MONTHLY CAPSULE UPDATE

NOVEMBER 2025

R R D AND ASSOCIATES
CHARTERED ACCOUNTANTS

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Contents

Income Tax

CBDT issues new rules for income tax refund corrections

The Central Board of Direct Taxes (CBDT) has notified a new framework to streamline the rectification of tax return errors and issuance of refunds under the Income Tax Act, 1961. The move is expected to simplify the correction of mistakes related to tax computation, prepaid tax credit, or refund processing for individual taxpayers.

As per the notification, the Commissioner of Income Tax (Centralised Processing Centre - CPC), Bengaluru, will now have concurrent powers to handle cases involving mistakes apparent from records, including refund-related discrepancies.

What the new rules mean for taxpayers

Under the revised framework, the Income Tax Department can now rectify issues under Section 154 of the Act that result in:

- Errors in tax computation or refund determination,
- Non-consideration of prepaid tax credits (like advance tax, TDS, or self-assessment tax),
- Non-consideration of eligible reliefs, or
- Incorrect calculation of interest under Section 244A (interest on refund).

This means that if a taxpayer's refund has been wrongly computed or delayed due to clerical or record-based errors, the authorities can directly correct it and issue the revised refund or demand notice.

The CBDT has also authorised the Commissioner of Income Tax to delegate these powers to Additional Commissioners, Joint Commissioners, and Assessing Officers under them for faster processing.

Read More at: The Central Board of Direct Taxes (CBDT) has issued new rules to streamline the correction of income tax refund errors.

Rs 10 lakh penalty for genuine taxpayers making inadvertent reporting errors

The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 ("Black Money Act") was enacted with a clear goal — to unearth undisclosed foreign income and assets and discourage tax evasion. Fast forward 10 years and its implementation has sparked serious concerns about fairness and proportionality, especially for regular taxpayers instead of wilful offenders.

In recent years, the Income Tax Department has received extensive data on foreign bank accounts of Indian residents through the Exchange of Information provisions under Double Taxation Avoidance Agreements (DTAAs) and the Automatic Exchange of Information (AEOI) network.

A large number of these accounts are owned by residents who temporarily went abroad for employment, research, or education and later returned to India. In many such cases, the funds in these accounts are entirely legitimate — often consisting of small savings, tax-paid income, or even money borrowed or remitted from India for children's education.

Yet, these individuals are facing penalty actions under Sections 42 and 43 of the Black Money Act for not reporting these accounts in Schedule FA of their income-tax returns.

The Rs 10-lakh question: Discretionary or mandatory?

Sections 42 and 43 prescribe a penalty of Rs 10 lakh for failure to file a return as required under Section 139(1) of the Income-tax Act, 1961 (or Section 263(1)(x) of the new Income-tax Act, 2025), or for inaccurate disclosure of foreign assets in Schedule FA. The Finance Act, 2024 has raised the exemption threshold for assets other than immovable property from Rs 5 lakh to Rs 20 lakh.

However, the key ambiguity remains — whether the penalty is discretionary or mandatory, particularly because such penalties may also lead to prosecution under Sections 49 or 50 of the Black Money Act.

The larger issue lies in the absence of a provision similar to Section 273B of the Income-tax Act, 1961 (Section 470 of the Income-tax Act, 2025), which protects taxpayers from penalty if they can demonstrate “reasonable cause” for the failure.

In its present form, the Black Money Act offers no such protection. The same Rs 10 lakh penalty applies equally to:

1. a willful evader hiding millions abroad, and
2. a returning professional, employee, or student who inadvertently failed to report a foreign account with no undisclosed deposit or balance.

Read More at : Rs 10 lakh penalty for genuine taxpayers making inadvertent reporting errors

ITR rule update: Govt to notify new IT forms by January 2026; refunds face checks - why CBDT expects a December bounce

Government will notify the new income tax return forms and rules under the simplified Income Tax Act, 2025, by January 2026, giving taxpayers sufficient preparation time before the law comes into effect on April 1, department intends to keep the new forms “simple” to make compliance easier as the 1961 Act is phased out.

Read More at: Govt Notify new IT Form by January 2026, refunds face checks

Capital Gains Accounts scheme tweak for taxpayer comfort

The Central Board of Direct Taxes (CBDT) has introduced the Capital Gains Accounts (Second Amendment) Scheme, 2025, modernising a 37-year-old scheme to improve taxpayer convenience.

