Monthly Update Capsule

April 2025

R R D AND ASSOCIATES

Chartered Accountants
CA Rakesh Daftary

Contents

Income Tax Department monitoring your financial transactions with AI – check detail

The Income Tax Department has now made tax scrutiny data-based and risk-focused. AI tools are now able to check how well your ITR of this year matches with the previous years. Have you shown less income or claimed more deductions? All these are now being analysed automatically.

The Income Tax Department has continuously been expanding the scope of monitoring tax evasion. Tax officials have scaled up the use of Artificial Intelligence (AI) and data analytics to enhance tax compliance and detect discrepancies in financial behaviour.

Now if you invest a large amount, buy property, or spend more than you spend on credit card, all these transactions are being monitored by the tax department, say tax experts.

Use of AI for trend analysis and discrepancy detection

By identifying patterns and detecting significant deviations or inconsistencies in income disclosures, deductions claimed, or sources of income, the system is capable of flagging potential cases of under-reporting or tax evasion.

AI is now analysing your old and new tax filings

With this, now most of the assessments are becoming 'faceless' i.e. taxpayers do not need to meet officers face to face – the entire work is being done online and through the system. In this, with the help of AI, the selection process of cases is becoming more fair and transparent.

Now the tax department will also enter the digital world

The department will get even more power in the new Income Tax Bill to be implemented from 2026. Now, if the authorities suspect that you have evaded tax through some digital means, they can check your social media accounts, emails, banking apps, trading platforms, and even online investment platforms.

According to Section 247 of the new bill, if needed, the authorities can access the data even by breaking the password. A new legal term called "virtual digital space" has also been added, which will include cloud storage, digital wallets, email servers and other platforms.

Now caution is the biggest wisdom

After these changes, taxpayers will now have to be very cautious about their every financial transaction and digital presence. Keeping transparent records and following tax rules is no longer just an option, it has become a necessity.

With the advent of AI, the tax system has now become predictive, fraud-preventive and extremely accurate – that is, 'predictive', 'preventive' and 'precision-based'. In such a situation, now even the smallest mistake will not be able to escape the eyes of the tax department.

Read More:- Income Tax Department monitoring your financial transactions with AI – check detail

Tax dept tightens claims scrutiny: Key rules for rent paid to parents

Many salaried individuals claim tax exemption on house rent allowance (HRA) by paying rent to family members, such as parents. While this is legally permissible, the Income Tax Department has intensified scrutiny of such claims.

Increased scrutiny

Tax authorities say they have observed instances where individuals claimed HRA exemption without fulfilling rules to do so.

Common issues include:

- Lack of a formal rental agreement.
- Rent payments made in cash, or lacking bank transaction proof.
- Absence of rent receipts.
- Landlords not declaring rental income in their tax returns.

Such discrepancies raise flags, prompting the department to issue notices seeking clarification to many individuals recently.

Below are the steps you can take to safeguard yourself.

Steps to Ensure Compliance and Avoid Notices

1. Rental agreement: Draft a clear agreement with your relative, specifying rent amount, payment terms and duration. The document serves as primary evidence of the rental arrangement.
2. Bank transactions: Pay rent through for banking channels like electronic fund transfer or Unified Payments Interface. Avoid cash payments: they are cumbersome to trace and validate.
3. Rent receipts: Collect monthly rent receipts signed by the landlord, detailing the amount, period, and property address.
4. Landlord's PAN: If annual rent exceeds Rs 100,000, furnish the landlord's PAN to your employer. This ensures transparency and aligns with tax regulations.
5. TDS deduction: If monthly rent exceeds Rs 50,000, deduct 2 per cent Tax Deducted at Source (TDS) and deposit the amount using Form 26QC. Provide Form 16C to the landlord as proof.
6. Landlord's tax declaration: Ensure that the relative receiving rent declares it as income in their tax return. This corroborates your HRA claim and demonstrates transparency.

What to do if you receive a notice

If the Income Tax Department questions your HRA claim:

- Respond promptly, providing all relevant documents like the rental agreement, rent receipts, and bank statements.
- Ensure the landlord's PAN and their tax return reflect the rental income.
- Consult a tax professional if needed to address the notice effectively.

