on the ICAI website, alongside the date of validity of the peer review certificate. The ICAI has decided that the list of AQMM version 2.0 reviewed firms will be hosted level-wise on the ICAI website by the Peer Review Board, and the AQMM version 2.0 level of the firm will also be mentioned on the peer review certificate issued to the firms.

[Click here for the ICAI announcement](#)



C. Regulatory updates

MCA updates

1. Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2025

The MCA, vide its notification dated 4 September 2025, has issued the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2025.

Key amendments include the following:

- a) The notice of the proposed scheme, as required under Section 233(1)(a) of the Act, shall now also be issued to the concerned sectoral regulator, such as the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI), etc., and to respective stock exchanges in case of listed companies, for inviting their objections or suggestions that earlier required only from the registrar and official liquidator.
- b) Amended Rule 25(1A) regarding the eligibility of a fast-track merger covered under Section 233 of the Act to the following additional classes of companies:
 - I. One or more unlisted companies with one or more unlisted companies (not being Section 8 companies), wherein every company involved in the merger:
 - a) has aggregate outstanding loans, debentures, and deposits not exceeding INR 200 crore, and
 - b) has not defaulted in the repayments of such loans, debentures, and deposits

as computed on two occasions, viz., within 30 days before filing the notice for inviting objections under Section 233(1)(a) of the Act, and on the date of the filing of the scheme under Section 233(2) of the Act. A certificate from the auditor of each of the companies involved, confirming compliance with the conditions mentioned above, is required to be filed along with the scheme.
 - II. A holding company (listed or unlisted) and its subsidiary, regardless of being wholly owned (listed or unlisted), provided that the transferor company is not listed.
 - III. Fellow subsidiaries of the same holding company, provided that the transferor company is not listed.
 - III. A foreign holding company incorporated outside India (transferor) with its Indian wholly owned subsidiary (transferee).

- c) The timelines prescribed under Rule 25(4)(a) to file a copy of the scheme with the central government have been extended to 15 days from 7 days from the conclusion of the meeting of members or creditors.
- d) Fast-track procedures given under Rule 25 will now also apply to cases of division or transfer of undertakings, i.e., demergers, as referred to under Section 232(1)(b) of the Act.

These amendment rules are effective from 4 September 2025.

[Click here to access the MCA notification](#)



2. Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025

On 7 July 2025, the MCA has notified the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025.

Key changes include a revised e-form CSR-1, 'Registration of Entities for undertaking CSR Activities', requiring enhanced disclosures such as PAN, e-mail verification via OTP, and digital signatures. Only entities such as Section 8 companies, registered public trusts and societies, and those established by government bodies or under acts of parliament/state legislatures are permitted to undertake CSR projects, i.e., can act as CSR implementing agencies. Entities not established by companies must now demonstrate a minimum three-year track record in CSR activities to become eligible to act as CSR implementing agencies. The amendment also introduces mandatory professional certification and imposes penalties for false declarations, aiming to improve transparency, accountability, and compliance in CSR reporting.

The amendments took effect on 14 July 2025.

[Click here for the ICAI announcement](#)

3. Companies (Incorporation) Second Amendment Rules, 2025

On 26 August 2025, the MCA notified the Companies (Incorporation) Second Amendment Rules, 2025, to amend the existing Companies (Incorporation) Rules, 2014.

The primary change introduced by this amendment is the substitution of the current Form No. RD-1 with a new version.

Companies use Form No. RD-1 to seek approval from the Regional Director (RD) for various matters, including the conversion of a public company into a private company, a change in the financial year, rectification of the company name, and removal of auditors under the Act.

This change is made in exercise of the powers granted by several sections of the Act, to regulate and promote the development of corporate governance.

The amendments came into effect from 15 September 2025.

[Click here for the MCA notification](#)

SEBI updates

1. SEBI (Real Estate Investment Trusts) (Second Amendment) Regulations, 2025 and SEBI (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2025

SEBI has issued the SEBI (Real Estate Investment Trusts) (Second Amendment) Regulations, 2025, and the SEBI (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2025, on 1 September 2025.

Key amendments include the following:

Applicable for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)

- a) “Public” definition has been updated to exclude the related party of REIT/InvIT, its sponsor, investment manager or project manager. Further, it clarifies that the sponsor, sponsor group, investment manager or project manager of the REIT/InvIT shall not be considered as ‘public’ and while a qualified institutional buyer, even if otherwise excluded, shall be regarded as ‘public’ for these regulations.
- b) In case where the holding company’s net distributable cash flow is negative, it may be adjusted against cash flows from special purpose vehicles (SPVs), with appropriate disclosure requirements to unitholders in the manner described by SEBI.
- c) Valuation reports must be submitted to the trustee simultaneously with submission to stock exchanges.
- d) Annual valuation to be conducted as on 31 March each year and submitted to stock exchanges, along with annual financial results.

Applicable for InvITs

- a) The minimum investment amount from any investor has been reduced from INR 1 crore to INR 25 lakhs. Furthermore, the requirement of a minimum investment of INR 25 crores for InvITs investing 80% or more in completed and revenue-generating assets has been omitted.
- b) A quarterly valuation of the assets and a quarterly report, along with quarterly financial statements, shall be required for InvITs whose consolidated borrowings and deferred payments exceed 49%.

These amendments are effective from 1 September 2025.

Click [here](#) and [here](#) for the amendments related to REITs and InvITs Regulations, respectively

2. SEBI (Share-based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025

The SEBI, vide its notification dated 8 September 2025, had issued SEBI (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025.

While these regulations exclude the promoters from the definition of an employee, they do not clarify the treatment of options, SARs, or any other benefits that are already granted to founder-turned-promoters.

The amendment now clarifies that an employee who is identified as a ‘promoter’ or part of the ‘promoter group’ in the draft offer document filed by a company with the SEBI, and who was granted options, SAR or any other benefit under any scheme at least 1 year before filing of the draft offer document, shall be eligible to continue to hold and/or exercise such options, SAR or any other benefit, in accordance with its terms and subject to compliance with these regulations and other applicable laws.

