

MONTHLY UPDATE CAPSULE

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Income Tax

ITR filing 2025: These mistakes can flag your return to Income Tax department for scrutiny

The September 15 deadline to file your Income Tax Returns (ITR) for FY 2024-25 is approaching and as per media reports, the Income Tax Department has already flagged around 1.65 lakh cases for detailed scrutiny under Section 143(2), which is a sharp rise in such cases compared to previous years. This clearly means that filing returns does not mean the process or the due diligence of the process is over, as notices can still be issued if the tax department finds mistakes in your ITRs.

ITR Filing Mistake No.1: Mismatch between TDS details and declared income

If the tax deducted at source (TDS) shown in Form 26AS or in your Annual Information Statement (AIS) does not match the income you report in your return, the tax department may select your ITR for scrutiny

ITR Filing Mistake No. 2: False or inflated tax deduction claims can invite heavy scrutiny

Exaggerated claims under Section 80C, 80D, or HRA exemptions without valid proof may trigger penalties. Underreporting income can invite a penalty of 50%, while misreporting with fake documents or receipts can attract a 200% penalty under Section 270A.

ITR Filing Mistake No. 3: Unreported high-value transactions can get flagged by the tax department

The income tax department is very careful in tracking transactions that are of high value. If major financial activities are missing in your ITR, then it could be flagged by the tax officials. For example, if a large cash deposit of Rs 10 lakh or credit card payments above Rs 2 lakh and even equity investments of above Rs 1 lakh should be mentioned in your return.

ITR Filing Mistake No. 4: Not reporting all income sources is an easy red flag

Leaving out earnings such as bank interest, rental income, capital gains, crypto profits, or overseas investments can lead to penalties. Even income that is not taxable must be mentioned in the return to avoid questions later.

ITR Filing Mistake No. 5: A sudden drop in income compared to last year draws attention

If your income suddenly falls compared to earlier years, the tax department may ask for clarification. Valid documents like revised salary slips or job loss letters must be provided to justify the decline.

ITR Filing Mistake No. 6: Changing jobs without proper disclosure may create income mismatches

If you switch jobs during the year and do not merge your Form 16 details correctly, income may appear under-reported. If you have claimed deductions from both the employers without verifying details, it can result in discrepancies, and thus a red flag for the income tax department.

ITR Filing Mistake No. 7: Filing wrong ITR form can lead to incomplete reporting of income

If you chose the wrong ITR form to fill your returns, either intentionally or unintentionally, it will lead to incomplete reporting of income. It can either be underreported or misreported, in either case, penalties are bound to follow.

ITR Filing Mistake No. 8: Fake entries or omitted accounts can attract strict penalties from authorities

Under Section 271AAD, false entries, forged records, hidden bank accounts, or manipulated statements can be penalised heavily. The tax department has powers to detect and punish such inaccuracies during scrutiny.

Read more at: [ITR filing 2025: These 5 mistakes can flag your return to Income Tax department for scrutiny](#)

16 transactions which tax dept gets to know via SFT returns; Report them now to avoid possible jail term for misreporting income

All banks and specified financial institutions have to file a return to the income tax department known as the 'Specified Financial Statement (SFT)'. The SFT return includes the details of all the financial transactions undertaken by a taxpayer. The information is PAN based which allows the tax department to monitor your financial activities for signs of possible tax evasion.

The following table shows transactions reported via SFT returns, which in turn is auto-populated in your AIS.

No.	Nature of Transaction	Value of Transaction	Reporting Person/ Specified Person
1	Cash payment for the purchase of bank drafts or pay orders or banker's cheques	If the aggregate payment is Rs 10 lakh or more in a financial year.	Bank or Co-operative Bank
2	Cash payment for the purchase of pre-paid instruments issued by the RBI	If aggregate payment is Rs 10 lakh or more in a financial year	Bank or Co-operative Bank
3	Cash deposits in one or more current accounts of a person	If the aggregate amount is Rs 50 lakh or more in a financial year	Bank or Co-operative Bank
4	Cash withdrawals (including through bearer's cheque) from one or more current accounts of a person	If the aggregate amount is Rs 50 lakh or more in a financial year	Bank or Co-operative Bank
5	Cash deposits in one or more accounts (other than a current account and time deposit) of a person	If the aggregate amount is Rs 10 lakh or more in a financial year	<ul style="list-style-type: none"> • Bank or Co-operative Bank • Post Master General
6	Receipt of cash payment for the sale, by any person, of goods or services of any nature, not being a transaction whose specific reporting is otherwise required	If the amount is more than Rs 2 lakhs	Any person who is liable for tax audit under Section 44AB
7	Payment in cash for one or more credit cards issued to that person	If aggregate payment is Rs 1 lakh or more in a financial year	Bank or Co-operative Bank or any other company or institution issuing credit card

