

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



Bengaluru Branch (SIRC) e-Newsletter

Volume 14 | Issue 2 | September 2025 | Pages : 21

English Monthly

For Private circulation only



20th KARNATAKA STATE LEVEL
TWO DAYS  CONFERENCE



Dear Professional Colleagues,

It gives me immense joy to share with you the highlights of an unforgettable awesome, amazing, astounding and awe-inspiring August for the Bengaluru Branch of SIRC of ICAI. The Two Days State Level Chartered Accountants Conference on 29th & 30th August 2025 set a new benchmark, witnessing a record registration of around 1800 members – the highest ever till date.

The conference commenced on 29th August with the gracious inauguration by CA Maharishi Prashant Kumar, Hon'ble Vice President of ITAT, Bengaluru Division. The day was marked by knowledge-rich technical sessions delivered by eminent thought leaders – CA H Naginchand Khincha Sir, CA Jatin Christopher Sir, CA Sachin Kumar B P, CA Prashant G S, Dr. Kotraswamy Maregoudra (Commissioner of North CGST), Shri Manoj Bang (Registrar of Companies, Karnataka), along with popular national speakers CA Kamal Garg, CA Dr. Alok Garg, and CA Aanchal Kapoor.

The second day, 30th August, began with an inspiring spiritual discourse by Pujiyashri Gavisiddeshwara Mahaswamiji, Samsthan Gavimatha, Koppal, followed by the formal inauguration by Sri Dinesh Gundurao Ji, Hon'ble Minister for Health & Family Welfare,

Government of Karnataka, and our own dynamic leader, CA Charanjot Singh Nanda Ji, Hon'ble President, ICAI, who's mesmerizing couplets with encouraging words for every Member was highlight of the Conference, followed by experienced words of wisdom by CA B P Rao, Past President, ICAI. The technical deliberations included a power-packed session by CA S Venkataramani Sir & CA Rajesh Kumar T R, an engaging session by CA K Gururaj Acharya, and a futuristic panel on Artificial Intelligence in Finance by Ms. Srividya Kannan, CA Vikas Mundawewala, and CA Ganesh Kumar B N.

The evening witnessed a refreshing cultural program inaugurated by Renowned Actor Sri Vijaya Raghavendra and Ms. Sharanya Shetty, followed by music, dance, and a grand family dinner – a perfect blend of learning, bonding, and celebration.

This milestone event was possible only because of the overwhelming support of our members, the encouragement from CCM CA Madhukar N Hiregange Sir, both our RCMs CA Pampanna B E and CA Pramod R Hegde, and the wholehearted efforts of the Branch Managing Committee Members, dedicated staff, and generous sponsors. My sincere gratitude to each one of you!

Alongside this landmark conference, August 2025 also saw other important initiatives:

- 1) The 62nd Orientation Programme for Newly Qualified Chartered Accountants, by Committee for Members in Industry and Business headed by Chairman CA Dr. Anuj Goel, Vice Chairman CA Rajesh Sharma, spearheaded by CA. Madhukar N Hiregange, Program Director of the Program, Chief Guest, CA. T V Mohandas Pai and Special Address by CA. K Raghu, Past President ICAI.
- 2) Campus Placements at Hotel Lalit Ashok, for newly qualified Chartered Accountants, where 1055 CAs participated

(Contd. on page 5) ►

62nd Campus Orientation Programme for Newly Qualified Chartered Accountants Cleared in May 2025 Exam



Lighting of Lamp by dignitaries



CA. Manjunath M Hallur
Chairman
Bengaluru Branch (SIRC)



Chief Guest
CA. T.V. Mohan Das Pai
Padma Shri Awardee
Chairman of Aarin Capital
and Manipal Global Education



CA K. Raghu
Past President ICAI



CA. (Dr.) Anuj Goyal
Chairman
CMI&B, ICAI



CA. Rajesh Sharma
Vice-Chairman
CMI&B, ICAI



CA. Madhukar N Hiregange
Programme Director &
Central Council Member



CA. Pramod R Hegde
Member &
SICASA Chairman
SIRC of ICAI



CA. Chetan Venugopal
Co Founder
Pierian Services Pvt Ltd



CA. M Ram



CA. Rudramurthy B. V



CA. Sundeep Kamath



CA. Mohammed Yusuf



CA. Vikas Mandawewala
Panel Moderator



CA. Ganesh B N
Panellist



CA. Venkatesh Padiyar
Panellist



Felicitation to Chief Guest CA. T.V. Mohan Das Pai



Felicitation to CA K. Raghu, Past President ICAI



Participants

Study Circle Meetings



CA. Nikita Maheshwari



CA. Neeraj Agarwal



CA. Ankit Marlecha



CA. Raghav N

79th Independence Day Celebrations



Convocation - August 2025



CA



CA. Manjunath M Hallur
Chairman
Bengaluru Branch (SIRC)



CA. Madhukar N
Hiregange
Central Council Member



CA. Pampanna B E.
Member
SIRC of ICAI



CA. Pramod R Hegde
Member &
SICASA Chairman



CA. Tuppad Virupakshappa
Muppanna, Secretary,
Bengaluru Branch (SIRC)



Career Counselling Programmes



Basaveshwar Commerce College - Baglote



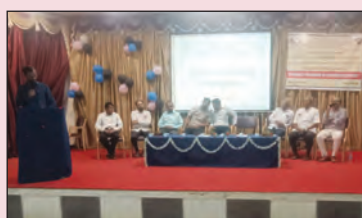
Shri Sharadha High School - Kodihalli



Sree Siddaganga PU College for Women
Tumkur



Udaya Composite PU College
Bengaluru



S M Bhandari PUC and Degree College - Guleddu



RK PU & Degree College - Maddur



Govt PU College - Guleddu

Chairman's Communique . . .