These amendments are effective from 8 September 2025.

[Click here for these SEBI amendment regulations](#)

3. SEBI 211th Board meeting updates

SEBI, in its 211th board meeting, held on 12 September 2025, had approved the following key amendments as per the details contained in the press release:

- a) Amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI LODR Regulations], and associated circulars to enhance the ease of doing business while maintaining investor protection pertaining to the related party framework based on the recommendations of the Advisory Committee on Listing Obligations and Disclosures (ACLOD) and public feedback on SEBI’s consultation paper dated 4 August 2025.

These amendments include the following:

- I. **Scale-based thresholds for material related party transactions (RPTs):** SEBI introduced scale-based threshold considering the annual consolidated turnover of the listed entity as per the last audited financial statements, for determining material RPTs for approval by shareholders as under:

Annual consolidated turnover of listed entity	Threshold
(I) Up to INR 20,000 crore	10% of the annual consolidated turnover of the listed entity
(II) More than INR 20,001 crore to up to INR 40,000 crore	INR 2,000 crore + 5% of the annual consolidated turnover of the listed entity above INR 20,000 crore
(III) More than INR 40,000 crore	INR 3,000 crore + 2.5% of the annual consolidated turnover of the listed entity above INR 40,000 crore, or INR 5,000 crore, whichever is lower

- II. Threshold for prior approval of audit committee of listed entity for subsidiary's RPTs:** The revised thresholds for the prior approval of the audit committee of the listed entity for the RPTs undertaken by subsidiaries (above INR 1 crore, individually or taken together with previous transactions during the year), are as under –
- A. For a subsidiary having audited financial statements:** 10% of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary or the scale-based threshold for material RPT of the listed entity given in point (i) above, whichever is lower.
- B. For subsidiaries not having audited financial statements for a period of at least one year:** 10% of the aggregate value of the paid-up share capital and securities premium account of the subsidiary; or the scale-based threshold for material RPT of the listed entity given in point (i) above, whichever is lower.
- III. Simplified disclosures for smaller RPTs:** SEBI to issue a circular outlining the minimum information to be provided to the audit committee and shareholders for the approval of a RPT, which does not exceed 1% of the annual consolidated turnover of the listed entity or INR 10 crore, whichever is lower, whether individually or taken together with previous transactions during a financial year (including transactions which are approved by way of ratification). This will provide relaxation to these smaller RPTs from the RPT Industry Standards as mentioned in the SEBI Circular dated 26 June 2025.
- IV. Omnibus approval for RPTs:** As per Regulation 23(3) of the SEBI LODR Regulations, the audit committee may grant omnibus approval for RPTs. The provisions with respect to the validity of omnibus approval for RPTs, given by the shareholders, as provided in Para (C)11 of Section III of the SEBI Master Circular dated 11 November 2024 on SEBI LODR Regulations, are now proposed to be incorporated under Regulation 23(4) of the SEBI LODR Regulations, to keep the requirements at one place, which provides that the shareholders' approval of omnibus RPTs approved in an Annual General Meeting (AGM) shall be valid up to the date of the next AGM for a period not exceeding 15 months. In case of omnibus approvals for material RPTs, obtained from shareholders in general meetings other than the AGM, such omnibus approvals shall be valid for 1 year.
- V. Retail purchase exemption clarified:** Directors, key managerial personnel or their relatives can make retail purchases from the listed entity or its subsidiaries without triggering RPT norms, provided such terms are uniformly applicable/offered to employees, as well as the aforementioned persons, and the transaction does not involve any business relationship.
- VI. Definition of 'holding company' clarified:** An explanation to Regulation 23(5) of the SEBI LODR Regulations is proposed to be inserted, to clarify that the term 'holding company' refers to and shall be deemed to have always referred to the 'listed holding company'.

- b) Amendments to the SEBI (Mutual Funds) Regulations, 1996, for re-classifying REITs as 'equity' and retaining the 'hybrid' classification for the InvITs, for investments by mutual funds and specialised investment funds. The aforesaid re-classification will enable enhanced investment in REITs by the mutual funds and the existing limit applicable for both REITs and InvITs would now be exclusively available for InvITs, thereby facilitating growth in this segment also.

In addition to the above, the press release also includes several other amendments aimed at improving the ease of doing business, investor protection, and addressing stakeholder concerns.

[Click here for the press release on the SEBI Board Meeting](#)

4. SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2025

On 8 September 2025, SEBI notified the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2025, to further amend the SEBI LODR Regulations.

Key amendments include the following -

- a) Inserted Regulation 39(2A) to ensure that all securities issued pursuant to any scheme of arrangement, sub-division, split, or consolidation must be in a dematerialised form, and if investors lack demat accounts, the listed entities must open separate demat accounts for them.
- b) Amended Regulation 91C(1), as per which not for profit organisations (NPOs) registered on the social stock exchanges (SSEs) are required to make annual disclosures to SSEs on financial aspects by 31 October or the due date of filing income tax return, whichever is later, and on non-financial elements within 60 days from the end of the financial year.
- c) Amended Regulation 91E(2), to replace the word 'Firm' with 'Organisation' to include NGOs and other authorised entities. Furthermore, the annual impact report of a listed project now requires assessments by social impact assessors, while the annual impact report of non-listed projects can be self-certified. Such an annual impact report must cover at least 67% of the programme expenditure in the previous financial year.
- d) A new Sub-regulation 91E(2A) is inserted, which provides that NPOs registered on SSEs may not raise funds for a period of two years from their registration. However, upon the expiry of such two years, the NPO shall have at least one listed project, failing which it shall cease to be registered.

