

**DECEMBER 2025**

# **MONTHLY UPDATE CAPSULE**



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## Income Tax

### **Bogus tax deductions under scanner: CBDT flags fake donation claims, warns taxpayers via SMS and email**

The Central Board of Direct Taxes (CBDT) has started a major crackdown on fake tax deduction claims, especially those related to donations made under the Income Tax Act. The tax department has identified several cases where taxpayers claimed ineligible or bogus deductions to reduce their taxable income or to generate fake refunds.

As part of this action, the Income Tax Department is sending SMS and email alerts to taxpayers whose returns show suspicious deduction entries. These alerts are being issued under the department's "NUDGE" initiative, which uses data analytics and risk indicators to detect questionable claims before processing the income tax returns.

One of the key problem areas highlighted by the department is false donation claims. Many taxpayers have declared donations to organisations that are either not registered, not operating, or not eligible for tax relief under sections such as 80G and 80GGC. In some cases, donations were shown to entities like Registered Unrecognised Political Parties (RUPPs) that exist only on paper or have failed to comply with basic regulatory requirements.

The department has clarified that the current alerts are not penalty notices, but a warning and an opportunity for taxpayers to review their returns. Individuals who have mistakenly or knowingly claimed ineligible deductions are being encouraged to revise their returns before the due date to avoid further scrutiny, penalties, or legal action. However, taxpayers with genuine and properly documented claims need not worry.

This move is aimed at preventing loss of government revenue, improving return processing, and protecting the interests of honest taxpayers. By eliminating fake claims and refund frauds, the Income Tax Department hopes to streamline the compliance process and reduce delays in issuing legitimate refunds.

Read more at : [Bogus tax deductions under scanner: CBDT flags fake donation claims, warns taxpayers via SMS and email](#)

## **Income Tax Dept is sending intimations about cash deposit, property purchase, AIS ITR mismatch; Here's what it means**

Over the last week, many taxpayers have been getting emails from the Income Tax Department about high-value transactions linked to their names. The catch is, they either didn't report these transactions or the transaction value or amount are way more than their reported income.

These intimations are not tax notices, but rather a nudge for taxpayers to file a revised/belated ITR if they think they might have missed reporting on certain income. The key point here is income, many taxpayers are worried about this intimation since they made high value purchases.

Taxpayers may note that such communication is to facilitate the taxpayers & make them aware of the information available with the ITD regarding the transactions reported by the Reporting Entities during the year.

To resolve this, client to give appropriate feedback on the AIS portal clarifying that the income has been duly reported in the ITR under the correct head based on the nature of the activity, with an explanatory note.

Alternatively, if a taxpayer believes that the income should be classified as business income after reassessment, they can file a revised ITR to reclassify it, which would align the AIS and ITR, effectively resolving the discrepancy. In this scenario, the AIS feedback option doesn't need to be exercised.

Read more at : [Income Tax Dept is sending intimations about cash deposit, property purchase, AIS ITR mismatch](#)

## **Income Tax Dept deploys non-filer monitoring system to track high-value transactions without ITR filing**

The Income Tax Department has strengthened its efforts to track individuals and entities who carry out high-value financial transactions but do not file income tax returns. To support this,



the Central Board of Direct Taxes (CBDT) has introduced a Non-Filer Monitoring System (NMS), which uses data analytics to identify potential non-filers with significant financial activity.

The NMS combines data from multiple third-party sources such as banks, financial institutions and registrars. It relies on information from Statements of Financial Transactions (SFT), Tax Deducted at Source (TDS) and Tax Collected at Source (TCS). This allows the department to flag cases where income may be unreported despite large transactions.

Overall, the message to taxpayers is clear: high-value financial transactions without filing income tax returns are harder to conceal, and the department is using technology to promote voluntary compliance rather than sudden enforcement action.