◀ (Contd. from page 2)

- 3) The Convocation Ceremony at Dr. B R Ambedkar Bhawan, for 1003 Newly Qualified Chartered Accountants, on 25th August 2025 which was yet another proud moment for the fraternity, well appreciated by Newly Qualified CAs and their Proud Parents and Family Members.

We also celebrated the 79th Independence Day at ICAI Vasanthnagar Branch.

Our Branch continued to serve as a dynamic learning hub during August 2025, with a series of enriching Study Circle Meetings and sessions under the AI Certificate Course. Key topics covered during the month included:

Sl. No.	DATE	Programme	CPE Hours	Total No. of Members
1	06-08-25	Study Circle Meeting on Do's and Don'ts in a GST investigation	3	53
2	08-08-25 to 10-08-25	AI Certificate Course Batch-466	18	38
3	13-08-25	Seminar on New areas of practice in ESG & Emerging Issues in International Taxation	3	39

Sl. No.	DATE	Programme	CPE Hours	Total No. of Members
4	16-08-25 to 18-08-25	AI Certificate Course Batch-467	18	42
5	20-08-25	Seminar on NBFC-Statutory Auditor Responsibilities under SBR & RBI Circulars	3	28
6	22-08-25 to 24-08-25	AI Certificate Course Batch-468	18	41
7	29-08-25 to 30-08-25	"Jnana Vardhanam" - Two-Day Chartered Accountant's Conference	12	1721

As we step into the festive months, let me take this opportunity to extend my warm wishes for Dussehra and Deepavali to all our members and students. May these festivals bring joy, prosperity, and renewed energy into your personal and professional lives.

With your continued support, let us take Bengaluru Branch to greater heights together.

With warm regards,

CA Manjunath M Hallur

Chairman

ICAI - Bengaluru Branch (SIRC)



CALENDAR OF EVENTS

CPE MEETINGS FOR THE MONTH OF SEPTEMBER 2025

DATE AND DAY	TOPIC / SPEAKER	VENUE & TIME	STRUCTURED CPE CREDIT
03.09.2025 Wednesday	Study Circle Meeting Professional Stewardship on Foreign Contribution (Regulation) Act, 2010 & Rules, 2011 CA. Vittal Rao Strengthening Governance in FCRA - Regulated Organizations CA. Arvind Athreya Delegate Fees: Members – Rs.300/- Plus GST Non Members – Rs.600/- Plus GST	ICAI Bhawan, Vasanthnagar, Branch Premises, Bengaluru 5:00 pm to 8:00 pm	3 hrs
05.09.2025 Friday to 07.09.2025 Sunday	Certificate Course on AI for CA's <i>Organized under the aegis of</i> Digital Accounting and Assurance Board <i>Hosted by : Bengaluru Branch (SIRC)</i>	Fairfield by Marriott Bengaluru 59 th C Cross, 4 th M Block, Manjunath Nagar, Rajajinagar, Bengaluru	18 hrs
10.09.2025 Wednesday	No Study Circle Meeting	—	—
12.09.2025 Friday to 14.09.2025 Sunday	Certificate Course on AI for CA's <i>Organized under the aegis of</i> Digital Accounting and Assurance Board <i>Hosted by : Bengaluru Branch (SIRC)</i>	Fairfield by Marriott Bengaluru 59 th C Cross, 4 th M Block, Manjunath Nagar, Rajajinagar, Bengaluru	18 hrs
17.09.2025 Wednesday	No Study Circle Meeting	—	—
19.09.2025 Friday to 21.09.2025 Sunday	Certificate Course on AI for CA's <i>Organized under the aegis of</i> Digital Accounting and Assurance Board <i>Hosted by : Bengaluru Branch (SIRC)</i>	Fairfield by Marriott Bengaluru 59 th C Cross, 4 th M Block, Manjunath Nagar, Rajajinagar, Bengaluru	18 hrs
24.09.2025 Wednesday	No Study Circle Meeting	—	—