The amendments are effective from 1 September 2025

[Click here for these amendments to the SEBI LODR Regulations](#)

5. FAQs on the industry standards on 'Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction'

The SEBI, vide a circular dated 26 June 2025, had issued the revised industry standards on minimum information to be provided to the audit committee and shareholders for the approval of Related Party Transaction (RPT Industry Standards).

On 4 September 2025, the National Stock Exchange of India (NSE) issued FAQs to clarify the applicability of these RPT Industry Standards.

Some of the key clarifications covered in FAQs are as follows:

- a) The RPT Industry Standards substitutes the disclosure requirement specified in Section III-B of the Master Circular for compliance with the provisions of the SEBI LODR Regulations by listed entities dated 11 November 2024.
- b) The RPT Industry Standards specifies 'minimum information' to be disclosed, and the management may provide additional information beyond what is prescribed. Further, the Audit Committee may also seek additional information as it deems necessary.
- c) Applicability to the RPT Industry Standards on certain types of transactions and response to queries around the applicability of INR 1 crore threshold.
- d) Guidelines for placing information to the Audit Committee, capturing comments of the Audit Committee in the minutes, and obtaining necessary certifications from company executives.
- e) Other reports of the external party, apart from the valuation report, such as benchmarking reports, arm's length pricing report, transfer pricing agreements, justification for ordinary course of business, expert opinions, fairness opinion, etc., taken by the listed entity or relied upon by the listed entity or its subsidiary for entering into proposed RPT are required to be placed before the Audit Committee.
- f) Provisions of the SEBI LODR Regulations and/ or the SEBI Circulars shall prevail in case of inconsistency in the RPT Industry Standards.

[Click here for FAQs issued by the NSE](#)

RBI updates

1. RBI (Pre-payment Charges on Loans) Directions, 2025

The RBI, on 2 July 2025, issued the RBI (Pre-payment Charges on Loans) Directions, 2025 (Pre-payment Directions), which is applicable to all regulated entities (REs), i.e., commercial banks (excluding payments banks), cooperative banks, non-banking financial companies (NBFCs), and All India Financial Institutions (AIFIs), regarding the levy of pre-payment charges on floating rate loans and advances granted to all individuals and micro and small enterprises (MSEs) with or without a co-obligant.

The following are the key highlights of the Pre-payment Directions, which should be adhered to by the REs for the levy of pre-payment charges on all floating rate loans and advances:

- a) For all loans granted for purposes other than business to individuals, with or without co-obligant(s) - RE shall not levy pre-payment charges.
- b) For business loans taken by individuals and MSEs - major entities like commercial banks (excluding small finance banks (SFBs), regional rural banks (RRBs), and local area banks (LABs), Tier 4 urban cooperative banks, NBFCs in the upper layer and the AIFIs are barred from charging pre-payment fees entirely. For smaller institutions, such as small finance banks, RRBs, Tier-3 urban cooperative banks, state and central cooperative banks, and NBFCs in the middle layer, such charges can be levied on loans with a sanctioned amount or limit of more than INR 50 lakh.
- c) For loans other than those mentioned above, REs can levy pre-payment charges as per their approved policies, and the same needs to be clearly disclosed in the loan documents. However, in the case of term loans, prepayment charges, if levied by the RE, should be based on the amount being prepaid. In the case of cash credit/ overdraft facilities, pre-payment charges will be levied on the closure of the facility before the due date, up to an amount not exceeding the sanctioned limit.
- d) The applicability of pre-payment charges must be clearly stated in the sanction letter and loan agreement, and undisclosed charges cannot be levied by the RE.
- e) REs cannot impose charges or fees at the time of pre-payment if those charges were previously waived.

These directions shall apply to all loans and advances sanctioned or renewed on or after 1 January 2026.

[Click here for the Pre-payment Directions](#)

2. RBI (Investment in AIF Directions), 2025

The RBI, on 29 July 2025, issued the RBI (Investment in AIF) Directions, 2025 (AIF Directions), which outline the updated regulatory guidelines for investments by regulated entities (REs) in Alternate Investment Funds (AIFs), which will apply to all commercial banks (including SFBs, LABs, and RRBs), cooperative banks, AIFs, and NBFCs (including housing finance companies).

The following are the key highlights of the AIF Directions that should be adhered to by REs for investments in units of AIF schemes:

- a) RE's investment policy should include suitable provisions governing its investments in an AIF scheme, compliant with existing laws and regulations.
- b) No RE should individually contribute more than 10% of the corpus of an AIF scheme.
- c) Collective contribution by all REs in any AIF scheme should not be more than 20% of the corpus of that scheme.
- d) In case where an RE contributes more than 5% of the corpus of an AIF scheme that also has downstream investment (excluding equity instruments) in its debtor company, the RE must make 100% of the provision to the extent of its proportionate investment in the debtor company through the AIF scheme, subject to a maximum of the direct loan and/ or investment exposure of the RE to the debtor company.
- e) Notwithstanding the provisions of Paragraph (d) above, if a RE's contribution is in the form of subordinated units, then it should deduct the entire investment from its capital funds proportionately from both Tier-1 and Tier-2 capital (wherever applicable).
- f) Outstanding investments or commitments of a RE, made with prior approval from the RBI under the provisions of Master Direction – RBI (Financial Services provided by Banks) Directions, 2016, are excluded from the scope of Paragraph (b) and (c) above.
- g) The RBI may, in consultation with the government of India, by a notification, exempt certain AIFs from the scope of the existing circulars and the revised AIF Directions (except for Paragraph (a) above).

These directions will take effect from 1 January 2026 or from any earlier date as decided by a RE, in accordance with its internal policy.

[Click here for the AIF Directions](#)

3. RBI (Co-Lending Arrangements) Directions, 2025

The RBI, on 6 August 2025, issued the RBI (Co-Lending Arrangements) Directions, 2025 (the Directions), to broaden the scope of co-lending and provide specific regulatory clarity on the permissibility of Co-Lending Arrangements (CLA).

