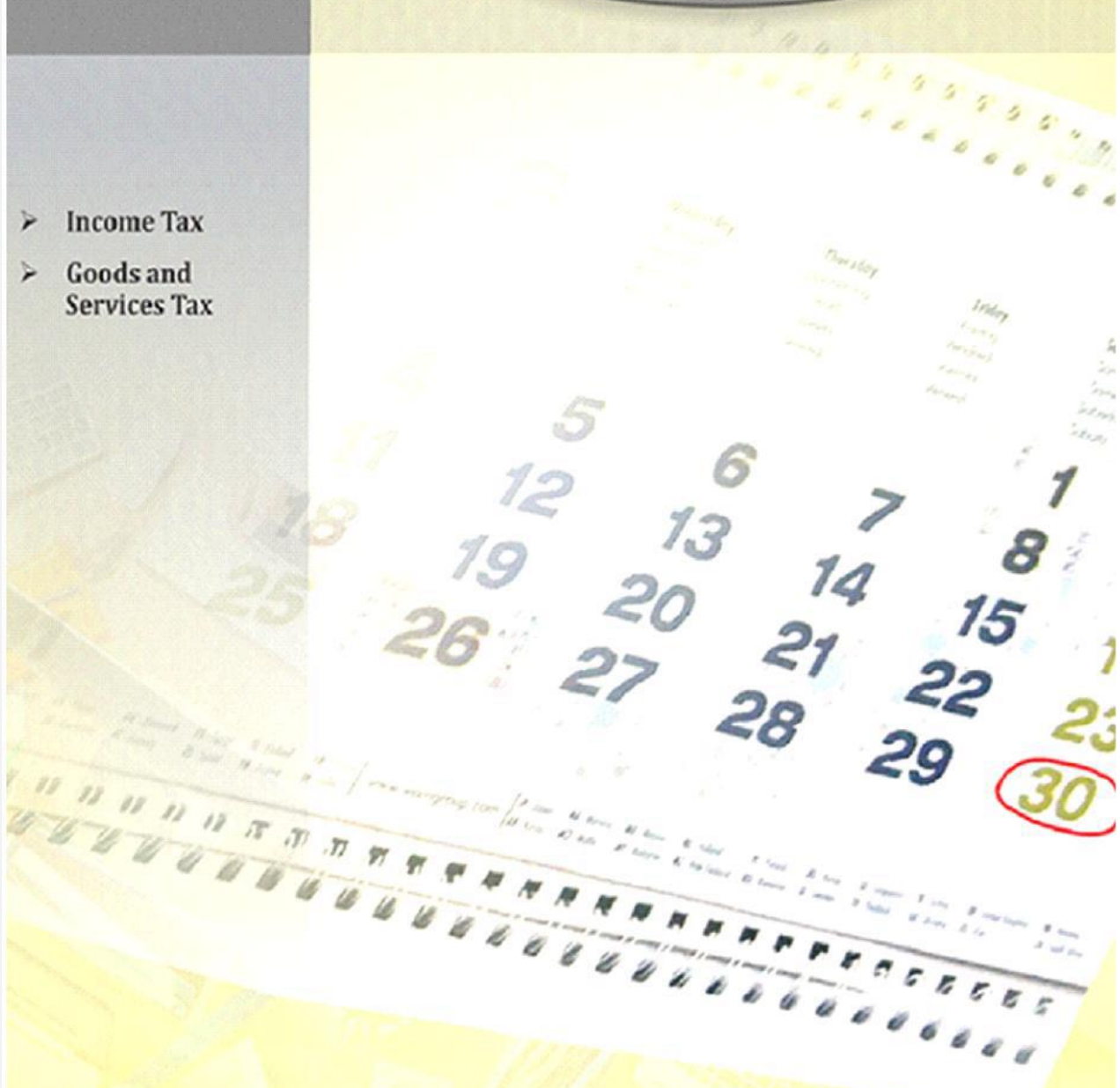


September 2025

NEWSLETTER

TAX

- Income Tax
- Goods and Services Tax



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Income Tax

1. Waiver of Interest Payable under section 220(2) of The Income Tax Act, 1961

CBDT

Circular No. 13 /2025 date 19.09.2025

Vide this circular, CBDT has **passed an order under section 119** of Income Tax Act, 1961 for **waiver of interest payable under section 220(2) due to late payment of demand.**

According to provisions of the clause (b) of proviso to section 87A, **rebate is applicable to income taxed at normal slab rates** and not on income taxed at special rate (Capital Gains, Lottery Winnings, etc.).

