

# *Niti*

*Developments in Tax Laws  
September, 2025*



*"Krishna controls the Finite and the Infinite with inconceivable supernatural transcendental force.  
This is the power of inner energy."*

*.....Bhagavad Gita*



## **Section I – Direct Tax Laws**

### **A. Waiver of Interest under Section 220(2) on Delayed Payment of Demand in Certain Cases**

<https://incometaxindia.gov.in/communications/circular/waiver-of-interest-circular-no-13-2025.pdf>

Section 115BAC(1A) of the Income-tax Act, 1961 (“the Act”) provides the framework for a new optional tax regime for individual and Hindu Undivided Family (HUF) taxpayers. However, it is important to note that the provisions of Section 115BAC(1A) are **subject to the other provisions of Chapter XII of the Act**, which deals with special rates of taxation.

This means that certain categories of income that are specifically taxed at special rates under various provisions of Chapter XII are excluded while calculating tax under the new Section 115BAC(1A). Examples of such incomes include:

- Long-term capital gains under Section 112A;
- Dividend income under Section 115BBDA;
- Income from winnings from lotteries, crossword puzzles, horse races, etc., under section 115BB; and
- Income from certain specified securities and mutual fund units.

In other words, while a taxpayer may have opted for the Section 115BAC regime for their regular income (such as salary, business or professional income, or house property income), income that is taxed at special rates under Chapter XII continues to be taxed separately as per the applicable special tax rate.

Furthermore, the clause (b) of the proviso to Section 87A which provides relief in the form of a rebate for eligible taxpayers is also applicable to taxpayers opting for Section 115BAC(1A). This ensures that eligible taxpayers can still claim the rebate on tax payable under the new regime, subject to the conditions prescribed in Section 87A.

However, rebate under Section 87A was erroneously allowed on incomes that are taxed at special rates under Chapter XII in certain processed returns. Rectification is being carried out to disallow the incorrect rebate, leading to fresh demands. Normally, delayed payment attracts interest under Section 220(2).

To ease hardship, CBDT has directed that interest under Section 220(2) shall be waived if such rectification demands are paid on or before December 31, 2025.

If the demand is not cleared by December 31, 2025, interest Section 220(2) will apply from the day after the period under Section 220(1) expires.



## **B. Tax Audit Due Date Extended**

<https://incometaxindia.gov.in/communications/circular/circular-no-14-2025.pdf>

The CBDT Circular No. 14/2025 dated September 25, 2025 extends the due date for filing various audit reports for the Financial Year 2024-25 (Assessment Year 2025-26). The last date for submission of audit reports by auditable assesseees under the Income-tax Act, 1961, is extended from September 30, 2025 to October 31, 2025. The extension applies to assesseees covered under clause (a) of Explanation 2 to Section 139(1), i.e., those required to furnish reports of audit under any provision of the Act.

## **C. Extension of Investment Deadline under Section 10(23FE)**

<https://incometaxindia.gov.in/communications/circular/circular-11-2025.pdf>

The CBDT has issued Circular No. 11/2025 dated September 2, 2025 modifying Circular No. 9/2022, in line with amendments made by the Finance Act, 2025 to Section 10(23FE) of the Income-tax Act. Section 10(23FE) of the Income Tax Act, 1961 provides income tax exemption to specified foreign funds primarily Sovereign Wealth Funds (SWFs), Pension Funds, and other notified entities on their income arising from investments in specified Indian infrastructure entities such as Category-I or II Alternate Investment Funds (AIFs), Infrastructure Investment Trusts (InvITs), or companies engaged in developing, maintaining, or operating infrastructure facilities.

### **Key Change:**

- The deadline for making qualifying investments under Section 10(23FE) has been **extended from March 31, 2025 to March 31, 2030**, effective from April 1, 2025.

### **Implications:**

- All earlier references to March 31, 2025 in Circular No. 9/2022 are now to be read as **March 31, 2030**.
- Sovereign Wealth Funds (SWFs) and Pension Funds will now have additional time to invest in eligible infrastructure projects in India and claim tax exemptions under section 10(23FE).



## **Section II – Indirect Taxation**

### **A. Recommendations on the 56th GST Council meeting**

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2163555>

In the historic 56<sup>th</sup> Goods and Services Tax (GST) Council meeting, held in the backdrop of the announcements made by the Hon'ble Prime Minister in his Independence Day speech, recommendations have been made focusing on three pillars, namely (i) Structural Reforms, (ii) Rate Rationalisation and (iii) Ease of Living.