As per the Directions, 'CLA' refers to an arrangement formalised through an ex-ante agreement, between a regulated entity (RE) originating the loans (originating RE) and another RE co-lending (partner RE), to jointly fund a portfolio of loans, secured or unsecured, in a pre-agreed proportion, involving revenue and risk-sharing.

Key aspects of the Directions are as follows:

Applicability

- a) These Directions apply to the CLAs entered into by the following REs:
 - Commercial banks (excluding SFBs, LABs and RRBs);
 - AIFIs and
 - NBFCs (including housing finance companies).
- b) These Directions do not apply to loans sanctioned under multiple banking arrangements, consortium lending, or syndication.

General guidelines

- a) Each RE under a CLA shall be required to retain a minimum 10% share of the individual loans in its books.
- b) The credit policy of a RE should include provisions for CLAs, covering internal limits on CLA exposure, target borrower segments, partner due diligence, and mechanisms for customer service and grievance redressal.
- c) The agreement between CLA partners should clearly define the terms of engagement, borrower selection criteria, product scope, fee structure (if any), role segregation, timelines for sharing key information, customer interface responsibilities, and provisions for customer protection and grievance redressal.
- d) All relevant details of CLAs must be disclosed to borrowers as per RBI Circular on 'Key Facts Statement (KFS) for Loans & Advances' dated 15 April 2024.
- e) The REs participating in CLAs for loans qualifying under priority sector norms in terms of Master Directions - RBI (Priority Sector Lending - Targets and Classification) Directions, 2025, may claim priority sector status for their share.
- f) NBFCs must follow applicable accounting standards for unrealised profits under CLAs, which should be deducted from CET 1 capital or net owned funds until loan maturity for regulatory capital compliance.
- g) The loan agreement with the borrower shall include upfront disclosure regarding the segregation of roles and responsibilities, as well as a clear identification of the entity acting as a single point of interface with the borrower.



Interest rate and other fees/charges

- a) The interest rate and any other fees/charges on the underlying loans shall be based on the contractual agreement, subject to the regulatory norms.
- b) The final interest rate charged to the borrower shall be the blended interest rate, calculated as the average rate of interest derived from the interest rates charged by the respective REs, based on their internal lending policies and borrower risk profiles, weighted by the proportionate funding share of the concerned REs under the CLA.

Operational arrangements

- a) The CLA shall entail an irrevocable commitment on the part of partner RE to take into its books, on a back-to-back basis, its share of the individual loans as originated by the originating RE.
- b) The respective shares of the REs are reflected in the books of both REs without delay, not later than 15 calendar days from the date of disbursement. Each RE shall maintain a separate borrower account for its share.
- c) All transactions must be routed through an escrow account, maintained with a bank (which may be one of the REs).
- d) Furthermore, loans under the CLA shall be included in the scope of internal/ statutory audits of each RE to ensure adherence to their respective internal guidelines, the terms of the agreement, and applicable regulatory requirements.
- e) In the event of termination of the CLA between the REs, the REs shall implement a robust business continuity plan to ensure uninterrupted service and support to borrowers until full repayment of the loans is made.
- f) A RE involved under the CLA shall comply with the prescribed norms under the Master Direction - Know Your Customer (KYC) Direction, 2016.

Default loss guarantee (DLG)

The originating RE may provide the DLG up to 5% of loans outstanding in respect of loans under CLA.

Assets classification

REs shall apply a borrower-level asset classification for their respective exposures under CLA. In case where one RE classifies a borrower as Special Mention Account (SMA) / Non-performing Assets (NPA) on account of default in the CLA exposure, in such situations, the same classification shall apply to the exposure of the other RE.

Transfer of loan exposures

- a) Any subsequent transfer of loan exposures originated under the CLA to third parties, or any inter-se transfer of such exposures between REs, must strictly adhere to the provisions outlined in the Master Directions – Transfer of Loan Exposure, 2021 (MD-TLE).
- b) Transfers to third parties shall be permitted only with the mutual consent of both the originating and partner REs.

Disclosures

- a) REs must prominently disclose on their official websites a list of all active CLA partners, ensuring transparency in co-lending relationships.
- b) In their financial statements, under the 'Notes to Accounts' section, REs must disclose comprehensive details about CLAs, including relating to necessary details of CLAs, including quantum of CLAs, weighted average rate of interest, fees charged/paid, broad sectors in which CLA was made, performance of loans under CLA, details related to default loss guarantee, if any, etc.
- c) This disclosure shall be made on a quarterly/annual basis, depending on the reporting requirements applicable to the concerned RE.

These Directions are effective from 1 January 2026, or an earlier date as decided by a RE as per its internal policy.

[Click here for the RBI notification](#)



4. RBI (Non-Fund Based Credit Facilities) Directions, 2025

The RBI, on 6 August 2025, issued the RBI (Non-Fund Based Credit Facilities) Directions, 2025 (the Directions), to provide a comprehensive regulatory framework for the extension of non-fund-based credit facilities like guarantees, letters of credit, co-acceptances, etc., ensuring greater uniformity, risk management, and prudential oversight across the financial sector.

Applicability

These Directions apply to the following regulated entities (REs):

- a) Commercial banks (including RRBs and LABs)
- b) NBFCs (including housing finance companies)
- c) Primary (Urban) cooperative banks / state cooperative banks / central cooperative banks
- d) AIFs.

General condition

- a) The credit policy of a RE shall incorporate suitable provisions for the issue of non-fund based (NFB) facilities, inter alia, covering aspects relating to the type of NFB facilities, limits granted, credit appraisal, security requirement, fraud prevention, overall monitoring mechanism, including post-sanction monitoring, delegation matrix, audit and internal controls, compliance with uniform standards issued by standard setting bodies and other safeguards.
- b) A RE shall issue an NFB facility only on behalf of a customer who has a funded credit facility from the RE, with some exemptions as mentioned in the Directions.