The amendment to the Capital Gains Account Scheme of 1988, effective November 19, extends the scheme to cover gains arising from shifting of industrial undertakings from urban areas to special economic zones (SEZs) under Section 54GA. This provision seeks to promote investments in SEZs by allowing taxpayers to claim exemptions on capital gains.

The amendment brings the scheme into the digital era by recognising electronic payment modes, including credit cards, debit cards, net banking, IMPS, UPI, RTGS, NEFT, and BHIM Pay. Electronic statements of account will now be treated similarly to traditional passbooks.

The scheme's scope has been broadened to include any banking company defined under the Banking Regulation Act, 1949, authorising 19 more networks of banks to receive deposits and maintain accounts under the scheme.

Read More at: [Capital Gains Accounts scheme tweak for taxpayer comfort]

Five big gratuity rule changes every salaried employee must know in 2025

Major gratuity rule changes 2025: The government keeps reforming labour laws at regular intervals to ensure ease of living for crores of workers in the organised sector. The last time the government introduced a major change in the gratuity rule was in 2018, when the tax-free gratuity ceiling was hiked to Rs 20 lakh from Rs 10 lakh.

For the last 6 years, the gratuity rules in India had remained almost the same for private sector workers. But 2025 marked the biggest shake-up in gratuity laws in many decades

Here are five biggest gratuity rule changes every salaried employee must know in 2025.

1. Fixed-term and contract employees will now get gratuity after just 1 year

Under the new Labour Codes, fixed-term employees (FTEs) will also be eligible like permanent staff for gratuity after only one year of service.

2. Expanded definition of "wages" likely pushes gratuity payouts higher

The Labour Codes introduce a uniform wage structure where multiple pay components fall under "wages" and allowances cannot exceed 50% of total compensation. It means the pension and other retirement benefits, including gratuity, will be calculated on 50% of total remuneration. The calculation formula will, however, remain the same.

3. Clarified or enhanced tax-free gratuity limits

While the tax-free gratuity ceiling for private-sector employees stays at Rs 20 lakh, the government has clarified that certain categories especially central government employees now enjoy a higher limit of Rs 25 lakh.

4. Gratuity cover extended to more types of workers, not just permanent staff

The 2025 labour reforms have expanded gratuity rights across multiple categories: Fixed-term workers, contract employees, seasonal staff (proportionate gratuity), and employees working on project or assignment-based roles.

5. Companies must recognise gratuity liability more transparently in financial statements

The new rules require employers to account for gratuity obligations in line with Ind AS 19 / AS 15.

This means:

-Companies must disclose gratuity liabilities more clearly

-Higher gratuity payouts (due to wage-definition changes) will impact company balance sheets

-HR teams may restructure compensation to manage future liabilities

Read More at: 5 big gratuity rule changes every salaried employee must know in 2025

RBI rolls out simpler rules, makes compliance easier

The Reserve Bank of India (RBI) on Friday issued 244 consolidated master directions as part of its initiative to enhance clarity, accessibility and compliance efficiency for the country's diverse financial institutions.

Over the past five-to-six months, the RBI undertook a comprehensive exercise to reorganise decades of regulatory instructions. A list of 9,445 circulars and guidelines–some dating back to the 1940s–have now been repealed, withdrawn and merged into a unified set of directions.

Reducing Compliance Burden

The consolidation ensures that regulated entities no longer need to navigate overlapping or outdated instructions, significantly reducing the compliance burden.

The new framework covers 11 categories of regulated entities, including commercial banks, small finance banks, payments banks, local area banks, regional rural banks, urban cooperative banks, rural cooperative banks, all-India financial institutions, non-banking financial companies (NBFCs), asset reconstruction companies and credit information companies.

For instance, RBI has repealed pre-Independence circulars dated April 22, 1944, on advances given on government securities while reviewing and tracing provisions that remained relevant.

On August 3, the central bank had set up a 30-member regulatory review cell to streamline existing rules and remove outdated regulations.

Key Features

Among the key features of the new master directions is the consolidation of governance-related responsibilities into a single section, making it easier for boards to understand their obligations. Advisory elements have been integrated directly into the main text, with clear language distinguishing recommendations from mandatory requirements. FAQs have been rationalised, with regulatory clarifications and illustrative examples incorporated into the main body of the directions, rather than scattered across annexures, creating a continuous flow of information ensuring that institutions can access all relevant information in one place.