CALENDAR OF EVENTS

CPE MEETINGS FOR THE MONTH OF SEPTEMBER & OCTOBER 2025

DATE AND DAY	TOPIC / SPEAKER	VENUE & TIME	STRUCTURED CPE CREDIT
26.09.2025 Friday to 28.09.2025 Sunday	Certificate Course on AI for CA's <i>Organized under the aegis of Digital Accounting and Assurance Board</i> <i>Hosted by : Bengaluru Branch (SIRC)</i>	Fairfield by Marriott Bengaluru 59 th C Cross, 4 th M Block, Manjunath Nagar, Rajajinagar, Bengaluru	18 hrs
01.10.2025 Wednesday	No Study Circle Meeting due to Ayudha Pooja	—	—
08.10.2025 Wednesday	Study Circle Meeting Broad Concepts of Succession Planning in the Indian Ethos... CA. Nanu R Mallya CA Kiran Rangaswamy Delegate Fees: Members – Rs.300/- Plus GST Non Members – Rs.600/- Plus GST	ICAI Bhawan, Vasanthnagar, Branch Premises Bengaluru 5:00 pm to 8:00 pm	3 hrs
15.10.2025 Wednesday	Study Circle Meeting DT Topic- Scope of section 6 and other related sections under Income Tax Act, 2025 CA. Nithin Surana A Recent Changes in GST CA. Hanish Shantilal Delegate Fees: Members – Rs.300/- Plus GST Non Members – Rs.600/- Plus GST	ICAI Bhawan, Vasanthnagar, Branch Premises Bengaluru 5:00 pm to 8:00 pm	3 hrs
22.10.2025 Wednesday	No Study Circle Meeting due to Balipadyami	—	—
29.10.2025 Wednesday	Study Circle Meeting Ind AS 115 in Practice: Navigating Revenue Recognition for CA Professionals CA. Kaleshwara Prasad Delegate Fees: Members – Rs.300/- Plus GST Non Members – Rs.600/- Plus GST	ICAI Bhawan, Vasanthnagar, Branch Premises Bengaluru 5:00 pm to 8:00 pm	3 hrs



HYATT & THE PERMANENT ESTABLISHMENT PUZZLE

CA. Ankit Marlecha & CA. Nithin Surana A



A. Introduction

If you run the show, you can't run from tax!!

1. The Supreme Court's ruling in *Hyatt International Southwest Asia Ltd. v. Addl. DIT* [2025] 176 taxmann.com 783 is a landmark in India's international tax law. The Court widened the scope of "Permanent Establishment" (PE) under Article 5(1) of the India-UAE DTAA, holding that substance prevails over form when foreign companies exercise real control over Indian operations. By drawing a sharp line between mere advice and effective operational command, the judgment sets important benchmarks for cross-border service arrangements. This article offers a detailed analysis of the decision, the principles that emerge, and its wider implications for multinational enterprises and tax administration in India.

B. Facts of the Case

2. The brief facts of the case are outlined below:
 - (a) *Hyatt International Southwest Asia Ltd.* ("Hyatt"), a company incorporated in the Dubai International Financial Centre, is a tax resident of the UAE under Article 4 of the India-UAE Double Taxation Avoidance Agreement (DTAA).
 - (b) It entered into two Strategic Oversight Services Agreements (SOSAs) dated 04.09.2008 with Asian Hotels Limited (AHL)—one covering a hotel in Delhi and the other in Mumbai.
 - (c) Under these SOSAs, Hyatt agreed to provide strategic planning, branding, operational oversight, and know-how to ensure the hotels function as high-quality international full-service properties, in return for fees linked to hotel revenues. For the relevant assessment years, Hyatt declared 'nil' income in India.

- (d) Simultaneously, Hyatt India Consultancy Pvt Ltd, an India entity, entered into Hotel Operations Services Agreements (HOSA) for day-to-day operations and hotel management.

C. Findings of Lower Authorities

3. The Assessing Officer (AO) found that Hyatt had significant functional control over the Indian hotels and treated the service fees received under the Strategic Oversight Services Agreement (SOSA) as taxable income in India. The AO held that Hyatt had a Permanent Establishment (PE) due to its control and involvement. This view was upheld by the Dispute Resolution Panel (DRP), which emphasized Hyatt's operational role and the long-term contractual arrangement as evidence of a fixed place PE.
4. The Income Tax Appellate Tribunal (ITAT) agreed with the AO and DRP, interpreting the SOSA as more than just an advisory agreement. The ITAT recognized Hyatt as having direct and enforceable influence on the hotels' daily operations, including branding, staffing, and financial decisions. It rejected Hyatt's argument that its activities were merely auxiliary or preparatory, affirming the substantial role Hyatt played.
5. The Delhi High Court affirmed the ITAT's conclusions, noting that Hyatt exercised functional control over the hotel premises, which constituted a fixed place of business. The Court highlighted Hyatt's personnel made frequent visits and maintained continuous business presence in India through management involvement and revenue-linked services under the SOSA. Consequently, the High Court held that Hyatt had a PE in India under Article 5(1) of the India-UAE DTAA.
6. The question before the Apex Court was whether Hyatt, through long-term SOSA and active control over Indian hotels, had a PE in India under the India-UAE DTAA.

D. Appellant's Arguments before the Apex Court

7. The Appellant argued that the findings of the lower courts was erroneous on the following grounds:
- (a) The Appellant, Hyatt, argued before the Supreme Court that it did not maintain any fixed office or exclusive premises in India. There was no designated space or office at the hotel premises in Delhi or Mumbai that was either specifically reserved for or placed at the disposal of the Appellant.
 - (b) It contended that its employees' visits were infrequent, advisory in nature, and did not exceed the nine-month threshold set by Article 5(2)(i) of the DTAA for establishing a Service PE.
 - (c) Hyatt also contended that it neither owned nor leased the hotel premises, nor exercised direct control over them, limiting its role under the SOSA to providing strategic and managerial advice—likening its interaction with the hotel to an auditor's temporary use of a client's facilities.
 - (d) It further asserted that it had no employees or agents permanently operating under its control in India, negating the existence of a fixed place or agency PE.
 - (e) Hyatt also relied on Article 5(4) to argue that its activities were merely preparatory or auxiliary and thus excluded from PE status.
 - (f) Additionally, Hyatt maintained that as it incurred global losses during the relevant periods, even if a PE existed, no taxable profits could be attributed to India.