Conditions applicable to guarantees and co-acceptances

- a) A guarantee (or a counter-guarantee) issued by a RE (guarantor) shall be irrevocable, unconditional, incontrovertible, and shall contain a precise mechanism for honouring the same without demur as and when invoked.
- b) A RE shall put in place suitable internal aggregate/individual ceilings for the issuance of guarantees in general and unsecured guarantees in particular. Further:
 - The total volume of guaranteed obligations of UCBs, RRBs, LABs, state cooperative banks, and central cooperative banks outstanding at any time shall not exceed 5% of their total assets;
 - Unsecured guarantees should be restricted to 1.25% of total assets.
- c) Internal policy relating to guarantees shall address aspects such as the invocation and settlement mechanism, claim period, tenor, fees, commissions, applicable charges, timelines for the release of security, renewal, and fraud prevention measures, among others.
- d) REs shall not guarantee another RE's fund-based credit to an obligor (except for trade-related transactions);

- e) NFB guarantees are allowed and treated as exposure on the obligor for the guarantor RE, while the RE extending the credit facility treats it as exposure on the RE that is providing the counter guarantee.
- f) REs permitted as authorised dealers (ADs) may extend the NFB facilities under the Foreign Exchange Management Act (FEMA), 1999, for bonafide current/capital account transactions, including guarantees for export-related liabilities.

Partial credit enhancement (PCE)

Scheduled commercial banks (excluding RRBs), AIFIs, and NBFCs, including HFCs, in the middle layer and above may provide PCE to bonds issued by corporates/SPVs and non-deposit-taking NBFCs with an asset size of INR 1,000 crore and above, registered with the RBI (including HFCs).

Balance sheet treatment and exposure for PCE

- a) Drawn PCE is treated as an on-balance sheet advance; Undrawn PCE is an off-balance sheet item and reported under 'Contingent Liability – Others'.
- b) Drawn PCE must be repaid within 30 days; overdue beyond 90 days is classified as NPA.
- c) Exposure limits:
 - i. PCE to a single counterparty must be within the overall regulatory limits.
 - ii. Aggregate PCE capped at 20% of Tier 1 capital.

These Directions shall come into force on or after 1 April 2026, or on any earlier date as decided by a RE in accordance with its internal policy.

[Click here for the RBI circular](#)



Other regulatory updates

1. CBDT circular on extension of timelines for filing of tax audit report for FY 2024-25

The Central Board of Direct Taxes (CBDT), vide its circular dated 25 September 2025, extended the due date for filing of tax audit report from 30 September 2025 to 31 October 2025 for FY 2024-25 (relevant to assessment year 2025-26) for assessees specified under Clause (a) of Explanation 2 to Section 139(1) of the Income Tax Act.

[Click here for the CBDT circular](#)

2. New guidelines to limit the number of tax audits by the members of ICAI

The DTC of the ICAI, on 30 July 2025, has announced revised guidelines limiting the number of tax audits a member of the ICAI can undertake.

As per the revised guidelines:

- a) The existing limit of 60 tax audit assignments per member has been retained. However, it is clarified that for the aforesaid limit, each financial year's audit will be considered as a separate assignments.
- b) Further, the said limit of 60 tax audit assignments per member would be the aggregate limit in respect of all tax audits accepted and signed by a member, both in his individual capacity and as a partner of a firm(s). In other words, an individual member cannot sign more than 60 tax audit reports in a financial year.
- c) The limit on the number of tax audit assignments per partner in a CA firm cannot be distributed or shared between partners.
- d) Audits conducted under Clauses (c), (d), and (e) of Section 44AB of the Income Tax Act in relation to persons covered under Sections 44AE, 44ADA, and 44AD of the Income Tax Act are exempt from this limit.
- e) In case of revision of the tax audit report, the revised tax audit report shall not be taken into account for the purpose of reckoning the said limit of 60.

These new guidelines will be effective for all tax audits under Section 44AB of the Income Tax Act from 1 April 2026 and shall remain in force until further orders.

[Click here for guidelines on the number of tax audits](#)



02

India updates - Proposed



A. Regulatory updates

IBBI updates

1. The Insolvency and Bankruptcy Code (Amendment) Bill, 2025

The Insolvency and Bankruptcy Code (Amendment) Bill, 2025, introduced in the Lok Sabha on 12 August 2025, proposes extensive changes to the Insolvency and Bankruptcy Code, 2016 (IBC 2016 or the Code).

The amendments aim to enhance speed, creditor empowerment, process clarity, and flexibility for resolving insolvency.

The proposed legislation:

- Introduces 'creditor-initiated insolvency' resolution process with an out-of-court initiation mechanism for genuine business failures to facilitate faster and more cost-effective insolvency resolution, with minimal business disruption.
- Introduces 'group insolvency' to efficiently resolve insolvencies involving complex corporate group structures, minimising value destruction caused by fragmented proceedings and maximising value for creditors through coordinated decision-making.
- Introduces 'cross-border insolvency' to lay the foundation for protecting stakeholder interests in domestic and foreign proceedings, promoting investor confidence, and aligning domestic practices with international best practices.
- Clarifies the original intent and expands definitions under the code, incorporating novel concepts of insolvency.
- Modifies existing provisions to align with the overall objectives of the code and introduces new mechanisms that follow global best practices for resolving insolvency.

The amendments will take effect on the date the central government issues a notification in the Official Gazette.

The Insolvency & Valuation Standards Board of the ICAI has issued a publication titled 'Summary of Amendments Proposed in the Insolvency and Bankruptcy Code (Amendment) Bill, 2025 vis-à-vis IBC 2016', providing a detailed analysis of the proposed changes, along with the rationale behind them.