Read more at : [Income Tax Dept deploys non-filer monitoring system to track high-value transactions without ITR filing](#)

### **New Income Tax Act: ITR forms to be issued prior to FY28**

The government has announced that new Income Tax Return (ITR) forms will be issued before the financial year 2027-28 begins. These updated forms are being created to align with the new Income Tax Act, 2025, which will replace the 1961 Act from 1 April 2026. The changes aim to simplify tax rules, reduce confusion, and make filing returns easier for individuals and businesses.

A committee under the CBDT is currently redesigning the forms to make them more user-friendly and digitally efficient. The new forms will apply to income earned in 2026-27, meaning they will be used for tax filing in Assessment Year 2027-28. Until then, taxpayers will continue using the existing ITR forms.

Read more at: [New Income Tax Act: ITR forms to be issued prior to FY28](#)

## **GST & Customs**

### **Advisory on reporting values in Table 3.2 of GSTR-3B**

1. Table 3.2 of Form GSTR-3B captures the inter-state supplies made to unregistered persons, composition taxpayers, and UIN holders out of the total supplies declared in Table 3.1 & 3.1.1 of GSTR-3B and is auto-populated from corresponding supplies declared in GSTR-1, GSTR-1A, and IFF in the requisite tables.
2. It is to inform you that from November-2025 tax period onwards, value of supplies auto-populated in Table 3.2 of GSTR-3B from the returns/forms mentioned above, shall be made non-editable. The GSTR-3B shall be filed henceforth with the system generated auto-populated values only in table 3.2.
3. Further, in case any modification/amendment is required in the auto-populated values of Table 3.2 of GSTR-3B, then the same can be done through GSTR-1A for the same tax period. The values thus reported in GSTR-1A shall change the auto-populated values of table 3.2 in GSTR-3B instantly and the taxpayers can file their GSTR-3B with the updated values. Moreover, the amendment of such supplies can always be reported in Form GSTR-1/IFF filed for subsequent tax periods.
4. To ensure that GSTR-3B is filed accurately with the correct values with no hassle of frequent amendments, it is advised to report the correct values in GSTR-1, GSTR-1A, or IFF. This will ensure the auto-populated values in Table 3.2 of GSTR-3B are accurate and compliant with GST regulations.

Read more at : [Advisory on reporting values in Table 3.2 of GSTR-3B](#)

### **RBI Introduces New Minimum Balance Rules for Bank Accounts, Effective December 10**

The Reserve Bank of India (RBI) has announced revised minimum balance rules for savings and current accounts, which will come into effect from December 10, 2025. The objective is to standardize account maintenance practices across banks, improve transparency for customers, and address rising banking costs amid increased digital banking usage.

Under the new framework, savings account holders will need to maintain a minimum balance of ₹3,000 in urban branches and ₹1,500 in semi-urban and rural branches. For current accounts, minimum balance requirements will range from ₹12,000 to ₹30,000 depending on the account category, impacting businesses and self-employed individuals in particular.

Failure to maintain the required balance will attract monthly penalties. Savings account penalties may range from ₹100 to ₹500, while current account penalties could be between ₹500 and ₹1,000, depending on the shortfall. These charges will be automatically deducted by banks.

Banks have begun implementing system changes, including app updates, SMS alerts, and clearer notifications about balance requirements and penalties. Customer support teams are also being prepared to help users understand the new rules and choose suitable account types.

Overall, the revised policy is expected to promote financial discipline, improve transparency, and ensure smoother banking services for customers across urban, semi-urban, and rural regions.