At its meeting on September 3, 2025, the Council rolled out **GST 2.0**, a comprehensive set of reforms aimed at making the tax system simpler, fairer, and more efficient. The reforms seek to reduce household expenses, support job-creating industries, strengthen the agriculture and healthcare sectors, and resolve several long-pending demands from businesses. Collectively, these measures are expected to boost economic growth and improve citizens' quality of life. The changes in GST rates for goods (except specified goods) and services became effective from **September 22, 2025**.

### **A. Structural and Procedural Reforms**

#### **1. Rate Structure Rationalisation**

- Previously, GST had a four-tier of tax rates/ slabs - 5%, 12%, 18% and 28% (plus compensation cess on demerit goods), which often led to classification disputes.
- Under GST 2.0, this has been simplified to a three-rate structure: 5% (Merit Rate), 18% (Standard Rate), and 40% (Demerit Rate for luxury and sin goods/ services). This rationalisation would provide better clarity and reduce complexity.

#### **2. Dispute Resolution**

- Earlier, though the GST Appellate Tribunal (GSTAT) had been legislated, it remained non-functional due to legal challenges and delays in appointments. Appeals were thus filed before High Courts.
- Now, the GSTAT will be operational from September 2025, with hearings commencing from December 2025. This will provide a specialised forum for GST disputes and ease the burden on High Courts.



### 3. Refund Mechanism

- In the earlier regime, provisional refunds of 90% were available only for zero-rated supplies (exports/SEZ) and were subject to officer discretion. Refunds for inverted duty cases were sanctioned only after full scrutiny, and export refunds below ₹1,000 were denied.
- GST 2.0 introduces a system-driven, risk-based refund process, extending provisional 90% refunds to both exports and inverted duty claims, while also removing the ₹1,000 threshold for export refunds. This will significantly ease cash flow for businesses.

### 4. Simplified Registration

- Earlier, registration was time-consuming, with officer-led approvals, and small e-commerce suppliers were required to obtain state-wise registrations.
- The reforms now provide a fast-track registration scheme for low-risk taxpayers (monthly liability  $\leq$  ₹2.5 lakh), with automated approval within three working days. Further, small suppliers through e-commerce platforms can operate with a single GST registration across states, reducing compliance costs.

### 5. Intermediary Services

- Under the previous law, Section 13(8)(b) of the IGST Act deemed the place of supply as the supplier's location, thereby taxing such services in India and denying them export status.
- This provision has now been omitted, aligning the place of supply to the recipient's location, thereby enabling intermediary services to qualify as exports.

### 6. Post-Sale Discounts

- Earlier, discounts were required to be pre-agreed and linked to invoices, often creating disputes around Input Tax Credit (ITC) reversal.
- The amended provisions now allow post-sale discounts to be passed through credit notes, with mandatory ITC reversal by the recipient where applicable, ensuring clarity and uniformity.



## B. Key GST Rate Changes - Goods

- **Essential Goods:** Dairy products, breads, biscuits, toiletries, soaps and shampoos reduced to Nil/ 5%.
- **Healthcare:** Exemption for health and life insurance; thermometer, medical grade oxygen, diagnostic kits, glucometer and test strips and corrective spectacles reduced to 5%.
- **Agriculture:** Farm machinery, irrigation systems, bio-pesticides, and tractor parts reduced to 5%.
- **Automobiles:** Small cars, three-wheelers, buses and ambulances reduced to 18%; SUVs and luxury vehicles taxed at 40%.
- **Luxury and Sin Goods:** Tobacco, pan masala, aerated and caffeinated beverages increased to 40%.
- **Energy and Renewables:** Coal, lignite and peat increased to 18%; renewable energy devices reduced to 5%.
- **Electronic Appliances:** Air Conditioners, Television (above 32'') (including LED and LCD TVs), Monitors and Projectors, Dish Washing Machines reduced to 18%.
- **Education:** Maps, charts, globes, exercise book, notebooks, pencils, sharpeners, crayons and erasers exempted.
- **Common Household Items:** Utensils, candles, bicycles, sewing machines and baby products reduced to 5%.
- **Footwear:** Value up to ₹2,500 reduced to 5% (above ₹2,500 retained at 18%).