E. Findings of the Supreme Court

8. The Apex Court concluded that Hyatt constituted a Fixed Place Permanent Establishment (PE) in India under Article 5(1) of the India–UAE Double Taxation Avoidance Agreement (DTAA), and was therefore liable to pay tax in India on income attributable to that PE. The relevant findings of the Supreme Court are summarised below:
- (a) The Court rejected Hyatt's claim that a PE cannot exist without an exclusive physical office. Relying on decision in Formula One¹, It clarified that even

temporary or shared use of premises is enough if the foreign enterprise is conducting business activities from such premises. The Court clarified that *"Exclusive possession is not essential – temporary or shared use of space is sufficient, provided business is carried on through that space... The functions performed by the appellant... were core and essential functions, clearly establishing their control over the day-to-day operations."*²

- (b) On the nature of Hyatt's role, the Court found that it was not confined to giving advice. Instead, Hyatt's functions went far beyond consultancy and extended into the "actual conduct of day-to-day operations of the hotels." The Court observed *"... the High Court was correct in concluding that the appellant's role was not confined to high-level decision making, but extended to substantive operational control and implementation. The appellant's ability to enforce compliance, oversee operations, and derive profit-linked fees from the hotel's earnings demonstrates a clear and continuous commercial nexus and control with the hotel's core functions. This nexus satisfies the conditions necessary for the constitution of a Fixed Place Permanent Establishment under Article 5(1) of the India - UAE DTAA."*
- (c) With respect to the argument that Hyatt India Pvt. Ltd. is a separate legal entity, the Court applied the principle of substance over form. It held *"It is well established that legal form does not override economic substance in determining PE status. The extent of control, strategic decision-making, and influence exercised by the appellant clearly establish that business was carried on through the hotel premises, satisfying the conditions under Article 5(1)."*
- (d) The Court also distinguished the case of ADIT v. E-Funds IT Solutions Inc. (2018) 13 SCC 294. It noted that unlike in E-Funds, where only back-office support services were provided, the present case involved the conduct of the main business functions of Hyatt through the Indian hotel premises.

¹ Formula One World Championship Limited. v. CIT [2017] 394 ITR 80 (SC)

² Para 17 of the decision



- (e) On profit attribution, the Court upheld the view of larger bench in *Hyatt*³ which held that taxability is determined by presence of PE and profits attributable to it—not global profitability

F. Key Legal Principles Established

9. The Supreme Court in *Hyatt International* established several crucial legal principles regarding the determination of a Permanent Establishment (PE)
 - (a) Re-affirmed the findings in *Formula One* (supra) that there is no need for exclusive possession to create a PE.
 - (b) The disposal test does not require formal rights such as ownership or lease agreements. Shared or temporary use of space suffices if the enterprise carries on business through that place.
 - (c) Presence and control, rather than mere formalities or contractual definitions, govern the creation of a taxable PE under the DTAA framework
 - (d) The actual nature and substance of the activities carried out by the enterprise take precedence over the formal contractual language
 - (e) The continuity and regularity of business activities in India, rather than the duration of stay of individual employees, are determinative. The enterprise's coordinated and ongoing presence was sufficient to establish a PE.
 - (f) Intermittent but systematic visits supporting

³ *Hyatt International Southwest Asia Ltd v. Addl. DIT* [2025] 472 ITR 53 (Delhi)

business operations cumulatively amount to a permanent presence

G. Concluding Remarks

10. The Supreme Court's decision in *Hyatt International* represents an important development in India's international tax framework, but it also brings new challenges. The ruling emphasizes economic substance and actual functional control over formal contractual structures, thereby lowering the bar for what can qualify as a Permanent Establishment (PE). This approach could extend India's taxing rights to foreign enterprises that operate through service-oriented or asset-light models.
11. On one hand, the judgment reinforces India's source-based taxation and aligns with global anti-avoidance initiatives. On the other, it creates uncertainty for multinational groups that rely on structured contractual arrangements, as the traditional indicators of PE - such as exclusive office space or continuous employee presence - have been diluted. By treating agreements with wide operational involvement as sufficient for PE, the Court has blurred the conventional boundaries between advisory and operational functions.
12. Substance over form is no longer just a principle; after *Hyatt*, it's the law of the land. The decision is likely to trigger closer scrutiny of cross-border service arrangements and a careful evaluation of "substance versus form" by taxpayers, consultants and the tax authorities alike.

Advertisement Tariff for the Branch e-Newsletter

COLOUR FULL PAGE

Outside back	₹ 40,000/-
Inside back	₹ 30,000/-

INSIDE BLACK & WHITE

Full page	₹ 20,000/-
Half page	₹ 10,000/-
Quarter page	₹ 5,000/-

Advt. material should reach us before 22nd of previous month.

EDITOR :
CA. MANJUNATH M HALLUR

SUB EDITOR :
CA. TUPPAD VIRUPAKSHAPPA

Disclaimer: The Bengaluru Branch of ICAI is not in anyway responsible for the result of any action taken on the basis of the articles and advertisements published in the e-Newsletter. The views and opinions expressed or implied in the Branch e-Newsletter are those of the authors/guest editors and do not necessarily reflect that of Bengaluru Branch of ICAI.