In some cases, **taxpayers were wrongly given this rebate even though their income included such special-tax rate income.** When the Income Tax Department corrected this error, additional tax (demand) became payable.

Normally, if such **demand is not paid on time, interest under section 220(2) is charged**, which increases the burden.

To mitigate hardship, CBDT has now clarified that if the additional demand arising from withdrawal of the wrongly allowed 87A rebate **is paid on or before 31st December 2025, no interest under section 220(2) will be levied.**

However, if the demand is not cleared by that date, normal interest will apply.

[Circular No 13](#)

2. Extension of timeline for filing Audit Reports under the Income Tax Act, 1961

CBDT

Circular No. 14 /2025 date 25.09.2025

Vide this circular, CBDT has extended the due date of Filing various Reports under the Income Tax Act, 1961 for the Financial Year 2024-25.

Original Due Date: 30 September 2025

Extended Due Date: 31 October 2025

Reports Covered by the Extension:

- Tax Audit Report (Form 3CA/3CB–3CD) under section 44AB
- Audit Report of Charitable/Religious Trusts (Form 10B/10BB) under sections 12A / 10(23C)
- Other statutory audit reports linked to the “specified date” u/s 139(1) Explanation 2(a)

This extension will provide additional time for Chartered Accountants, tax professionals and businesses to complete tax audit reports.

[Circular No.14](#)

Goods and Service Tax

1. CGST (Third Amendment) Rules, 2025.

CBIC

Notification No. 13/ 2025 dated 17.09.2025

Vide this notification, CBIC has made changes to the **GST Rules, 2017**. These changes affect refunds, appeals, annual return filing, and input tax credit (ITC). Details are as follows:

Refunds under GST

To Ensure timely processing of Refunds, the proper officer is now required to issue an order for sanction of refund or rejection within 4 days from the date of acknowledgement of the refund application under Rule 90(1) or 90(2).

Appeals

Appeal forms are amended to separately capture penalty-only appeals, in line with Finance Act 2025 (where 10% pre-deposit of penalty is mandatory).

Annual Returns (GSTR9 & GSTR9C)

Annual Return forms are revised to include additional breakups of ITC reversals, ineligible credits, and reconciliations. Mandatory fields expanded for better matching with GSTR-2B.

Input Tax Credit

The GST rules on input tax credit (ITC) have been tightened through amendments to Rule 36 and Rule 37A. ITC can now be claimed only on invoices or debit notes reflected in GSTR-2B or the Invoice Management System (IMS). Timely reversal is required if the supplier fails to pay tax or issues a credit note.

Credit Notes & ITC Reversal

Amendments to Rules 53 and 89 now align with Section 34: a supplier can reduce tax liability through credit notes only after the recipient has reversed the corresponding ITC, preventing disputes arising from earlier practices.

This notification shall come into force with effect from 22th September 2025.

[Notification No.13](#)

2. Registered persons not eligible for provisional refunds

CBIC

Notification No. 14/ 2025 dated 17.09.2025

Vide this notification, CBIC has specified categories of **registered persons who will not be allowed a provisional refund** under the CGST Act.

The following categories of registered persons are not eligible for provisional refunds:

- Any person who has **not undergone Aadhaar authentication** as per rule 10B of the CGST Rules.
- Any person who is engaged in the **supply of following specific goods:**
 - Areca nuts
 - Pan masala
 - Tobacco and manufactured tobacco substitutes
 - Essential oils

This notification shall come into force with effect from 1st October, 2025.

[Notification No 14](#)

3. Exemption in Annual Return Filing for small tax payers

CBIC

Notification No. 15/ 2025 dated 17.09.2025

Vide this notification, CBIC has reaffirmed that registered taxpayers with an aggregate turnover not exceeding ₹2 crore in a financial year are exempt from filing the Annual Return (GSTR-9) for FY 2024-25 and subsequent years.

For clarity, the exemption limit for earlier years, starting from FY 2020-21, has also been ₹2 crore.