## C. Key GST Rate Changes - Services

- **Hospitality:** Hotel accommodation  $\leq$  ₹7,500/day reduced to 5% (without ITC).
- **Transport:** Rationalisation of passenger and goods transport services to 5%/18% slabs.
- **Works Contracts and Professional Services:** Increased to 18%.
- **Leisure and Gaming:** Casinos, race clubs, betting, and online gaming raised to 40%.
- **Job Work:** Certain categories (pharmaceuticals, printing, leather, etc.) reduced to 5%.
- **Wellness Services:** Beauty and wellness services at 5% (without ITC).



## D. Compliance Considerations

### I. Mandatory MRP relabeling of stock in line with revised rates.

[https://consumeraffairs.gov.in/public/upload/admin/cmsfiles/whatsnews/Permission to the manufacturers or packers or importers of pre-packaged commodities to declare the revised retail sale price MRP on the unsold stock -Change in GST rates of GoodsServices - reg whatsnews.pdf](https://consumeraffairs.gov.in/public/upload/admin/cmsfiles/whatsnews/Permission%20to%20the%20manufacturers%20or%20packers%20or%20importers%20of%20pre-packaged%20commodities%20to%20declare%20the%20revised%20retail%20sale%20price%20MRP%20on%20the%20unsold%20stock%20-Change%20in%20GST%20rates%20of%20Goods%20Services%20-%20reg%20whatsnews.pdf)

The Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs, Weights and Measures Unit) issued an order on September 9, 2025 granting permission under Rule 33 of the Legal Metrology (Packaged Commodities) Rules, 2011, regarding revision of MRP on unsold stock following GST rate changes.

#### Key Provisions

- **Permission for Revised MRP Declaration:** Manufacturers, packers, or importers may declare revised retail sale price (MRP) on unsold stock (manufactured/ packed/ imported prior to the GST revision) by way of stamping, sticker, or online printing. This is permissible up to December 31, 2025 or until such unsold stock is exhausted, whichever occurs earlier.
- **Original MRP Must Remain Visible:** The original MRP printed on the package must not be overwritten or obscured. The revised price must appear separately.
- **Extent of Price Revision:** The difference between the old MRP and the revised price cannot exceed the increase due to GST. In case of a GST reduction, the revised price must reflect the reduced tax, and MRP post-correction must be lower accordingly.
- **Communication Requirements:** The earlier requirement to publish advertisement in two newspapers regarding revised MRPs has been waived. Instead, manufacturers/ packers/ importers must circulate revised price lists to wholesale dealers and retailers, and copies should be provided to the Director, Legal Metrology in the Central Government and State/UT Controllers of Legal Metrology.
- **Use of Old Packaging:** Old packaging material and wrappers printed before the GST change may be used for packing up to December 31, 2025 (or until exhausted), provided the revised price is displayed as above.
- **Voluntary Declaration:** Affixing revised price stickers is optional and not mandatory; it is at the discretion of the manufacturer/importer.



[https://consumeraffairs.gov.in/public/upload/admin/cmsfiles/whatsnews/GST\\_revision\\_n\\_-](https://consumeraffairs.gov.in/public/upload/admin/cmsfiles/whatsnews/GST_revision_n_-)

[Permission by Central Govt under Rules 33 of the Legal Metrology Packaged Commodities Rules 2011 to relax provisions contained in Rule 183 whatsnews.pdf](#)

The Ministry of Consumer Affairs, vide order dated September 18, 2025, issued fresh relaxations for manufacturers, packers, and importers regarding declaration of revised MRP on pre-packaged commodities following a GST rate change.

### **Overview of Relaxations**

- **Voluntary Sticker for Revised MRP:** Affixing a revised price sticker on unsold pre-packaged stock (manufactured before 22 September 2025 and still unsold) is voluntary, not mandatory. The original MRP must remain unobstructed.
- **No Advertisement Requirement:** The prior requirement under Rule 18(3) of the Legal Metrology (Packaged Commodities) Rules, 2011 to publish revised MRP in at least two newspapers has been waived.
- **Notification by Circular:** Manufacturers/ packers/ importers only need to send circulars to wholesale dealers, retailers, etc., with copies to Director of Legal Metrology (Central) and Controller of Legal Metrology (States/UTs) to inform about the revised MRP and ensure implementation at the retail level.
- **Active Communication:** Businesses must immediately sensitize dealers, retailers, and consumers about GST driven price changes through electronic, print, and social media.
- **Use of Pre-Printed Pack Material:** Unused packaging or wrappers printed before the GST revision may still be used until March 31, 2026 (or earlier if exhausted) if the revised MRP is displayed via sticker, stamp, or online print, at any location on the package.
- **Voluntary Price Declaration on Stock/ Material:** There is no mandatory requirement to declare the revised MRP on any unsold pre-packaged stock or unused packaging material. Manufacturers, packers, and importers may do so voluntarily if desired.