GST INVOICE-BASED REFUNDS

CA. Akash Srivatsan Raghavan

Synopsis

Refund of IGST, for zero-rated supply of goods, in relation to exports outside India from the taxable territory was first of the kind that was eligible for transaction-based refund, since July 2017, based on shipping bill. The refund was processed based on validation of GST reports with shipping bill details on ICEGATE portal – that e-verified physical clearance before granting of such refund. However, all other output GST kinds of refunds were tax period based. With effect from 8 May, 2025 export of services on payment of IGST (rebate for services), zero-rated supplies to SEZ with payment of IGST (goods and services) and refund for deemed exporters (for supplier and recipient) are also eligible for transaction wise refund (based in tax invoice).

The article below discusses on the latest e-reporting systems on GSTN, upgraded refund filing process and related statutory changes that shifted GST refund filing from period-based model to invoice-based model.

Introduction

The GST refund applications were accepted manually in the initial years. upon the online functionality on the GSTN portal

becoming operational from September 2019, all filings and processing went virtual. While refunds under GST law have necessary checks and safeguards detailed verification of refunds still continue and requires to be proved. Moreover, the application process was entirely on a periodic basis. Maturity of **e-invoice system** under Indian GST has now facilitated transaction-based refund processing – in case of output tax linked refunds. Other refunds that are based / linked to prescribed formulae remain in the period-based model.

Elimination of backdoor re-assessment

With Indian GST (since inception) being a 100% self-assessment regime, where such assessment is done in tax-invoice (or tax credit note or tax debit notes), according to Section 49 (ITC) and 59 (output tax) of CGST Act, by adjudicating refund applications, re-assessment (especially of ITC) is envisaged even if such claims are of output tax refunds.

With adequate checks and safeguards already placed in the law, under Chapter XII to XV of CGST Act and rules made thereunder, such re-assessment of output tax related refunds

☐	ITC accumulated due to Inverted Tax Structure [clause (ii) of first proviso to section 54(3)]
☐	Exports of Goods/Services - without Payment of Tax (accumulated ITC)
☒	Export of Services - with Payment of Tax
☒	Supplies made to SEZ Unit/SEZ Developer with Payment of Tax
☐	Supplies made to SEZ Unit/SEZ Developer without Payment of Tax
☒	On account of Refund by Supplier of deemed export
☒	On account of Refund by Recipient of deemed export
☐	Excess payment of tax
☐	Excess balance in the Electronic Cash Ledger
☐	On account of Assessment/Enforcement/Appeal/Revision/Any Other Order
☐	Tax paid on an Intra-State supply which is subsequently held to be Inter-State supply and vice versa (change of POS)
☐	Inward Supplies of Goods by Canteen Store Department (CSD)
☐	Any other (specify)

CREATE REFUND APPLICATION



slows the entire claim process and making it less attractive. Unlike erstwhile indirect tax laws, GST is a transaction-wise reporting regime, where transactional details are made available and reported (right at the inception) to regulators – by way of **e-invoice**, **e-waybill** and **outward supply statements**. Therefore, a need for such detailed verification of output tax related refund is bottleneck impacting working capital of exporting businesses.



As transactions reported and reviewed at invoice level, facilitation is possible for a transaction wise refund of outwards supplies linked GST. Such shift in procedure ensures quicker refunds as:

- Refund of one transaction is not dependent on other transactions during the period.
- Bunching of eligible transaction of various tax periods, within single application, is possible through Statement 2, Statement 4 or Statement 5B, respectively.
- Such refunds are not linked to any formulae, as eligible ITC has already been set-off against such output tax for which refund is claimed.
- Such transactions have already been validated by IRP at inception and flows in outward supply statement (GSTR-1), which is subject to safeguards in relation to tax payment via GSTR-3B, recipients ITC in IMS / Form GSTR-2B, etc.

Section 34 of CGST Act permits (transaction wise) auto-refund of output taxes self-assessed in a tax invoice, within prescribed timelines, upon issuance of tax credit note – for excess assessment of taxable value or GST thereon, deficiency on supplies and return of supplied goods. Now refund of taxes (GST linked to output tax), that do not qualify for issuance of tax credit note, is also be processed invoice wise with minimal review of same.

Positives of invoice wise refund for tax authorities

The invoice wise refund mechanism is not only a boon for the taxpayer-applicants, but even for tax department, as such invoices will be locked immediately upon filing the refund application. This ensures that there is no dual claim of refund for a particular transaction. However, either upon withdrawal

of refund or upon refund adjudication officer issuing a deficiency memo, such transaction would be unlocked.

Another important pre-requisite of this new system is that, before refund application (for an invoice) is filed, department is assured that all periodic statements and returns (till tax period to which the transactions pertain) have been filed and applicable taxes duly discharged.

Deemed export refund to recipient

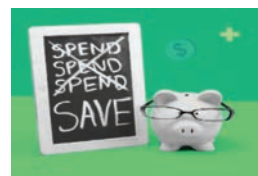
Unlike in outward supplies linked GST refund scenarios discussed above, where the person claiming refund is the one who has carried out the self-assessment and discharges the tax before claiming such refund, here the applicant is the recipient of goods under Section 147 of CGST Act.



The difference between other aforesaid refund and this (refund to recipient) is that the maximum eligible refund is to be restricted to the amount of ITC available (on the date of refund) in applicants ECrL. Comparison with Form GSTR-2B and declaration from DTA supplier is another unique necessity here. However, to benefit applicants, auto-comparison is enabled in the GSTN system, based on total ECrL balance (no checking tax-head wise).