Read more at : [RBI Introduces New Minimum Balance Rules for Bank Accounts, Effective December 10](#)

## Company Law

### **Companies (Specification of Definition details) Amendment Rules, 2025**

MCA Notifies Revised Definition of Small Company Under Companies Act, 2013: Ministry of Corporate Affairs (MCA), through Notification G.S.R. 880(E) dated 1 December 2025, has amended the Companies (Specification of Definition Details) Rules, 2014 to revise the criteria for classifying a company as a “small company” under Section 2(85) of the Companies Act, 2013 with effect from 1st December 2025

As per the updated Rule 2(1)(t), a company shall be considered a small company if:

- Paid-up share capital does not exceed ₹10 crores, and
- Turnover does not exceed ₹100 crores

The notification clarifies that both criteria—paid-up capital and turnover—must fall within the prescribed limits simultaneously. Amendment strengthens the small company framework by formally raising the financial ceiling applicable under sub-clauses (i) and (ii) of Section 2(85), thereby enabling more companies to benefit from reduced statutory compliances and streamlined regulatory requirements.

Read more at : [Small Company Thresholds Raised: MCA Expands Capital & Turnover Limits](#)



## Miscellaneous

### **What do new rent rules 2025 say about eviction of tenants? 3 months written notice, penalties and more**

The Indian government introduced a series of rental reforms this month — paving the way for a massive overhaul of the so far dis-regulated landscape. Both landlords and tenants must now register their agreement online within 60 days and follow cost-related rules and solve disputes within a set timeline. The changes also include several clarifications pertaining to eviction rights.

According to the Home Rent Rules 2025, landlords will be required to obtain an order from a Rent Tribunal or court before evicting tenants. They are also prohibited from making personal demands, taking any forceful actions or sharing an abrupt request for the premises to be vacated.

#### **Mandatory registration of agreement**

The newly announced rules will also safeguard tenants from unfair evictions by mandating registration of rental agreements within the first 60 days. The document must be digitally stamped and filed online soon after signing. Some states had previously accepted handwritten contracts or physical stamp paper agreements without registration in lieu of a formal agreement. The change will ensure that the rental process is official and prevent fraud or illegal evictions. Unregistered agreements can also face penalties starting at Rs 5000.

#### **What do the new rules say about eviction?**

Landlords must now give tenants at least three months written notice for eviction or rent increases. Property inspections require 24-hour written notice. All tenancy disputes, including eviction, will be resolved by a tribunal or court within 60 days. Eviction can happen only through a Rent Tribunal and only on legally defined grounds, not by the landlord's personal demand. Retaliatory actions like cutting water or electricity are punishable. The Model Tenancy Act 2021 also states that landlords cannot evict tenants during an active contract unless both sides agree in writing.

Read more at : [What do new rent rules 2025 say about eviction of tenants? 3 months written notice, penalties and more](#)

## **Parliament Abolishes Colonial Probate Rule, Simplifies Hindu Succession Laws**

Parliament cleared a sweeping reform that will end a long-standing anomaly in India's succession laws, paving the way for Hindus and several other communities to no longer require mandatory probate of wills in many cases.

The move came with the passage of the Repealing and Amending Bill, 2025, which scraps 71 obsolete laws and amends four others to simplify the legal framework and remove colonial-era discrimination. The Bill was passed by voice vote in the Rajya Sabha after being approved by the Lok Sabha a day earlier.

A key change relates to Section 213 of the Indian Succession Act, 1925. Under the existing law, wills made by Hindus, Buddhists, Sikhs, Jains and Parsis in the former presidency towns of Bombay (Mumbai), Madras (Chennai) and Calcutta (Kolkata) required probate, or court validation, before they could be enforced. This requirement did not apply to Muslims, resulting in an unequal legal regime based on religion and geography. Meghwal told Parliament that such distinctions were incompatible with the Constitution.

Describing the probate requirement as a colonial relic that needed to be dismantled. The amendments to the Succession Act will remove mandatory court validation of wills in specified cases, bringing greater uniformity to inheritance laws. The Bill also amends the General Clauses Act, 1897, and the Code of Civil Procedure, 1908, to update archaic terminology, and corrects a drafting error in the Disaster Management Act, 2005. In all, 71 defunct statutes — including the Indian Tramways Act of 1886 — will be repealed.