These permissions and relaxations are granted via exercise of powers under Rule 33 of the Legal Metrology (Packaged Commodities) Rules, 2011, which gives the government authority to grant relief or relaxation for compliance on declared circumstances.



## II. Clarifications on Secondary and Post-Sale Discounts

<https://taxinformation.cbic.gov.in/view-pdf/1003287/ENG/Circulars>

CBIC Circular No. 251/08/2025-GST, dated September 12, 2025, provides definitive guidance on the treatment of Input Tax Credit (ITC) in relation to post-sale discounts issued by way of financial or commercial credit notes under the GST regime

The circular addresses three main issues.

- i. It clarifies that recipients of a supply can avail themselves of the full input tax credit (ITC) even if the supplier issues a financial or commercial credit note for a discount. This is because the original transaction value and tax liability remain unchanged.
- ii. A post-sale discount from a manufacturer to a dealer is generally not considered a separate consideration for a supply of goods to the end customer. This is because the dealer and manufacturer have a principal-to-principal relationship. However, if there is a pre-existing agreement between the manufacturer and the end customer to provide a discounted price, the discount given to the dealer would be treated as an inducement for the supply and included in the consideration.
- iii. The circular states that post-sale discounts given to dealers for general promotional activities are not considered a separate supply of services. However, if the dealer undertakes specific, agreed-upon promotional services with a clearly defined consideration, GST would be leviable on those services.

CBIC, in exercise of its powers conferred under sub-section (1) of Section 168 of the CGST Act has clarified the issues as under:

Sr No	Issue	Clarification
1	Whether the full input tax credit is available to the recipient of supply when the recipients make discounted payments to the supplier of goods on account of financial/commercial credit notes issued by the said supplier?	<ol style="list-style-type: none"><li>i. Section 16 (1) of the CGST Act, 2017 provides that every registered person shall be entitled to take credit of input tax charged on any supply of goods or services or both, which are used or intended to be used in the course or furtherance of his business.</li><li>ii. It has been clarified vide circular No. 92/11/2019-GST dated March 7, 2019 that the supplier of goods can issue financial/commercial credit notes and in such cases, he</li></ol>



Sr No	Issue	Clarification
		<p>will not be eligible to reduce his original tax liability. As the transaction value is not allowed to be reduced on account of issuance of financial/ commercial credit note, accordingly the tax charged from the recipient would also not get reduced.</p> <p>iii. Thus, it is clarified that the recipient will not be required to reverse the Input Tax Credit attributed to the discount provided on the basis of financial/ commercial Credit notes issued by the supplier, as there is no reduction in the original transaction value of the supply and accordingly the corresponding tax liability would also not get reduced.</p>
2	<p>Whether a post-sale discount offered by a manufacturer to its dealer/ distributor, would be treated as a consideration paid by the manufacturer for the dealer's supply of the same goods to the end customer as a monetary value of the inducement to supply of goods manufactured by him to the end customer?</p>	<p>i. Section 2 (31) of the CGST Act, 2017 defines consideration as to include the monetary value of any act for the inducement of the supply of goods or services, whether by the recipient or by any other person.</p> <p>ii. In cases where there is no agreement between the manufacturer and the end customer, there are two independent sale transactions, one from the manufacturer to the dealer and the other from the dealer to the end customer. The essence of the matter is that in a contract of sale, the sale is completed on the transfer of title to the goods to the buyer. Once this happens, the buyer becomes the owner of the goods, and the seller has no vestige of the title or claims therein. The dealer takes ownership of the goods purchased from the manufacturer and subsequently sells them to the end customer and transaction between the manufacturers to dealer operates on a principal-to-principal basis. These discounts are simply given for competitive pricing to push sales and merely reduce the sale price of</p>