Read More :- Tax dept tightens claims scrutiny: Key rules for rent paid to parents

Catch the nouveau riche! Income tax dept casts a new dragnet

India is spawning a new rich class, especially in its small towns, which splurges on personal luxury goods with abandon but often escapes the income tax net. But not anymore. The July 2024 Budget had proposed to bring the expenses made on luxury goods by the rich under the ambit of TCS (Tax collected at source) if cost of luxury goods is more than Rs 10 lakh.

This tax is now taking effect from April 22, 2025. From wrist watches to art pieces to yachts to handbags, purses and shoes to golf kits, a number of luxury goods will now attract TCS.

However, with this new TCS, the government is not intending to bulk up its direct tax revenues. Once the TCS is collected from the buyer, it is the seller's duty to deposit the same against the buyer's PAN. Once the tax is deposited against the buyer's PAN, the buyer can use it to claim a tax credit and pay a lower tax in the ITR filing. The idea is to throw a light on luxury goods purchases so the rich can't escape the tax net or underpay their income tax.

The government's move comes amid a rising number of the rich in India, especially in small towns, who splurge on luxury goods but might be under-reporting their income.

When luxury items over 10 lakh rupees are purchased in cash, it results in loss of tax revenue to the government as cash transactions go untraced.

As India's economy expands, disposable incomes rise and the size of the affluent population grows, consumers are increasingly gravitating toward premium products and luxury brands. This trend, which accelerated during the pandemic, shows no signs of slowing down. From luxury cars to high-end beauty products, India's affluent class is willing to spend on premium items that offer quality and exclusivity. This trend is also catching up in small towns where people are getting richer and are more willing to splurge on luxury.

India minted a new billionaire every five days in the last one year and took the total count of US dollar billionaires to cross the triple-century mark for the first time, as per the 2024 Hurun India Rich List which showed that India now has 334 billionaires by adding 75 compared to the last year.

The income-tax department is all set to catch this rising number of nouveau riche in its dragnet with the TCS on purchase of luxury goods.

Read More :- [Catch the nouveau riche! Income tax dept casts a new dragnet]

New Tax Bill 2025: No Nil TDS certificate for all taxpayers including NRIs; What does it mean for Indians and NRIs?

It seems that due to deletion of two words – 'no deduction' in the proposed new Income Tax Bill 2025 will result in removal of the concept of 'nil TDS' certificate for both Indian taxpayers and non-residents including NRIs. To understand how big of an impact this removal is, you need to understand when does a taxpayer need a nil TDS certificate? A nil TDS certificate needs to be applied online by a taxpayer when he/she expects to get an income on which no income tax is required to be paid due to any reason.

So, it's like if your actual income tax liability from any income is 0 but Rs 1 lakh TDS is being deducted on this income, then in this situation you can apply for this nil TDS certificate and if it's granted then zero TDS will be deducted. Similarly in case of tax liability being less than the TDS amount you can apply for lower TDS deduction request.

This is the change which the new tax bill 2025 brings- If the current provision of this proposed bill is implemented as it is, you won't be able to get a nil TDS certificate. But you can still get a lower TDS certificate. So, this means you need to file an income tax return (ITR) even if you are an NRI, to claim back the TDS so deducted and if it's more than your tax liability then get a tax refund. Earlier with the nil TDS certificate you could have avoided all of these processes.

What did the new tax bill 2025 propose?

The clause 395 of the new income tax bill 2025 said:

Where tax is required to be deducted on any income or sum under this Chapter, then subject to the rules made under this Act,—

(a) the payee may make an application before the Assessing Officer for deduction of tax at a lower rate; and

(b) the Assessing Officer on being satisfied that the total income of the payee justifies a lower deduction, shall issue a certificate as appropriate; and

(c) when a certificate is issued under clause (b), the person responsible for paying the income or amount shall deduct the tax at the rate specified in such certificate till its validity.

Section 197 of the Income Tax Act, 1961 said:

Subject to rules made under sub-section (2A), where, in the case of any income of any person or sum payable to any person, income-tax is required to be deducted at the time of credit or, as the case may be, at the time of payment at the rates in force the Assessing Officer is satisfied that the total income of the recipient justifies the deduction of income-tax at any lower rates or no deduction of income-tax, as the case may be, the Assessing Officer shall, on an application made by the assessee in this behalf, give to him such certificate as may be appropriate.