8	Payment in any mode (other than cash) for one or more credit cards issued to that person	If aggregate payment is Rs 10 lakh or more in a financial year	Bank or Co-operative Bank or any other company or institution issuing credit card
9	One or more time deposits (other than a time deposit made through renewal of another time deposit) of a person	If the aggregate amount is Rs 10 lakh or more in a financial year	<ul style="list-style-type: none"> • Bank or Co-operative bank • Post Master General • Nidhi Companies • NBFCs
10	Receipt from any person for acquiring bonds or debentures issued by the company or institution (other than the amount received on account of renewal of the bond or debenture issued by that company)	If the aggregate amount is Rs 10 lakh or more in a financial year	A company or institution issuing bonds or debentures
11	Receipt from any person for acquiring shares (including share application money) issued by the company	If the aggregate amount is Rs 10 lakh or more in a financial year	A company issuing shares
12	Buyback of shares from any person (other than the shares bought in the open market)	If the aggregate amount is Rs 10 lakh or more in a financial year	A company listed on a recognized stock exchange purchasing its own securities
13	Receipt from any person for acquiring units of one or more schemes of a Mutual Fund (other than the amount received on account of transfer from one scheme to another scheme of that Mutual Fund)	If the aggregate amount is Rs 10 lakh or more in a financial year	A trustee of a Mutual Fund or such other authorized person managing the affairs of a Mutual Fund
14	Purchase or sale by any person of immovable property	If transaction value or valuation by Stamp Valuation Authority is Rs 30 lakh or more	Inspector-General or Registrar or Sub-Registrar under the Registration Act, 1908
15	Receipt from any person for sale of foreign currency including credit of such currency to a foreign exchange card	If the aggregate amount is Rs 10 lakh or more in a financial year	<ul style="list-style-type: none"> • Authorised Dealer • Money Changer • Offshore Banking Unit

			<ul style="list-style-type: none"> •Any other person authorised to deal in foreign exchange or foreign securities
16	Expense in foreign currency through a debit or credit card or through the issue of Travellers Cheque or Draft or any other instrument.	Aggregating to Rs 10 lakh or more in a financial year.	<ul style="list-style-type: none"> •Authorised Dealer •Money Changer •Offshore Banking Unit Any other person authorised to deal in foreign exchange or foreign securities

These thresholds are applicable on an annual basis. The SFT must be furnished by the reporting entities on or before 31st May following the end of the financial year.”

“If a Taxpayer fails to report the transactions in its Income Tax Return (ITR) or there is mismatch in the transactions reported through SFT and reflecting in AIS, it may result in various consequences which includes: Tax notices: The Income Tax Department may issue a notice seeking clarification on high-value financial transactions reflected in the taxpayer’s AIS. Such notices are typically issued to verify whether the reported transactions have been appropriately disclosed in the Taxpayer’s ITR and insisting to file revised or ITR-U in case of non/ partial disclosure in the return filed. Selection under scrutiny: In case the information reported in SFT does not align with the income disclosed in the ITR, or if the taxpayer has failed to file the ITR despite required, or where response to a notice issued is not furnished or found unsatisfactory and requires detailed scrutiny, the Tax Authorities may issue notice to verify the overall correctness and completeness of the income reported. Penalty for under reporting or misreporting of income: Following these scrutiny proceedings, if the Tax Authorities issue an order that assesses income by making addition and determining the extra tax liability along with any applicable interest, then, a penalty may also be imposed for under-reporting or misreporting of income. This penalty, if levied, may range from 50% to 200 % of the tax payable (in cases of under-reporting and misreporting of income). Maheshwari says that taxpayers can be subject to prosecution and imprisonment in cases of willful or deliberate tax evasion:

Offence	Punishment
Wilful attempt to evade tax exceeding Rs 25 lakh	Rigorous imprisonment between 6 months and 7 years, plus fine
Other cases of tax concealment or misreporting	Imprisonment between 3 months and 2 years, plus fine

Read more at: [16 transactions which tax dept gets to know via SFT returns; Report them now to avoid possible jail term for misreporting income](#)

Good news for salaried taxpayers: Limits for these two tax-free perquisites raised substantially in Finance Act, 2025

The Central Board of Direct Taxes (CBDT) issued a notification which effectively increased the income threshold limits for calculating tax-free perquisites (perks) in salary income. These new limits were introduced in the Finance Act, 2025, via a notification in the India e-Gazette, and will take effect from April 1, 2025 (AY 2026-27).

Previously, the salary income limit for tax free perquisite were Rs 50,000 for specified employees and Rs 2 lakh for overseas medical treatment. Now, these limits have been significantly raised to Rs 4 lakh for specified employees and Rs 8 lakh for overseas medical treatment, thanks to the insertion of new Rules 3C and 3D into the Income-tax Rules, 1962.

The Rs 4 lakh and Rs 8 lakh mentioned above refers to the threshold limit of salary or gross total income of the employee, which allows certain benefits/amenities to be excluded from perquisite taxation; they do not represent the value of benefit/ amenities themselves.

What is the impact of the changes made to perquisite taxation?

There are two separate changes introduced by these amendments:

- **Specified employees:** Rs 4 lakh
- **Overseas medical treatment:** Rs 8 lakh

Read more at: [Good news for salaried taxpayers: Limits for these two tax-free perquisites raised substantially in Finance Act, 2025](#)

Government notifies Income-tax Act, 2025; law to come into effect from April 1, 2026

The government formally notified the Income-tax Act, 2025. The legislation was passed in the Parliament and is aimed at consolidating and updating India's income tax framework. The Act received the President's assent on Thursday (August 21) and was notified by the Ministry of Law and Justice through a gazette order.

According to the notification, the law will come into effect next year on April 1, unless specified otherwise.

Announcing the notification on X, Income Tax India posted, "The Income-tax Act, 2025 has received the Hon'ble President's assent on 21st Aug 2025. A landmark reform replacing the 1961 Act, it ushers in a simpler, transparent & compliance-friendly direct tax regime."

"This Act may be called the Income-tax Act, 2025. It extends to the whole of India," the gazette order read. The new legislation replaces the Income-tax Act, 1961, in operation for over 60 years.

Read more at: [Government notifies Income-tax Act, 2025; law to come into effect from April 1, 2026](#)

New I-T rules to be notified by December-end, simplified forms for assesseees in works

The Income Tax department is working on simplified I-T forms and aims to notify new rules by December-end to give effect to the new I-T Act, which will come into force from April 1 next year, a senior tax official said on Monday.

The principles being followed for reframing the rules are the same, which we have followed for the I-T Act. So, simplification of language will be there. The redundant rules and forms will be removed from the statute, and a fresh set of rules and forms will be applicable for the new Act.

Read more at: [New I-T rules to be notified by December-end, simplified forms for assesseees in works](#)

GST & Customs

GST council's 56th meet to take place on Sept 3-4, tax reforms on agenda

The 56th meeting of the GST Council will be held on September 3 and 4, 2025, at New Delhi, as Centre pushes for GST reforms, which were announced by Prime Minister Narendra Modi on Independence Day. The Government of India has proposed to move from 4-slab GST structure to two slabs, by removing the 12% and 28% tax slabs completely, and keeping only two tax structures – 5% and 18%.

Big decision on 2-slab reforms

The high-powered GST Council, chaired by Finance Minister Nirmala Sitharaman, will meet on September 3-4 to discuss on reduction of four-slab taxation and moving to a two-slab structure.

According to the reform proposed by the Centre to the GoMs, Goods and Services Tax (GST) should be a two-rate structure of 5 and 18 per cent, classifying goods and services as 'merit' and 'standard', reported PTI.

However, there is a proposal to levy a special rate of 40 per cent on select few items like ultra-luxury cars and sin goods like tobacco and online gaming.