[Click here for the proposed amendment in IBC 2016](#)

[Click here for the ICAI publication](#)



03

International updates – Effective



A. Accounting updates

1. FASB issued targeted improvements to internal-use software guidance

The Financial Accounting Standards Board (FASB) has issued an Accounting Standard Update (ASU) that updates the guidance on accounting for internal-use software costs.

Currently, the Accounting Standards Codification (ASC) Subtopic 350-40, Intangibles-Goodwill and Other-Internal-Use Software, requires the entities to capitalise development costs incurred for internal-use software depending on the nature of the costs and the project stage during which they occur. Still, this guidance can be challenging because entities have trouble differentiating between the project stages, particularly in an iterative development environment (for example, agile).

The amendments in this ASU enhance the operability of the guidance by removing all references to software development project stages, thereby making the guidance neutral to different software development methods, including those entities may use to develop software in the future. Therefore, the amendments require that an entity capitalise software costs when both conditions are met:

- a) Management has authorised and committed to funding the software project; and
- b) It is probable that the project will be completed and the software will be used to perform the function intended (referred to as the ‘probable-to-complete recognition threshold’).

When evaluating the probable-to-complete recognition threshold, an entity must consider whether there is significant uncertainty associated with the software development activities.

The amendments in the ASU are effective for all entities for annual reporting periods beginning after 15 December 2027, and interim reporting periods within those annual reporting periods.

Early adoption is permitted as of the beginning of an annual reporting period.

[Click here to access the ASU issued by the FASB](#)

2. FASB issues a standard that improves the measurement of credit losses for accounts receivable and contract assets

The FASB has issued ASU 2025-05 specifically addressing the measurement of credit losses for accounts receivable and contract assets. This ASU addresses concerns raised by private companies and other stakeholders regarding the complexity and cost of applying existing credit loss guidance to short-term assets, particularly those arising from revenue contracts under Topic 606, Revenue from Contracts with Customers.

The ASU 2025-05 has introduced two key changes:

1. Practical expedient (available to all entities): In developing reasonable and supportable forecasts as part of estimating expected credit losses, all entities may elect a practical expedient that assumes that current conditions as of the balance sheet date do not change for the remaining life of the asset.
2. An accounting policy election: An entity other than a public business entity that elects the practical expedient is permitted to make an accounting policy election to consider collection activity after the balance sheet date when estimating expected credit losses.

The amendments take effect for annual reporting periods commencing after 15 December 2025 and interim reporting periods within those annual periods.

Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance.

[Click here to access the ASU issued by the FASB](#)



3. Near-final examples on reporting uncertainties in the financial statements using climate-related examples by IFRS Foundation

On 24 July 2025, the IFRS Foundation published near-final examples demonstrating how companies can enhance the reporting of uncertainties in their financial statements using climate-related examples as practical illustrations and provide guidance that applies broadly to all types of uncertainties.

The International Accounting Standards Board (IASB) has collaborated with the International Sustainability Standards Board (ISSB) to ensure that these examples align with the ISSB's sustainability-related disclosure requirements as well.

The examples demonstrate practical applications of various standards, covering:

- Materiality judgements in relation to climate transition plans.
- Impairment disclosures, including assumptions about the future costs of emission allowances.
- Credit risk reporting for industries exposed to climate-related financial impacts.
- Disaggregation of property, plant, and equipment (PP&E) based on climate vulnerability.
- Decommissioning provisions under long-term policy uncertainty.

The final examples are expected to be delivered in October 2025, which are pending to be issued as on date of this publication.

[Click here to access the IFRS Foundation publication](#)

4. IASB has issued amendments to IFRS 19 subsidiaries without public accountability: Disclosures

The IASB issued amendments to IFRS 19 'Subsidiaries without Public Accountability: Disclosures' on 21 August 2025.

The IFRS 19, published in May 2024, included reduced disclosure requirements for eligible subsidiaries applying other IFRS Accounting Standards and amendments as of 28 February 2021. The newly issued amendments to IFRS 19 are aimed at reducing disclosure requirements for standards and amendments issued between 28 February 2021 and 1 May 2024.

The IASB has reduced the disclosure requirements by excluding disclosure objectives relating to supplier finance arrangements, lack of exchangeability, Pillar Two model rules, classification and measurement of financial instruments, and non-current liabilities with covenants. Additionally, disclosure requirements relating to management-defined performance measures have been replaced by a cross-reference to IFRS 18- 'Presentation and Disclosure in Financial Statements'.

These amendments are effective from the date IFRS 19 becomes applicable, i.e., the annual periods beginning on or after 1 January 2027, with earlier application permitted.

[Click here to access the IASB update](#)



B. Auditing updates

1. IAASB issued narrow scope amendments to ISQMs, ISAs, and ISRE 2400 (Revised) as a result of the revisions to the definitions of listed entity and public interest entity in the IESBA Code

The International Auditing and Assurance Standards Board (IAASB) has issued narrow scope amendments to the International Standards on Quality Management (ISQMs), International Standards on Auditing (ISAs), and International Standards on Review Engagements (ISRE) 2400 (Revised) as a result of the revisions to the definitions of 'Listed Entity' and 'Public Interest Entity' in the International Ethics Standards Board for Accountants (IESBA) Code of Ethics.

These narrow scope amendments include:

- a) Adopting the same definition of publicly traded entity (PTE) in the ISQMs and ISAs as adopted in the IESBA Code of Ethics to ensure consistency across ethical and auditing standards.
- b) Incorporating an overarching objective for differential requirements for PTEs in the ISQMs and ISAs, reflecting broader stakeholder expectations for PIE audits and a framework for when it may be appropriate to apply such requirements to entities other than PTEs.
- c) Amending the applicability of the existing requirements for audits of listed entities to apply to audits of PTEs.
- d) Introducing a new requirement in ISRE 2400 (Revised) for public disclosure in the practitioner's review report when the practitioner applies independence requirements specific to reviews of financial statements of certain entities, e.g., for public interest entities.

