

PROFESSIONAL PROGRAMME

SUPPLEMENT

FOR

ADVANCED DIRECT TAX LAWS & PRACTICE

(Relevant for Students appearing in December, 2025 Examination)

GROUP 1

ELECTIVE PAPER 4.5

Students appearing in December, 2025 Examination shall note the following:

1. For Direct taxes, Finance Act, 2024 is applicable.
2. Applicable Assessment year is 2025-26 (Previous Year 2024-25).

Students are also required to update themselves on all the relevant Rules, Notifications, Circulars, Clarifications, etc. issued by the CBDT & Central Government, on or before 31st May, 2025.

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Circulars / Notifications

Lesson 7

Transfer Pricing & General Anti Avoidance Rules “GAAR”

1. CBDT amends Income Tax Rules to provide for Safe Harbour Rules Under Section 92CB For AY 2025-26 [Notification No. 21 Dated March 25, 2025]

Section 92CB of the Income-tax Act, 1961 inter alia, empowers the CBDT to make safe harbour rules, for the determination of arm's length price under section 92C or section 92CA.

The scope of the safe harbour rules has been expanded by -:

- (a) Increasing the threshold for availing safe harbour from Rs. 200 Crore to Rs. 300 Crore;
- (b) Including the “lithium ion batteries for use in electric or hybrid electric vehicles” in the definition of core auto components.

To provide tax certainty to the assessee's opting for safe harbour, the amendments are applicable to two assessment years 2025-26 and 2026-27.

For details: <https://incometaxindia.gov.in/communications/notification/notification-21-2025.pdf>

Lesson 4

Tax Audit

2. CBDT Announces Income-tax (8th Amendment) Rules, 2025 [[Notification No. 23 Dated March 28, 2025]

The Central Board of Direct Taxes (CBDT) has reported the Income-tax (Eighth Amendment) Rules, 2025, through **Notification No. 23/2025**. These rules introduce changes to Form 3CD, the tax audit report mandated under section 44AB of the Income-tax Act, 1961. The same amendment shall come into effect on 1 April 2025, impacting businesses and tax professionals.

Modifications in Form 3CD

- a. **Insertion of Clause 44BBC in Clause (12):** The amendment adds “44BBC” in Part B, Clause (12) of Form 3CD, ensuring complete reporting for taxpayers.
- b. **Omission of Particular Tax Deductions in Clause (19):** The following deduction-corresponding rows have been terminated:
 - Section 35AC (Expenditure on eligible projects)
 - Section 35CCB (Agro-based programs)
 - Section 32AC (Investment in new plant & machinery)
 - Section 32AD (Investment in backward areas)

- c. **New Reporting Need in Clause (21):** The taxpayers need to report the expenditures pertinent to the settlements for the breach of regulations, as reported by the Central Government.
- d. **Adjusted MSME Payment Reporting in Clause (22):** Under the MSMED Act, 2006, a detailed disclosure on payments to Micro and Small Enterprises is-
 - Total amount payable to MSMEs under Section 15
 - Breakup of timely and delayed payments
 - Interest inadmissible under Section 23
- e. **Modifications in Clause (26) – Tax Deduction U/S 43B:** Clarifications in language and adjustments about different clauses under Section 43B.
- f. **Deletion of Clauses (28) & (29):** The same clauses have been eliminated, easing the tax audit reporting framework.
- g. **Revision in Loan and Deposit Reporting in Clause (31):** For reporting the nature of loan or deposit transactions, a drop-down selection is introduced. New coding system for different transaction types, including cash payments, receipts, asset transfers, journal entries, and more.
- h. **New Clause 36B:** The taxpayers in a new clause (36B) are required to declare the information of buyback of shares u/s 2(22)(f)
 - The amount received from the buyback
 - Cost of acquisition of shares

For Details: <https://incometaxindia.gov.in/communications/notification/notification-no-23-2025.pdf>

3. Expenses for Settlement of SEBI & Competition & Depositories Act Violations not allowable [Notification No. 38 Dated April 23, 2025]

The Central Board of Direct Taxes specifies that expenses incurred to settle legal proceedings related to contraventions or defaults under certain laws will not be considered business or professional expenditures. Consequently, no deductions or allowances will be permitted for such expenses. The listed laws include the Securities and Exchange Board of India Act, 1992; the Securities Contracts (Regulation) Act, 1956; the Depositories Act, 1996; and the Competition Act, 2002. This notification will be effective from the date of its publication in the Official Gazette.

For Details: <https://incometaxindia.gov.in/communications/notification/notification-38-2025.pdf>