What is the impact of this new change proposed in the income tax bill, 2025 for NRIs and Indians?

Get lower TDS certificate for all payments instead of specified payments earlier

Experts say that earlier in the Income Tax Act, 1961, lower TDS certificate was limited to specified payments, now under the new tax bill, 2025 no such restrictions apply.

Government wants to track the transactions hence no nil TDS certificate

This is likely one of the main reasons why the Government, in the new Income Tax Bill, 2025 is considering doing away with the Nil TDS Certificate. Under the current law, a person can apply for a certificate that allows the payer not to deduct any tax if their income is below the taxable limit. But from the Government's point of view, this means missing out on valuable data. Without a TDS deduction, there's no reporting of income either.

Instead of a complete waiver, tax officers in many cases have already been using a practical approach—allowing a very small rate of deduction like 0.1% or even 0.01%. While such small amounts don't really affect the taxpayer's liquidity, they do ensure that the transaction is captured and reported. This helps the tax department build a full picture of the taxpayer's income, even if no real tax is due.

So, if the new tax law replaces the Nil certificate with a very low TDS rate, it's not so much about collecting more tax—it's about keeping the income trail visible. In the long run, that makes for a fairer and more transparent tax system for everyone.

Read More :- New Tax Bill 2025: No Nil TDS certificate for all taxpayers including NRIs; What does it mean for Indians and NRIs?

Taxpayers barred from claiming deductions on Sebi, CCI settlement costs

The income tax department on Thursday said taxpayers will not be allowed to claim deduction for expenditures incurred to settle proceedings initiated under four laws, including the Sebi and the Competition Act. In a notification issued on April 23, the Central Board of Direct Taxes (CBDT) notified that any expenditure incurred to settle proceedings initiated in relation to contravention or defaults under the four specified laws shall not be deemed to have been incurred for the purpose of business or profession and no deduction or allowance shall be made in respect of such expenditure. The four laws are the Securities and Exchange Board of India Act, 1992; the Securities Contracts (Regulation) Act, 1956; the Depositories Act, 1996; And the Competition Act, 2002.

Read More :- Taxpayers barred from claiming deductions on Sebi, CCI settlement costs

New guidelines to curb GST registration related harassment, to help in timely resolution of grievances of taxpayers

The Central Board of Indirect Taxes and Customs (CBIC) has released an important circular about the Goods and Services Tax (GST) registration process rules which are to be followed by a GST proper officer responsible for handling the GST registration process. The stress is on the word 'registration process', as CBIC noted that taxpayers were getting harassed by the GST registration process and this caused an increasing number of complaints being filed by taxpayers. CBIC said in this circular that GST officers handling registration applications should not ask any presumptive query which is not related to the documents or information submitted by the applicant.

However, procedural aspects like these were also the reason of harassment and delays for taxpayers, as without a GST registration, nobody can claim input tax credit (ITC) or even issue an invoice i.e. no sales.

Read below to know what did CBIC say about documents required for GST registration and how it can help prevent harassment of taxpayers seeking GST registration.

Table showing a summary of the above circular:

#	Subject	What You Need to Know (Instructions)	Examples / Clarification
1	General Objective	Ensure genuine taxpayers get hassle-free registration while avoiding fraudulent registrations.	Officers should not harass applicants by seeking unnecessary documents.
2	Proof of Principal Place of Business (PPOB)	Documents as per indicative list in FORM GST REG-01 to be strictly followed. Officers should not seek original physical documents or additional documents outside prescribed list.	One utility bill (electricity/water) or property tax receipt suffices. PAN, Aadhaar or photo of lessor not required unless specified.
3	Owned Premises	Any one document to prove ownership: Property tax receipt / Khata copy / Electricity bill / Water bill etc.	Applicant uploading electricity bill in owner's name for owned premises is sufficient.
4	Rented Premises	1. Unregistered rent agreement + one ownership proof of lessor + lessor's ID. 2. Registered rent agreement + one ownership proof only (lessor's ID not required). 3. If utility bill is in applicant's name, that + rent agreement is enough.	Registered rent agreement + electricity bill of lessor = Sufficient Unregistered rent agreement + owner's water bill + PAN = Sufficient.
5	Consent Letter Cases (Relative/Spouse)	Consent letter on plain paper + ID of consenter + one ownership document from list.	Premises in father's name – letter from father + Aadhaar + electricity bill = Sufficient