[Notification No 15](#)

4. New GST Provisions effective from 1st October 2025.

CBIC

Notification No. 16/ 2025 dated 17.09.2025

Vide this notification, CBIC has specified GST Provisions of the Finance Act 2025 which will take effect from 1st October 2025. Details are as follows:

Input Tax Credit (ITC) Retrospective Clarification [Section 17(5)]

Under Section 17(5) of the CGST Act, ITC on capital goods is restricted for certain blocked credits. The phrase “plant **or** machinery” has now been clarified to be “plant **and** machinery” retrospectively from 1 July 2017. Earlier, the use of word “or” created ambiguity, allowing broader ITC claims. The clarification narrows the scope, which may impact past ITC claimed on capital goods. Businesses should review all credits claimed since July 2017 to ensure compliance and identify any potential reversals.

Credit notes and ITC reversal [Section 34]

When a credit note is issued, the recipient (if they claimed ITC) is required to reverse the ITC first only thereafter the supplier can reduce tax. This demands proper coordination and reconciliation.

Track & Trace Mechanism [Section 122B]

Mandatory Unique Identification Marking (digital stamp/mark) for specified goods/package, enabling end-to-end monitoring throughout the supply chain, reducing tax evasion, and ensuring compliance.

Time of Supply for Gift Vouchers [Section 12(4) & 13(4)]

Vide circular no. 243/37/2024 dated: 31-12-2024, CBIC exempted GST on sale of gift vouchers. Now this has been enacted by omitting sections 12(4) and 13(4) of CGST Act.

Invoice Management System [Section 38]

Taxpayers can accept, reject, or hold invoice records on IMS. Only accepted invoices will be eligible for ITC, tightening manual verification and compliance.

Definition of Local Authority [Section 2]

The definition of “local authority” becomes clearer to include municipal/local funds; this reduces ambiguity in classification.

Restriction on Refunds

Restriction / bar on refunds of taxes collected on supplies that are retrospectively covered under the aforementioned amendments (i.e. where an amendment retrospectively changes treatment) –implying that, refund of tax already collected by the department in respect of supplies that are now held to be non-supplies, cannot be claimed.

[Notification No.16](#)

5. Communication to taxpayers through e-Office – Requirement of Document Identification Number (DIN)

CBIC

Circular No. 252/ 2025 dated 23.09.2025

Vide this circular, CBIC has changed requirements of Document Identification Number (DIN) in communication to taxpayers through e-Office.

Background

- Earlier circulars (122/41/2019 & 128/47/2019) **mandated quoting of DIN by GST officers on all communications with taxpayers.**
- Circular 249/06/2025 clarified that communications through **GST portal having a Reference Number (RFN) does not need a separate DIN.**

New Change (Circular 252/09/2025)

- Communications issued through **CBIC’s e-Office application** already bear a system-generated **“Issue number”**.
- Now, a **verification utility** has been launched (<https://verifydocument.cbic.gov.in>) to check authenticity of e-Office communications using this Issue number.

Effect of this Circular

- For communications sent through **e-Office** that carry an **Issue number**, quoting a separate DIN is **not required**. The **Issue number will itself be treated as DIN**.
- For all **other communications** (not via e-Office or not bearing RFN), quoting DIN remains **mandatory**.

[Circular No 252](#)

6. GST 2.0

CBIC

Notification No. 09/ 2025 dated 17-09-2025

Vide this notification, CBIC has announced significant changes to the GST tax structure aimed at providing relief to consumers and stimulating economic growth, effective from 22nd September 2025. This is in line with the recommendations of the 56th GST Council meeting held on 3rd September 2025.

These Next-Generation GST reforms are designed not just to reduce tax rates, but to create a virtuous cycle of growth.

Major Changes:

- The number of GST slab rates has been **reduced to two (5% & 18%) from four (5%, 12%, 18% & 28%)**.
- The **compensation cess** mechanism (which added extra tax on certain items) is being **phased out**. Compensation Cess was added to **sin/luxury goods** to discourage consumers to buy them, which will be now covered in a **new slab rate i.e., 40%**.
- **Exemptions / Zero GST on certain goods and services** like Health insurance, medicines, daily essentials, etc.
- Change in valuation rules for services like lottery, gambling etc. to align with new higher rates. Rule 31B is inserted for online gaming. As per this Rule, value of supply includes total amount **paid or payable** to / deposited with the supplier (whether in money, money's worth, or virtual digital assets) by or on behalf of the player. Refunds or any returned amounts **cannot** be deducted from the value of supply to reduce GST liability. Similarly, Rule 31C is inserted for casinos.