Sr No	Issue	Clarification
		<p>the goods and are not linked to any independent activity rendered to the manufacturer. Therefore, it is clarified that such a discount cannot be included in consideration as the monetary value of the inducement of further supply of these goods.</p> <p>iii. However, in cases where the manufacturer has some agreement with an end customer to supply goods at a discounted price, the manufacturer may issue commercial or financial credit notes to the dealer, enabling such dealer to provide the goods at the agreed discounted rate to the end consumer. Therefore, it is clarified that such a post sale discount, given by the manufacturer to the dealer for supplying goods to the end customer at a discounted rate, should be included in the overall consideration as it is an inducement towards the supply of goods by the dealer to the end customer.</p>
3	Whether a post-sale discount extended by the manufacturer to the dealer can be treated as a consideration in lieu of the activities performed to promote the sale of the goods?	<p>i. When dealers receive such post-sale discounts, they may engage in promotional activities to boost sales. However, these activities ultimately enhance the sale of goods that the dealers themselves own, thereby increasing their own revenue. In this context, the discount merely reduces the sale price of the goods and is not linked to any independent service rendered to the manufacturer. Therefore, it is clarified that post-sale discounts offered by manufacturers to dealers in such cases shall not be treated as consideration for a separate transaction of supply of services.</p> <p>ii. However, GST would be leviable in cases where a dealer undertakes specific sales promotional activities, such as advertising</p>



Sr No	Issue	Clarification
		campaigns, co-branding, customization services, special sales drives, exhibition arrangements, or customer support services, etc., only when such services are explicitly stated in the agreement with a clearly defined consideration payable for such a supply. In such cases, the dealer provides a distinct service to the supplier, and accordingly, GST would be chargeable.

**III. CBIC: eOffice ‘Issue Number’ Now Equivalent to DIN for Certain Communications**

<https://taxinformation.cbic.gov.in/view-pdf/1003290/ENG/Circulars>

The CBIC has clarified the use of Document Identification Number (DIN) for communications issued to taxpayers

Earlier, DIN was required on all communications, including e-mails, to verify authenticity. Communications via the GST common portal with a verifiable Reference Number (RFN) do not require DIN. Now, for communications sent through CBIC’s eOffice using the public option, the electronically generated ‘Issue Number’ can be verified online via <https://verifydocument.cbic.gov.in> Taxpayers can authenticate details such as file number, date, type of communication, issuing office, and masked recipient details. Consequently, separate DIN is no longer required on such eOffice communications. The Issue Number will serve as the DIN. DIN must still be quoted on communications not dispatched via eOffice public option or not bearing RFN on the GST portal.



**Section III – Some Reminders for October, 2025**

<b>Particulars</b>		<b>Due Date</b>
<b>Payment of</b>	Tax Deducted at Source for the month of September, 2025	7 <sup>th</sup> October, 2025
	Provident Fund (includes EDLI) for the month of September, 2025	15 <sup>th</sup> October, 2025
	ESIC for the month of September, 2025	15 <sup>th</sup> October, 2025
<b>Filing of</b>	GSTR- 1 for September, 2025 (turnover of more than or less than Rs. 5 crores)	11 <sup>th</sup> October, 2025
	GSTR-8 for September, 2025 [return to be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST]	10 <sup>th</sup> October, 2025
	GSTR-7 for September, 2025 [return to be filed by the persons who is required to deduct TDS (Tax deducted at source) under GST]	10 <sup>th</sup> October, 2025
	GSTR - 3B for September, 2025 (turnover of more than Rs. 5 crores)	20 <sup>th</sup> October, 2025
	GSTR - 3B for September, 2025 (turnover up to Rs. 5 crores, depending on the state)	22 <sup>nd</sup> October, 2025
	Income tax returns for the assessee to whom tax audit is applicable	30 <sup>th</sup> October, 2025
	Tax Audit Report with Income Tax Department	31 <sup>st</sup> October, 2025
	Filing of Form DIR -3 KYC	15 <sup>th</sup> October, 2025
	Filing of Form ADT-1	Within 15 days of AGM
	Filing of Form AOC – 4	Within 30 days of AGM
	Filing of Form LLP – 8	30 <sup>th</sup> October, 2025
	Filing of Form MSME (April -September)	30 <sup>th</sup> October, 2025
	Filing of Form PAS-6	30 <sup>th</sup> October, 2025



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