6	Shared Premises	Same as above based on availability of rent agreement/consent letter.	Registered rent agreement + electricity bill = Ok No rent agreement: consent letter + Aadhaar + property tax receipt = Ok
7	No Agreement (Rented/Leased)	Submit an affidavit (on stamp paper) + utility bill (in applicant's name).	No rent agreement? Provide notarized affidavit + electricity bill in your name = Ok
8	SEZ Location	Upload Government issued SEZ certificate.	SEZ developer must upload SEZ approval letter or certificate issued by concerned authority.
9	Constitution of Business	Upload only proof of constitution – Partnership Deed, Registration Certificate of Society/Trust etc. Other documents like Udyam/MSME/Trade license are not to be asked.	Partnership Firm: Partnership Deed = OkTrust: Trust Registration Certificate = Ok No need for MSME, Udyam Aadhaar etc.
10	Prohibited Queries	Avoid unnecessary/presumptive queries: location mismatch, banned goods, etc.	Don't reject registration if applicant resides in different city/state from PPOB.
11	Application Processing	Officer to verify all documents for legibility & relevance.	Address in documents must match application. Officer can verify authenticity via government websites if needed.
12	Timelines – Non-risky Applications	Approve within 7 working days if Aadhaar verified & application complete.	If your application is not flagged risky and documents are fine – expect approval within a week.
13	Timelines – Risky/Flagged Applications	Registration allowed within 30 days after physical verification.	If Aadhaar not authenticated or flagged risky, officers will physically verify and upload report in GST REG-30.
14	Physical Verification Guidelines	Officer must: upload report, GPS photo, efforts made, assign correct jurisdiction, etc.	If location mismatches – officer to record steps taken, upload GPS photo as evidence.
15	Clarifications via REG-03	Officer can seek clarification only if: documents are unclear, address mismatch/incomplete, cancelled PAN-linked GSTIN, etc. Only with approval for extra documents.	Officer must not seek extra docs unless approved by Asst/Deputy Commissioner.
16	Timelines for Queries & Decisions	REG-03 (notice) to be issued within 7 days (non-risky) or 30 days (risky). REG-04 (reply) to be filed in 7 working days. REG-05 (rejection) if reply not filed or not satisfactory	If you get REG-03, respond via REG-04 in 7 days. Officer must reply (accept or reject) within another 7 days.
17	Responsibility of Senior Officers	Chief Commissioners to: Monitor registration status, review queries, prevent deemed approvals, post enough staff, and issue Trade Notices for acceptable docs in local context.	Local GST zone may issue a Trade Notice accepting specific documents valid under local law (e.g. village panchayat electricity bill).

Read More:- New guidelines to curb GST registration related harassment, to help in timely resolution of grievances of taxpayers

CBIC notifies rules for GST tribunal

New Delhi: The Central Board of Indirect Taxes & Customs (CBIC) has notified comprehensive rules for the Goods and Services Tax (GST) Appellate Tribunal, with effect from April 24, outlining the procedures for filing, management and adjudication of appeals, and set out the powers, duties and functions of the tribunal.

The rules say that all appeals must be filed online through the GSTAT portal, while the hearing can be in-person or online, as approved by the tribunal president.

Read More :- CBIC notifies rules for GST tribunal

RBI allows minors above 10 years to open bank accounts independently

The Reserve Bank of India (RBI) has issued comprehensive norms for opening of and operations in the deposit accounts of minors applicable to regulated banking entities, including commercial and cooperative banks.

The central bank conducted a review to rationalise and harmonise the extant guidelines.

Minors of any age can open and operate savings and term deposit accounts through his/her natural or legal guardian. They may also be allowed to open such accounts with their mother as guardian, RBI said in communication. The revised norms come into effect from April 21, 2025.

The banks should ensure that accounts of minors, whether operated independently or through a guardian, are not allowed to be overdrawn and that these always remain in credit balance.

The banks shall perform customer due diligence for opening of deposit accounts of minors and undertake ongoing due diligence, in line with regulatory norms.

On attaining the age of majority of account holders, banks should obtain fresh operating instructions and specimen signatures to be kept on record. Moreover, if the account is operated by the guardian, the balance should be confirmed.