Changes in GST Slab Rates

Category of Goods & Services	Old Rate	New Rate
Pre-packaged / labelled paneer / Chena	5%	0%
Ultra-High Temperature (UHT) milk	5%	0%
Pizza bread; Khakhra, Chapatti / Roti / Paratha etc. (Indian breads)	5%	0%
Health / Life Insurance (individual policies)	18%	0%
Tablets/ drugs / essential medicines (list of 30+ "life-saving" drugs)	Various (often 12%)	0%
Other medicines including Ayurveda, Unani, Homoeopathy	12%	5%
Medical oxygen, thermometers, surgical instruments	12 % & 18%	5%
Spectacles and corrective goggles	28%	5%
Stationery / Education supplies: Erasers, pencils, sharpeners, notebooks, exercise / graph books, maps.	12% & 5%	0%
Geometry boxes, school cartons, trays.	12%	5%
Food items such as packaged namkeens, Bhujia, Sauces, Pasta, Chocolates, Coffee, Preserved Meat etc.	12 % & 18%	5%
Butter, cheese, other dairy fats / spreads	12%	5%
Condensed milk	12%	5%
Nuts (dried, shelled etc.)	12%	5%
Toiletries / personal care basics (soap bars, shampoos, toothpaste)	18%	5%
Bicycles; parts etc.	12%	5%
Trucks / commercial goods-carrying vehicles	28%	18%
Small cars (petrol ≤1200cc / diesel ≤1500cc, under certain size limits)	28%	18%
TVs, ACs, dishwashers etc. (white goods)	28%	18%
Motorcycles (≤ 350 cc) & automotive parts	28%	18%
Cement	28%	18%

Marble/travertine blocks, Granite blocks, Sand-lime bricks	12%	5%
Bamboo flooring / joinery, Packing cases & pallets (wood)	12%	5%
Hotel stays having tariff up to ₹7,500/day	12%	5%
Gyms, salons, barbers, yoga	18%	5%
Handicraft idols, statues, Paintings, sculptures, Wooden/metal/textile dolls & toys	12%	5%

Items moved to 40% (Luxury/ Sin/ Demerit Goods)

- Tobacco & related products (cigarettes, etc.)
- Soft drinks / aerated beverages
- Large / luxury cars above the small-car thresholds
- lotteries, betting, gambling and horse-racing

[Notification No.9](#)

7. Other Recommendations of the 56th GST Council meeting

The 56th GST Council meeting has made various recommendations apart from Revision in the Tax Rates. Major recommendations are as follows:

- **Operationalisation of the Goods and Services Tax Appellate Tribunal (GSTAT)**
 - **Timeline:** GSTAT to accept appeals by end of September 2025 and commence hearings by end of December 2025.
 - **Backlog Appeals:** A limitation period of June 30, 2026, is proposed for filing backlog appeals.
 - **National Appellate Authority:** The Principal Bench of GSTAT will also serve as the National Appellate Authority for Advance Rulings.
- **Amendment in Place of Supply for Intermediary Services**
 - **Current Provision:** Section 13(8)(b) of the IGST Act deems the place of supply for intermediary services to be the location of the supplier.
 - **Proposed Change:** Omission of clause (b), making the place of supply the location of the recipient, aligning with the default provision under Section 13(2) of the IGST Act.
 - **Impact:** This change aims to facilitate Indian exporters of intermediary services to claim export benefits.
- **Provisional Refunds for Exporters and Inverted Duty Structure Cases**
 - **Zero-Rated Supplies:** Provisional sanction of 90% refund for zero-rated supplies of goods or services or both (i.e., exports or supplies to a Special Economic Zone (SEZ) developer/unit for authorized operations).
 - **Inverted Duty Structure:** Provisional sanction of 90% refund for inverted-duty-structure cases, based on risk assessment of the claimant.
- **Simplified GST Registration Scheme for Small Businesses**
 - **Automated Registration:** For low-risk applicants with a monthly tax liability under ₹ 2.5 lakh, automated registration within 3 days is proposed, effective from November 1, 2025.
 - **E-Commerce Friendly Registration:** A simplified GST registration scheme is proposed for small suppliers selling via e-commerce across states.

Disclaimer:

This is not a complete listing of all circulars/notifications issued during the month.
Instead, it is only a listing of some of the circulars/notifications that we considered important.'



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