Some aspects that require clarification

With invoice wise refund of output tax linked transactions perceived as a phase of maturity in GST refunds, possible due to improvement in the e-invoice system (required for export & deemed export transactions, in addition to B2B) in Indian GST. E-invoice model (in India) thus now requires IRP validation, facilitates (optional) IMS action and invoice-based refund. Therefore, full potential of an e-invoicing mechanism is now operational. However, following are few open areas that needs analysis for businesses that are eligible for such refunds from 8-May-2025 (earlier planned from Jan-25 onwards):



- ✓ Will ARN for refund application be generated invoice wise or annexure wise. Based on some proposed changes to Rule 90, we can expect that each invoice will be treated as separate refund claim – bearing a unique ARN. This multiplicity of refund application and resultant disputes

can increase total cost of processing refund.

- ✓ In continuation to above, will deficiency memos be issued invoice wise or annexure wise – this will impact unlocking of other invoices as well as bring disputes on limitation period (where initial claims filed within limitation but rejections pursuant to limitation periods)?
- ✓ Further to above, in case of adjudication and denial of certain refunds (few invoices in the annexure), will other transactions in the Annexure also need to be rejected before issuance of a SCN and determination of refund or only those invoices facing an objection from the GST department. Does the portal facilitate independent processing of unchallenged invoices?
- ✓ Manner of reconciliation of refund application of output tax with Table 3.1 of GSTR-3B, as required in CBIC Circular 125/44/2019 – GST dated 18 Nov 2019, for refund is no more periodic but returns continue to show cumulative (periodic) tax payment.
- ✓ Manner and procedure for bifurcating refund payments of sanctioned refunds, into RFD-05 (to ECL) and PMT-3/3A (to ECrL)?
- ✓ Since Section 54(14) of CGST Act restricts refund, where amount claimed is less than Rs 1,000/-, will this calculation be made invoice wise? This will impact export of commodities that have low value but where the volume of exports is high.
- ✓ With the invoice wise refund already live since May-2025, but IMS still being optional, can department rely on the accuracy of ITC availed and utilized to pay the output tax in the transactions (linked to outward supply) for which the refund is being claimed.
- ✓ Would department face challenges on the authenticity of ITC availed in a regime where taxpayers are required to avail the entire ITC from GSTR-2B, into GSTR-3B (since August-2022), without



mandatory IMS. Therefore, changes not impacting the refund processing?

- ✓ Will debit notes also be eligible for similar refund procedure?
- ✓ Whether the basis of conducting post-audit by department, on refund claims above Rs 1 lakh, would be invoice-wise or based on other criteria?



Conclusion

The invoice wise refund mechanism is surely a welcome move to target accuracy, transparency and ease in the **GST rebate process**. It operationalized e-invoice system conceptualized in 2020. With GSTN advisories stating that all aforesaid refund application to be filed invoice wise from 8-May-2025 (when GSTN portal was ready) and the refund modules on the GSTN not providing 'period wise' refund for tax periods prior to May-2025, taxpayers would face transitional challenges in filing refund applications for such period and department authorities too will face challenges in processing such refunds - for transactions after 8-May-2023 onwards where refund applications are yet to be filed. This may lead to hoarding of refunds, that will turn out totally counterproductive, even though taxpayers undergo intensive KYC norms, submit refund pre-applications forms (declaring their performance authenticity) and thorough evidence validations before filing refunds.

Such substantial change in GST being incorporated simply based on certain GSTN advisories can lead to enormous confusion in the trade as well as in tax departments. Immediate attention is required to bring in necessary statutory changes and provide adequate departmental clarifications, foreseeing possible error scenarios while filing refund under the new system and processing the same, so that applicants can smoothly migrate to the e-system upgradation.



THE PROPOSED OVERHAUL OF THE INSOLVENCY AND BANKRUPTCY CODE, 2025

CA. Pramod Srihari



Introduction

The Insolvency and Bankruptcy Code (IBC) was enacted with the clear purpose of consolidating and amending the laws relating to reorganisation and insolvency resolution of corporate persons, partnership firms and individuals. Its design was to provide a time-bound mechanism for maximisation of value of assets, while simultaneously promoting entrepreneurship, ensuring the availability of credit, and balancing the interests of all stakeholders. The Code also sought to alter the order of priority of government dues and to establish the Insolvency and Bankruptcy Board of India as the regulator for implementation and oversight.

Over the years, the IBC has delivered significant outcomes. One of its greatest successes lies in recoveries prior to admission, with more than ₹12.5 lakh crores realised. This in itself is testimony to the deterrent value of the law: debtors have become far more conscious of their contractual obligations than ever before. Yet, the Code has not escaped criticism. The foremost concern has been the time taken for resolution. Although several amendments in the past eight years have addressed shortcomings, delays remain the principal weakness of the regime. Continuous changes to regulations and rules have

strengthened implementation, but stakeholders continue to press for clarity and efficiency. Against this background, the Government tabled on 12 August 2025 what is described as an overhaul of the Code, containing amendments that respond to judicial pronouncements, industry concerns, and systemic gaps.

Admission under Section 7: From Discretion to Mandate

Section 7(5)(a) of the IBC originally provided that the Adjudicating Authority “may admit” an application filed by a financial creditor upon satisfaction of default. The provision was interpreted by the Hon’ble Supreme Court in Vidarbha Industries Power Limited v. Axis Bank Limited (2022), where the Court held that the Adjudicating Authority could, while admitting such applications, exercise discretion and consider factors such as the solvency and financial health of the corporate debtor. This interpretation opened the door to uncertainty and subjective determinations, contrary to the Code’s objective of predictability and speed.