Reflecting the evolving technological landscape, RBI also issued a new master direction on digital banking channel authorisation, which has been added to the consolidated framework. This inclusion underscores the regulator's commitment to keeping pace with innovation while safeguarding financial stability.

RBI had received over 770 comments from stakeholders on the draft master directions dated October 10, 2025.

Read more at : RBI rolls out simpler rules, makes compliance easier

GST & Customs

Introduction of ‘Import of Goods’ section in IMS

The Invoice Management System (IMS) was introduced on the GST portal from the October 2024 tax period. It enables recipient taxpayers to accept, reject, or keep pending individual records uploaded by suppliers through GSTR-1/1A/IFF. This functionality empowers recipient taxpayers to manage their inward supplies by taking actions on individual records on GST portal itself. To further enhance taxpayer convenience, a new section “Import of Goods” has been introduced in IMS wherein the Bill of Entry (BoE) filed for import of goods including import from SEZ, will be made available in IMS for taking allowed action on individual BoE. This functionality will be available from Oct-2025 period onwards. Recipient taxpayers will have the option to either accept or keep a BoE pending. It may be noted that If no action is taken on an individual BoE, it will be treated as deemed accepted. Based on the action taken, the GST Portal will generate the draft GSTR 2B for the recipient on 14th of subsequent month. However, the action taken can be changed even after generation of draft GSTR-2B till filing of the corresponding GSTR-3B.

Read more at: [Introduction of ‘Import of Goods’ section in IMS]

SEBI

Demat charges feel too high? Sebi's new review could ease the load

Markets regulator Sebi has proposed a fresh review of the Basic Services Demat Account (BSDA) framework to make it easier and cheaper for small investors to participate in the capital markets. The proposals, released through a consultation paper earlier this week, aim to improve both financial inclusion and ease of doing business.

According to the PTI report, Sebi has highlighted three key areas where changes are needed:

1. Excluding ZCZP bonds from portfolio value

Zero-coupon, zero-principal (ZCZP) bonds, often issued under social impact schemes, are non-transferable, non-tradable and provide no monetary returns. Sebi noted that these instruments function “closer to a social contribution” than an investment asset.

Since BSDA eligibility is based on the realisable value of a portfolio, counting such bonds could artificially inflate an investor’s holdings and push them out of BSDA eligibility. Sebi has therefore proposed that ZCZP bonds should not be included when calculating portfolio value for BSDA.

2. Treating delisted securities like suspended ones

Delisted securities lack liquidity and transparent price discovery. Much like suspended securities, they do not reflect realisable value. Excluding delisted securities from BSDA valuation to make the assessment fair and consistent.

3. Using last closing price for illiquid securities

Illiquid but still-listed securities can technically be traded through specific mechanisms. Sebi has proposed using the last closing price of such securities when determining BSDA eligibility

Read More at: [Sebi hopes to make demat accounts cheaper and fairer for first-time and small investors.]

Miscellaneous

Govt proposes consumer law reforms to speed up case resolution, cut backlog

The Consumer Affairs Ministry outlined proposed amendments to the Consumer Protection Act aimed at reducing case backlogs and accelerating dispute resolution through artificial intelligence and digital platforms.

The Department of Consumer Affairs held a consultation in New Delhi to discuss reforms to the 2019 law, focusing on strict timelines for case disposal and expanded use of technology including AI and machine learning tools.

The law currently mandates three-month timelines for regular cases and five months for those requiring testing, but emphasized no case should remain pending beyond six months

Read More at: The Govt Propose law reforms to speed up case resolution with the help of AI and Digital platforms

How government plans to improve financial health of MSMEs

The Indian government is considering a range of measures to ensure timely payments to micro, small, and medium enterprises (MSMEs).

These include levying interest and imposing hefty penalties on defaulters.

The Ministry of MSME and the Ministry of Finance are discussing amendments to the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

The proposed changes would automatically apply interest on late payments after a 45-day period unless otherwise specified in the contract.

Proposed penalties and current regulations

The proposed amendments also include a penalty for non-compliance, which would be 2% of the turnover of large buyers. Currently, penalties and interest are only applied after an MSME lodges a complaint about late payment. Notably, delayed payments to MSMEs account for nearly ₹9 trillion annually, according to government data. The Finance Act 2023 has also introduced a new tax rule effective from April 1, 2024.