Since 2014, over 1,500 archaic laws have been repealed or amended, signalling what the government calls a decisive break from a colonial legal mindset.

Read More at : [Parliament Abolishes Colonial Probate Rule, Simplifies Hindu Succession Laws](#).

## **Major NPS rule change: 80% withdrawal from retirement corpus allowed at exit, 100% in some cases**

Non-government NPS subscribers can now withdraw 80% of their retirement corpus as lump sum at the time of exit. The PFRDA (Exits and Withdrawals under the National Pension System) Amendment Regulations, 2025 which were notified on December 16, 2025 mark a decisive shift in how retirement benefits are structured for non-government sector subscribers, including All Citizen Model and One of the most consequential changes is the recalibration of the compulsory annuity purchase requirement, which is now fixed at a minimum of 20% of the accumulated pension wealth at the time of exit in specified scenarios.

What the 20% Corpus for Annuity Purchase Rule Provides?

For non-government subscribers whose total accumulated pension wealth exceeds the specified monetary thresholds, the regulations mandate that at least 20% of the pension wealth must be used to purchase an annuity, which provides periodic pension income. The rest (up to 80%) may be withdrawn as a lump sum, or through structured withdrawal mechanisms such as systematic unit withdrawal.

This requirement applies at normal exit points, such as attaining 60 years of age or completing the minimum subscription period, and also in cases of exit between ages 60 and 85.

If the accumulated pension wealth (APW) is up to Rs 8 lakh subscribers are allowed to withdraw 100% as lump sum. They will also get the option to utilise at least 20% of APW for annuity purchase and withdraw 80% as lump sum.

When the accumulated retirement corpus exceeds Rs 12 lakh, it is mandatory for subscribers to mandatorily buy annuity from 20% of the accumulated corpus while they can withdraw up to 80% of the retirement corpus or APW as lump sum.

Prior to the 2025 amendment, non-government NPS subscribers typically needed to purchase annuity with 40% of their pension at the time of exit. By halving the mandatory annuity requirement from 40% to 20%, the amended regulations enhance the flexibility of NPS

subscribers. Allowing up to 80% withdrawal will allow non-government subscribers to decide for themselves how they want to utilise their corpus.

Read more at : [Major NPS rule change: 80% withdrawal from retirement corpus allowed at exit, 100% in some cases](#)

### **ICAI clarifies accounting norms under new labour codes**

The Institute of Chartered Accountants of India (ICAI) has clarified the accounting treatment for changes arising from the implementation of the new Labour Codes. Any increase in leave obligations due to the new codes must be recognised immediately as an expense in the Statement of Profit and Loss.

Earlier, gratuity was payable only after completion of five years of continuous service. Under the new Labour Codes, fixed-term and contract employees become eligible for gratuity after completing one year of service. ICAI stated that changes in gratuity benefits arising from this shift are plan amendments under AS 15 and Ind AS 19 and should be treated as past service costs.

The resulting increase in gratuity liability must be recognised immediately as an expense in the Statement of Profit and Loss. For employees who have not yet completed the applicable service period, the past service cost should be amortised over the vesting period and recognised as an expense over that period.

While the clarification brings greater certainty on accounting treatment for gratuity and leave obligations, questions remain around the effective calculation period and the inclusion of elements such as ESOPs and variable pay.

The government announced the implementation of the four Labour Codes on November 21, covering wages, industrial relations, social security, and occupational safety and health, with the objective of modernising labour laws, strengthening worker welfare, and aligning regulations with evolving forms of work, including gig employment.

Read more at : [ICAI clarifies accounting norms under new labour codes](#)

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- ✓ 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:

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- ✓ Stock Audit
- ✓ Forensic Audit
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- ✓ Review of Internal Financial Control
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### Tax, Regulatory & Advisory

- ✓ Consultancy under Direct and Indirect taxation
- ✓ GST Implementation Services
- ✓ Assessment and Litigation Support
- ✓ Filing 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

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