The banks shall take advance action, including communicating these requirements to minor account holders attaining the age of majority, to ensure fulfilment of these requirements, it added.

Read More:- RBI allows minors above 10 years to open bank accounts independently

RBI caps FEMA violation penalty at Rs 2 lakh to ease compliance burden

RBI has capped the penalty amount for FEMA violations to Rs 2 lakh, down from a percentage of the amount of violations earlier in an easing of regulations. Violations including use of liberalised remittance scheme (LRS) proceeds not reinvested within 180 days, exports not made within one year of advance receipt and gifting high value shares without RBI permission will now be penalised to a maximum of Rs 2 lakhs versus 0.30% to 0.75% of the violation amount earlier.

Read More :- RBI caps FEMA violation penalty at Rs 2 lakh to ease compliance burden

SEBI

SEBI clarifies on position of compliance officer within company's hierarchy

SEBI clarified that the Compliance Officer for listed entities should report directly to the Managing Director or Whole-Time Director or be not more than one level below the CEO.

This means the Compliance Officer should report directly to the Managing Director (MD) or Whole Time Director(s) who are part of the Board.

In the absence of such directors, the Compliance officer should be not more than one level below the Chief Executive Officer (CEO), Manager, or any other person responsible for the day to day operations.

The clarification comes after the Securities and Exchange Board of India (SEBI) received queries seeking clarification on the term 'level' used in this regulation.

As per the amendment introduced through the Third Amendment Regulations, 2024, the compliance officer must be in full time employment with the listed entity, positioned one level below the board of Directors, and designated as key managerial personnel.

Read More at: SEBI clarifies on position of compliance officer within company's hierarchy

SEBI extends deadline for retail investors' algo trading norms to August 1

The Securities and Exchange Board of India (SEBI) said that it has extended the deadline for implementing new regulations governing retail investors' entry into algorithmic (algo) trading.

The new rules, which were initially set to take effect on April 1, will now come into force on August 1,

Under the new rules, there will be a three party relationship involving stock exchanges, brokers, and algo providers.

Brokers will act as the principal, while algo providers will function as their agents. Stock exchanges will assign a unique identifier to all orders placed through these algos to track and manage them.

For retail investors using their own algos, the new regulations will require them to register their algorithms if they exceed a certain number of orders. However, they will only be permitted to let immediate family member use the algo.

The stock exchanges, which will not be directly regulated by the SEBI in this system, will be responsible for registering the algo provides.

Meanwhile, last week, the market regulator extended the deadline for mutual funds and portfolio managers to submit their off-site inspection data.

Read more at: [SEBI extends deadline for retail investors' algo trading norms to August 1]

SEBI asks registered entities to use '1600' phone number series to enhance investor protection

To protect investors from financial fraud, Sebi has mandated that all regulated entities use the '1600' phone number series for service and transactional calls to existing customers. This initiative aims to help investors easily identify legitimate calls from Sebi-regulated institutions, reducing their vulnerability to scams.

By adopting the '1600' number series, investors will be able to easily identify and attend calls from Sebi-regulated entities, thereby reducing the chances of falling victim to financial scams.

"All regulated/registered entities are advised to only use the '1600' phone number series exclusively for service and transactional voice calls to their existing customers," Sebi said in a statement.

The regulator has asked investors to remain vigilant and report any unsolicited commercial communications (UCC) or suspected fraudulent activities. For instances of spam or UCC, investors can file a Do Not Disturb (DND) complaint through their telecom service provider's app or website like Airtel, Jio, Vi, MTNL, or BSN or use the Trai DND app or call/SMS 1909.

In cases of suspected fraud, investors are advised to report the matter to the Chakshu Platform of the Department of Telecommunications. If a fraud has already occurred, it should be reported to the Cyber Crime Helpline at 1930 or through the official website www.cybercrime.gov.in.

This initiative aligns with Sebi's effort to create a safer financial ecosystem for investors, in collaboration with the Telecom Regulatory Authority of India (Trai).