These amendments are effective for audits (and reviews) of financial statements for periods beginning on or after 15 December 2026.

[Click here to access narrow scope amendments issued by the IAASB](#)

2. Revised ISA- 240, the Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements by IAASB

The IAASB, on 8 July 2025, issued ISA 240 (Revised), 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' [ISA 240 (Revised)], intending to provide consistent practice, change audit behaviour, deliver clear responsibilities, stronger risk response, and improved transparency.

Key highlights of ISA 240 (Revised) include:

- Reinforcing professional skepticism by requiring auditors to stay alert for fraud indicators and design unbiased procedures;
- Clarifying auditor responsibilities;
- Strengthening ongoing communication with management and those charged with governance on fraud matters;
- Applying a fraud lens to risk assessment with requirements such as understanding whistleblower programmes and addressing revenue recognition risks;
- Adding robust work effort requirements when fraud or suspected fraud is identified, including thresholds for inconsequential fraud and engagement partner accountability;
- Enhancing transparency by requiring fraud-related matters to be communicated as key audit matters in the auditor's report, and
- Improving documentation requirements to record understanding, sources, risk assessments, judgements, and conclusions related to fraud.

The revisions also align with ISA 570 (Revised 2024), Going Concern [ISA 570 (Revised)], recognising that fraud and financial distress are often interrelated risks that must be addressed together to bolster corporate transparency and resilience.

ISA 240 (Revised) is effective for the audits of financial statements for periods beginning on or after 15 December 2026.

[Click here to access the ISA 240 \(Revised\)](#)

[Click here to access facts sheet](#)

[Click here to access the Basis of Conclusion](#)

3. Publication on 'How the revised going concern and fraud standards reinforce professional skepticism' by IAASB

The IAASB has released a new non-authoritative publication to assist stakeholders in understanding how the revisions to ISA 570 (Revised) and ISA 240 (Revised) strengthen the consistent application of professional skepticism throughout the audit.

This publication highlights key enhancements to both standards by addressing, among other matters, how auditors are expected to maintain a questioning mindset, consider contradictory evidence, and appropriately challenge management assumptions.

[Click here for the publication](#)





C. Sustainability reporting and assurance:

1. Educational material by the IFRS Foundation for using ISSB industry-based guidance when applying ISSB Standards

The IFRS Foundation has published educational material to support the application of ISSB Standards, helping companies understand how to utilise industry-based guidance, including the Sustainability Accounting Standards Board (SASB) Standards and the industry-based guidance on Implementing IFRS S2, 'Climate-related Disclosures' (IFRS S2). This material clarifies that entities applying IFRS S1, 'General Requirements for Disclosure of Sustainability-related Financial Information' (IFRS S1) and IFRS S2 are required to refer to and consider the applicability of this guidance when identifying sustainability-related risks, opportunities, and relevant disclosures. It explains how to determine industry relevance, apply the guidance in practice, and disclose how it has been used.

[Click here for the educational material](#)



2. Additional support materials for implementation of IESSA by IESBA staff

The staff of the IESBA has released two support publications, titled, ‘*Key Differences Between the International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Parts 1 to 4A of the IESBA Code of Ethics*’ and ‘*List of Prohibitions for PIEs in IESSA*’, to help sustainability assurance practitioners understand and apply the IESSA.

The first mentioned publication is intended to support firms that already follow the IESBA Code in understanding and implementing the IESSA for sustainability assurance engagements and provides an overview of how the IESSA compares to the ethics and independence provisions in the IESBA Code that apply to audits of financial statements. For reference purposes, the publication is accompanied by a marked-up version of the IESSA showing changes from the corresponding sections of the extant IESBA Code.

The second publication summarises the specific interests, relationships, non-assurance services, and other circumstances prohibited under the IESSA when performing sustainability assurance engagements for PIEs. It is intended as a high-level reference to help sustainability assurance practitioners gain a deeper understanding of the prohibitions in the IESSA.

[Click here for publication - ‘Key Differences Between IESSA and Parts 1 to 4A of the Code’](#)

[Click here for publication - ‘List of Prohibitions for PIEs in IESSA’](#)



3. IESBA publishes new guidance to support implementation of Standards on External Experts and Sustainability Assurance

The IESBA, on 8 September 2025, released following two staff publications to enhance understanding and support the global adoption and implementation of its ethics standard on using the work of an external expert and IESSA, both of which are effective from December 2026-

- a) **Q&A on using the work of an external expert** – This publication is relevant to all professional accountants, whether in business or in public practice, and sustainability assurance practitioners (SAPs). It provides answers to common questions on, evaluating whether to use the work of an external expert, how to identify an external expert, the extended requirements for assessing the objectivity of an external expert in the context of an audit or other assurance (including sustainability) engagement, concluding on external expert's competence, capabilities and objectivity, potential threats arising from using the work of an external expert, specific considerations related to the IESSA, etc.
- b) **Proportionality of the IESSA** - This publication highlights key aspects of the IESSA that illustrate its proportionality. At the same time, the IESSA also provides a robust global ethics and independence baseline for sustainability assurance engagements (SAEs). The proportionality of the IESSA enables it to support the performance of SAEs for entities of all sizes, thereby underpinning public trust in those engagements. It also facilitates the implementation of the IESSA by Sustainability Assurance Practitioners (SAPs) that are small and medium practices (SMPs).

Click [here](#) and [here](#) to access staff publications issued by the IESBA



4. IAASB has published extracts from ISSA 5000 for Limited and Reasonable Assurance Engagements and FAQ document on applicability of ISAE 3000 (Revised) and ISAE 3410

The IAASB, on 14 August 2025, published new resources, ‘Extracts from International Standard on Sustainability Assurance (ISSA) 5000 for Limited and Reasonable Assurance Engagements’ and FAQ document on International Standard on Assurance Engagements (ISAE) 3000 (Revised), ‘Assurance Engagements Other Than Audits or Reviews of Historical Financial Statements’ [ISAE 3000 (Revised)] and ISAE 3410, ‘Assurance Engagements on Greenhouse Gas Statements’ (ISAE 3410), to support ISSA 5000 adoption and implementation.