The 2025 Bill substitutes the term “may” with “shall”, thus eliminating discretion. Henceforth, once default is established and other conditions are satisfied, admission must follow. This simple change is expected to

substantially reduce admission delays, curtail the burden on NCLT benches, and restore certainty to creditors seeking initiation of insolvency proceedings.

Withdrawal of Applications: Closing Loopholes

Withdrawal of applications has long been a contentious issue. The Code had clarity with respect to withdrawal before admission under Sections 7, 9 and 10. However, the position after admission but before constitution of the Committee of Creditors (CoC) was ambiguous. Courts frequently permitted settlements despite recognising that IBC is a proceeding ‘in-rem’. This not only undermined the collective process but also caused avoidable delays as creditors negotiated settlements while simultaneously seeking stays of proceedings. Where the CoC had already been constituted, withdrawal required the consent of ninety per cent of the voting share, a high threshold that balanced flexibility with collective interest.

The 2025 Bill addresses the grey zone by barring withdrawals after admission but before CoC formation. It provides only one window, after CoC constitution and before first resolution plan invitation. There are cases where cases are settled even during the liquidation process; also, this settles an old issue by providing a single window.

The certainty allows the parties to be serious if they have to make an offer than to stall the process in negotiation.

Appointment of IRP/RP in Voluntary Insolvency u/s 10

Section 10 of the IBC permits a corporate debtor itself to initiate insolvency. Previously, Section 10(3)(b) enabled such a debtor to propose the name of a resolution professional. The 2025 Bill omits this provision altogether. In its place, Section 16(3A) is introduced, requiring the Adjudicating Authority to seek recommendations from the Insolvency and Bankruptcy Board of India (IBBI) for appointment of an interim resolution professional.

This change addresses concerns over neutrality. By disentitling the corporate debtor from proposing its own resolution professional, the amendment ensures independence and reduces the perception of conflict of interest. The adjudicating process is thus aligned with the Code's ethos of fairness and transparency.

Treatment of Dissenting Financial Creditors

The rights of dissenting financial creditors in distribution under resolution plans have also been a subject of contention. Section 30(2)(b) required that such creditors receive at least the liquidation value under Section 53(1). The 2025 Bill introduces Section 30(2)(ba), which provides that dissenting creditors shall be entitled to a "Minimum DC Amount", being the lower of two figures: the liquidation value under Section 53, or the amount that would have been payable had the resolution plan's distribution followed the Section 53 priority waterfall.

This formulation reflects legislative intent to balance fairness to dissenting creditors with the viability of resolution plans. It provides a uniform baseline while preventing dissenters from obtaining a windfall inconsistent with the overall distribution scheme.

Continuity of Oversight in Liquidation

A notable structural change is proposed in relation to liquidation. At present, CIRP is supervised by the CoC while liquidation is overseen by a Stakeholders' Consultation Committee. The Bill proposes insertion of Section 21(11), under which the same CoC constituted during CIRP will also supervise liquidation. The liquidator may rely on claims already verified by the resolution professional, obviating the need to invite fresh claims. This continuity of oversight ensures smoother transition from resolution to liquidation, avoids duplication of effort, and enhances creditor confidence in the process. The alignment of governance structures across CIRP and liquidation is a welcome rationalisation.

Rejection and Rectification of Resolution Plans

Under the current scheme, the Adjudicating Authority is required to reject resolution plans not conforming to the Code, leading in many cases to liquidation. Sections 31(2) and 33(1)(b) operated inflexibly in this regard. The Bill introduces a new proviso to Section 31 enabling the Adjudicating Authority, before rejecting a plan, to grant the CoC an opportunity to rectify defects

This innovation prevents premature liquidations, provides flexibility to correct technical or curable errors, and

promotes the underlying objective of resolution over liquidation.

Staggered Approval of Resolution Plans

Resolution plans are presently approved in their entirety, including the manner of distribution of proceeds. The Bill introduces a proviso to Section 31(1)(a), permitting staggered approval. Upon application by the resolution professional with the consent of sixty-six per cent of CoC voting share, the Adjudicating Authority may first approve the resolution plan. Thereafter, within thirty days, a separate approval of the distribution mechanism may follow.

The staggered approval process introduces flexibility, especially in complex cases where commercial distribution negotiations take longer. It avoids unnecessary delay in approval of the core resolution framework.

From Fast Track to CIIRP

The Fast Track process, envisaged for small debtors, remained underutilised. The Bill proposes to replace it with the Corporate Insolvency and Insolvency Resolution Process (CIIRP), introduced through a new Chapter IV-A. CIIRP is designed as an out-of-court mechanism with minimal judicial involvement.

The framework is debtor-in-possession, without moratorium, and may be initiated by eligible financial creditors holding fifty-one per cent of debt. A resolution professional makes a public announcement and reports compliance to IBBI and NCLT, but adjudicatory involvement is limited. By reducing litigation and retaining management control with the debtor, CIIRP aims



to provide a quicker, cost-effective mechanism for resolving genuine business stress.

Extension of Moratorium to Liquidation

One of the Code's greatest safeguards is the moratorium under Section 14, freezing contractual obligations and preventing enforcement actions during CIRP. In liquidation, however, the equivalent protection was diluted. The 2025 Bill amends Section 33(5) to extend moratorium provisions, *pari materia* to Sections 14(1)(a) and 14(1)(c), to liquidation as well. Certain exceptions may be notified by the Government, but the overall effect is to provide liquidation with the same protective shield as CIRP.