Read More At :- Sebi asks registered entities to use '1600' phone number series to enhance investor protection

CONTACT DETAILS & ALLIANCE WITH ABV & COMPANY

Name of Firm	R R D AND ASSOCIATES
Founder Member	Rakesh Daftary (CA, B.Com.) https://www.linkedin.com/in/ca-rakesh-daftary-a7437b122
Offices	**Head Office:** D-401, Aaradhya Nine, Naidu Colony, Pant Nagar, Ghatkopar (E), Mumbai – 400 075 **Branches:** **1) GHATKOPAR:** 12, Platinum Mall, Jawahar Road, Ghatkopar (E), Mumbai - 400 077 **2) DOMBIVLI:** 3/203, Sarvodaya Galaxy CHSL, Kopar road, Dombivli (W), Thane – 421 202 **3) MUMBAI (Undergoing redevelopment):** Gita Gruh, 57B,2nd Floor, Picket Road, Kalbadevi, Mumbai-400 002.
Contact Details	Mobile: 99870 86483 / 90040 99423 Email: rakesh_daftary@rrdandassociates.co.in URL: https://rrdandassociates.co.in Website of Alliance Firm: http://www.abvca.com/

WHAT WE SERVE

SPECIALIZED INTO

- ✓ Audit & Assurance (incl. Tax Audit, Statutory Audit etc)
- ✓ Internal audit / Management audit
- ✓ ESOP Valuation SBP (Share based payment) under Ind AS
- ✓ Valuations under various laws including Companies Act and IBBI
- ✓ Implementation of IFC, Drafting SOPs, Testing controls
- ✓ Company formation and assisting clients with Regulatory compliance for setting up business in India
- ✓ Setting up of Vigil and whistle-blower mechanism
- ✓ Developing, implementing and operationalizing Business Ethics and Code of Conduct for Employees and Directors
- ✓ Tax, Regulatory and Advisory
- ✓ Accounting advisory, Book Keeping and MIS services
- ✓ Project Financing for Term Loan & Working Capital Loan
- ✓ ECB Compliances, Returns, Hedge Accounting and Certification
- ✓ Tax effective Portfolio Management / Reshuffling advisory
- ✓ Regular Attest function
- ✓ Talent pool of proficient resources to our network firms and clients

OTHER SPECIALIZED SERVICES:

Assurance

- Concurrent Audit
- Statutory Audit
- Stock Audit
- Forensic Audit
- Due Diligence
- Tax Audit

Operations & Risk Consultancy

- Internal Audit
- Review of Internal Financial Control
- Drafting and assistance in SOP's
- Fraud Investigations

Tax, Regulatory & Advisory

- Consultancy under Direct and Indirect taxation
- GST Implementation Services
- Assessment and Litigation Support
- Filling of Returns under direct and indirect taxes
- ROC Fillings Regulatory
- compliances
- RBI and SEBI fillings
- Supporting in 15CA and 15CB filing

Accounting Advisory

- Assistance in drafting and preparations of Financial statement with respect to Ind-AS, IFRS, US GAAPs
- Accounts receivables / payable reconciliations
- Bank Reconciliations
- Inventory Management support
- Fixed Asset & Inventory verification
- MIS, Budgeting

DISCLAIMER:

The information furnished herein is intended sole personal, non-commercial use of the user. While we have taken every precaution to ensure that the content of this updates are both current and accurate, errors can occur.

This communication is for internal distribution and use only among personnel of R R D AND ASSOCIATES, its Alliance firms, and their related entities. The information contained in this update is for general guidance on matters of interest only. The application and impact of laws can vary widely based on the specific facts involved. Given the changing nature of laws, rules and regulations, and the inherent hazards of electronic communication, there may be delays, omissions or inaccuracies in information contained herein. Accordingly, the information on this update is provided with the understanding that the authors and publishers are not herein engaged in rendering legal, accounting, tax, or other professional advice and services. As such, it should not be used as a substitute for consultation with professional accounting, tax, legal or other competent advisers. Before making any decision or taking any action, you should consult us.

While we have made every attempt to ensure that the information contained in this update has been obtained from reliable sources, we are not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this update is provided "as is", with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of this information, and without warranty of any kind, express or implied, including, but not limited to warranties of performance, merchantability and fitness for a particular purpose. In no event will R R D AND ASSOCIATES, its related personnel, its Alliance or employees thereof be liable to you or anyone else for any decision made or action taken in reliance on the information in this update or for any consequential, special or similar damages, even if advised of the possibility of such damages.