Extracts from ISSA 5000 for Limited and Reasonable Assurance Engagements:

In response to requests from stakeholders, the IAASB has prepared reference extracts containing the material in ISSA 5000 relevant only to limited assurance engagements and reasonable assurance engagements, separately, to assist practitioners in understanding and applying the standard based on the level of assurance.

FAQ document on ISAE 3000 (Revised) and ISAE 3410:

These FAQs clarify that, for jurisdictions adopting the IAASB standards, ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Statements, and ISAE 3410, Assurance Engagements on Greenhouse Gas Statements, will no longer apply to sustainability assurance engagements once ISSA 5000 becomes effective in December 2026.

However, in case where the law and regulations in a jurisdiction have not adopted ISSA 5000 by the effective date, the practitioner in such a jurisdiction can continue to apply ISAE 3000 (Revised) or a jurisdiction-specific version of ISAE 3410 until the jurisdiction adopts ISSA 5000.

Click [here](#) and [here](#) for extracts for limited and reasonable assurance engagements issued by IAASB, respectively

Click [here](#) for the FAQs issued by the IAASB



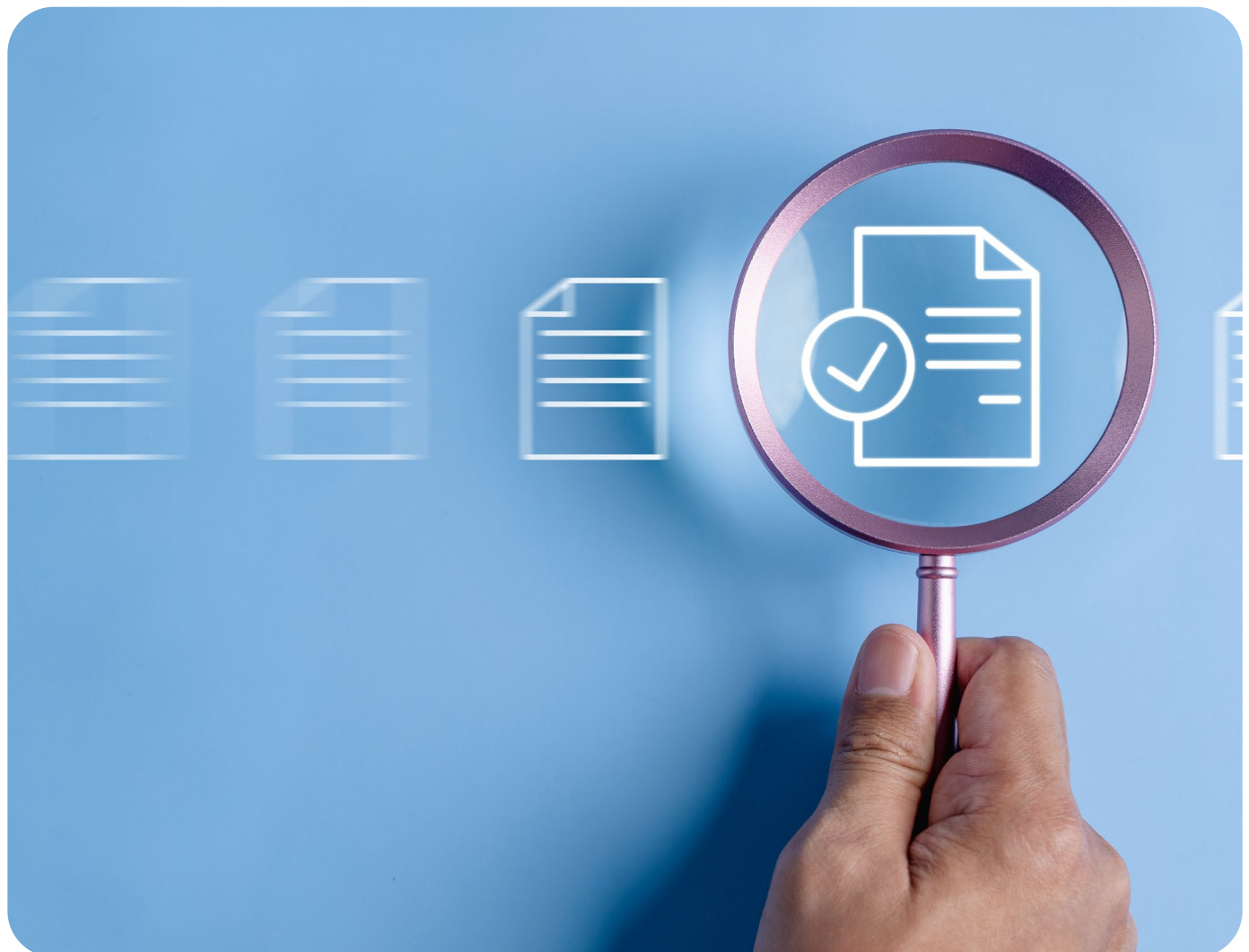
5. ISSB has published educational material on disclosing information about anticipated financial effects, applying ISSB Standards

The ISSB, on 18 August 2025, published educational material on ‘Disclosing information about anticipated financial effects applying ISSB Standards’ to support the implementation of IFRS S1 and IFRS S2. The educational material addresses the disclosure requirements of the anticipated financial effects of sustainability-related risks and opportunities.

This educational material focuses on these key disclosure requirements in respect of anticipated financial effects and comprises three sections:

- Overview of the disclosure requirements in ISSB Standards, opportunities, and the rationale behind them.
- Mechanisms in the ISSB Standards that help companies to prepare disclosures.
- Illustrations of disclosure of information applying the ISSB Standards.

[Click here for the educational material](#)





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