New tax rule and reporting requirements

The new tax rule disallows expenses for payments delayed beyond 45 days to MSME suppliers under Section 43B(h) in that fiscal year. This will increase the taxable income for businesses. The government is also considering mandatory aging analysis reporting in corporate filings, which would require companies to disclose payment days and interest paid to MSMEs quarterly.

Read more at: Govt weighs interest, penalty to make MSME clients pay up dues

UIDAI planning new Aadhaar rule in December that may change how your Aadhar Card looks

The Unique Identification Authority of India (UIDAI) is considering a major redesign of Aadhaar cards that would display only the holder's photograph and a QR code, eliminating personal details like name, address, and the 12-digit Aadhaar number. the authority plans to introduce new rules in December 2025 to prevent data misuse and discourage illegal offline verification practices by hotels, event organizers, and other entities.

The move aligns with the Aadhaar Act, which prohibits collecting, using, or storing Aadhaar numbers or biometric data during offline verification. Despite this legal restriction, many organizations continue gathering and retaining photocopies of Aadhaar cards, creating risks of fraud and identity theft.

The new card design would store all necessary information securely within the QR code, which can only be accessed through proper authentication channels.

Read more at : UIDAI planning new Aadhaar rule in December that may change how your Aadhar Card looks

Four Labour Codes implemented in India in one of biggest workforce reforms

Four New Labour Codes: In a landmark move aimed at modernising India's labour governance, the government on Friday implemented the Four Labour Codes—the Code on Wages (2019), Industrial Relations Code (2020), Code on Social Security (2020), and Occupational Safety, Health and Working Conditions (OSHWC) Code (2020)—repealing and rationalising 29 existing central labour laws.

The implementation is effective 21 November 2025, following years of consultation and preparatory work. How the labour landscape changes

- A comparison of the labour ecosystem before and after implementation shows sweeping reform across employment, wages, safety and compliance:
- Mandatory appointment letters for all workers, strengthening transparency and formalisation.
- Universal social security coverage, including gig and platform workers, with PF, ESIC, insurance and other benefits.
- Statutory right to minimum wages for all workers, replacing the earlier limited, scheduled-industry framework.
- Free annual health check-ups for workers above 40, promoting preventive healthcare.
- Mandatory timely payment of wages, ending discretionary or delayed wage practices.
- Women allowed to work night shifts across sectors, including mining and hazardous industries, with safety measures and consent.
- Pan-India ESIC coverage, including for small and hazardous establishments.
- Single registration, licence and return, sharply reducing compliance burden.

Additional reforms

- Beyond sector-specific measures, the Codes roll out several systemic improvements:
- National Floor Wage ensuring no worker falls below a minimum living standard.
- Gender-neutral employment provisions, including protections for transgender persons.
- Inspector-cum-Facilitator system, focusing on guidance over punitive enforcement.
- Faster dispute resolution through two-member Industrial Tribunals.

- A National OSH Board to standardise safety norms across industries.
- Mandatory safety committees in establishments with 500+ workers.
- Higher factory applicability thresholds, easing regulatory load for small businesses.

Read More at : [Four Labour Code Implemented in india one of the biggest workforce reforms]

Audit panels must strengthen disclosure: NFRA chief

The National Financial Reporting Authority (NFRA) chairman urged Corporate India to work on a new reporting template for the audit committees as the amount of information shared by them currently is not sufficient for the investors to understand the risks. The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations have cast a number of critical responsibilities on the audit committees to protect investors, creditors and the public at large. However, there is hardly any information available to the public on whether the audit committees have discharged those functions and duties. “Simply disclosing the number of meetings (held) is not adequate”.

The companies should consider creating a separate board-level risk management committee to identify the emerging risks like artificial intelligence (AI), environmental, social, and governance (ESG), and cybersecurity.

the audit committees may not have the relevant necessary skills, experience and expertise to understand and manage the variety of risks which are evolving now, and hence there’s a need for a separate risk management committee.

India must consider a longer time horizon to determine a company’s ability to continue operating. “In India, we are taking 12 months as the period for ascertaining the viability as a going concern, but can we take a longer horizon for this purpose, and determine the viability so that the failures can be avoided

Read More at: [Audit panels must strengthen disclosure: NFRA chief]

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