Read more at: [GST council's 56th meet to take place on Sept 3-4, tax reforms on agenda](#)

GSTN has done this change in GST portal for hassle free tax refund claims

The [Goods and Services Tax](#) Network ([GSTN](#)) in an advisory dated August 28, 2025 said that the GST system has been enhanced to allow for claiming Goods and Services Tax (GST) refunds when individual components (minor heads) of a GST demand column showed negative balances and the overall cumulative balance was zero or positive.

GSTN in the advisory on GST Refund dated August 28, 2025, said:

As per the available functionality, taxpayers could claim refunds under the category "On account of Assessment/Enforcement/Appeal/Revision/Any Other Order" (ASSORD) only if:

The cumulative amount of the Demand ID showed a negative balance (i.e., refund eligible).

The status of the Demand ID was "Refund Due".

This restriction prevented taxpayers from claiming refunds when individual components (minor heads) of a demand showed negative balances and the overall cumulative balance was zero or positive.

For the above scenario, several references have been made by the tax payers and tax officers stating that the taxpayers are not able to claim the refund. Accordingly, the following changes have been implemented in the system:

Refunds can now be claimed irrespective of the Demand ID status. Refunds are allowed even when the cumulative balance is positive or zero, provided any minor head has a negative balance. Only negative balances will be auto-populated in the refund application (Form RFD-01); taxpayers cannot claim any refund for the positive amounts within the demand.

Order Number Suggestions: The system automatically suggests the most recent demand order associated with a negative balance such as order-in-original, rectification order or appellate order etc.

What was the problem with GST refunds due to which this advisory had to be issued?

The problem with GST refunds was when the minor heads of the GST demand (like CGST, SGST, IGST, etc) showed a negative balance i.e. had a tax demand but the other heads of the GST demand had a positive (refund) or zero balance then the portal was not allowing GST refunds for the positive balance.

For example: If a taxpayer had Rs 110 positive balance in a head of GST demand, but in one of the heads it was Rs 20 tax demand, so the portal was not allowing a GST refund for the Rs 110 amount.

GST Council's brochure said: "Thus, practically every situation is covered. The GST law requires that every claim for refund is to be filed within 2 years from the relevant date."

Read more at: [GSTN has done this change in GST portal for hassle free tax refund claims](#)

RBI

Banks to clear cheques within few hours from Oct 4: RBI

The RBI will introduce a new mechanism from October 4 for clearance of cheques within hours of being presented to banks, reducing the current time period of up to two working days.

Cheques will be scanned, presented, and passed in a few hours and on a continuous basis during business hours. The clearing cycle will be reduced from the present T+1 days to a few hours.

During Phase 1 (from October 4, 2025 to January 2, 2026), drawee banks will be required to confirm (positively/negatively) cheques presented on them, latest by the end of the confirmation session (7:00 PM), else those will be deemed to have been approved and included for settlement.

In Phase 2 (from January 3, 2026), the item expiry time of cheques shall be changed to T+3 clear hours.

Read more at: [Banks to clear cheques within few hours from Oct 4: RBI](#)

SEBI

Additional incentives likely for first-time women investors in mutual funds, says SEBI chief

Securities and Exchange Board of India (SEBI) Chairman Tuhin Kanta Pandey said that additional incentives could be given to women investing in mutual funds for the first time.

Small SIP described as ‘seed of financial security’

Investments starting with small amounts should be adopted as ‘Satisfaction of Investments’ so that the reach of investment can be increased to tier-2 and tier-3 cities.

Warning on data privacy and fraud

Mutual fund houses will have to be fully accountable for the activities of their vendors and third-party partners. Data privacy should be given top priority and in the era of digitalization, special vigilance is necessary on threats like fraudulent redemptions.

In short, the SEBI chief’s message is clear —

- For the first time, women investors will get special incentives.
- Investment will be taken to every home by encouraging small SIPs.
- Data security and fraud prevention will be the responsibility of the mutual fund house.
- AMFI has launched several new initiatives to increase investor awareness.

Read more at: [Additional incentives likely for first-time women investors in mutual funds, says SEBI chief](#)

R R D AND ASSOCIATES



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SPECIALIZED INTO

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- ✓ Valuations under various laws including Companies Act and IBBI
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- ⑩ RBI and SEBI fillings
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- ⑩ Inventory Management support
- ⑩ Fixed Asset & Inventory verification
- ⑩ MIS, Budgeting

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