This strengthens the position of liquidators, protects asset value, and discourages piecemeal enforcement by individual creditors during liquidation.

Sale of Assets within Resolution Plans

Not all assets of a corporate debtor are commercially relevant to its revival. Doubts had arisen whether resolution plans could exclude assets. Regulations allowed plans based on projects or factories, but statutory clarity was absent. The Bill now explicitly provides that resolution plans may provide for the sale of one or more assets, in addition to restructuring through mergers, demergers, or amalgamations.

This express recognition of asset sales within resolution plans broadens restructuring options and provides legislative support to commercial practices already developing through case law.

Clarifying the Position on Government Dues

The status of government dues has been fraught with litigation. In *State Tax Officer v. Rainbow Papers Limited* (2022), the Supreme Court interpreted "security interest" to include statutory charges, thereby elevating government dues to parity with secured financial creditors. This interpretation threatened to disrupt the Section 53 waterfall mechanism.

The 2025 Bill restores the original balance by clarifying, through an Explanation to Section 3(31), that security interest arises only through consensual arrangements between parties and not by operation of law. Government dues are thus not equated with secured creditors. This brings legislative clarity and reinstates the primacy of the statutory waterfall in insolvency distribution.

Conclusion

The proposed amendments of August 2025 represent the most significant restructuring of the IBC since its enactment. By mandating admission upon default, streamlining

withdrawal rules, ensuring independent appointment of resolution professionals, rationalising rights of dissenting creditors, and aligning liquidation oversight with CIRP, the Bill addresses long-standing gaps. The introduction of CIIRP reflects a new philosophy of debtor-in-possession resolution with minimal court involvement, designed to reduce litigation and encourage consensual outcomes.

Further, the extension of moratorium to liquidation, explicit permission for asset sales in resolution plans, and restoration of the original intent regarding government dues collectively strengthen creditor confidence and enhance predictability. Importantly, the amendments respond directly to judicial interpretations such as *Vidarbha Industries and Rainbow Papers*, reasserting legislative supremacy and clarifying ambiguities that had crept into the jurisprudence.

In its totality, the overhaul of the IBC through the 2025 Bill represents a calibrated evolution. It seeks to combine lessons from experience with global best practices, while preserving the Code's foundational goals of resolution, value maximisation, and balance of interests. If implemented with rigour, the reforms can usher in a new phase of efficiency and credibility in India's insolvency framework.





THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
BENGALURU BRANCH (SIRC)



ICAI Bengaluru Branch – Coaching Classes Announcement

The ICAI Bengaluru Branch is pleased to announce that it is organizing coaching classes for:

- ☐ **CA Foundation**
- ☐ **CA Intermediate**

ADMISSIONS OPEN FOR SUBJECTWISE COACHING

In pursuance of our objective to provide fruitful and quality teaching to our students, we are pleased to inform you that **PHYSICAL** coaching classes for **CA FOUNDATION & CA INTERMEDIATE** students & will commence as follows

Why you Should Choose ICAI – Bengaluru Branch

Salient features

- Experienced, Expert and Dedicated faculty members
- Methodology – Concept Oriented Teaching
- Affordable Coaching Fee, Library Facility, Reading Room Facility
- Mock Tests, Revision Classes, Crash Course, Quiz Programme & Classroom presentations.
- The journey of CA student with Bengaluru branch will be filled with Innumerable knowledge oriented activities coupled with motivational sessions & orientation classes, guided by our senior members, renowned faculty & resource persons to make student life productive and fruitful.
- It is a golden opportunity to be part of the Bengaluru branch by enrolling as a student to become a prestigious member of this glorious profession.

**Online
Registration
Now open!**

Course	Fees	Starting Dates	Timings
CA Foundation	Rs. 15,000/- (Including Mock Test and Crash Course)	Starting from 29th Dec. 2025 for May 2026 Exams.	04.30pm to 07.30pm (Monday to Saturday) 8.00am to 2.00pm (Sunday) (Evening batch)
CA Intermediate	Rs. 25,000/- for Both Groups Rs. 15,000/- for Single Group (Including Mock Test and Crash Course) Rs. 6000/- for Single Subject	Starting from 22nd Sep. 2025 for May 2026 Exams.	7:00am to 10:00am (Monday to Saturday) 7:00am to 2:00pm (Sunday) (Morning batch)

Registration Fees - Mode of payment: Cash / Online www.bangaloreicai.org

Email: blrstudentevents@icai.org | Website: www.bangaloreicai.org

Venue: ICAI Bhawan", 16/O, Miller's Tank, Bed Area, Vasanthanagar, Bengaluru -52

Please Note: 1) Fees once paid will not be refunded.

2) Tentative scheduled faculty may change due to non availability at that point of time.

3) In case of less registration, it may be changed or cancelled.

**For further details /Queries
Pls call 080 - 4394 4868 /4876
Mob: 9880007904**

CA. Manjunath M Hallur
Chairman

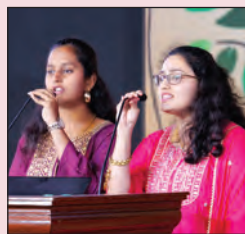
CA. Tuppad Virupakshappa Muppanna
Secretary





20th KARNATAKA STATE LEVEL TWO DAYS CA CONFERENCE

INAUGURAL SESSION - DAY 1



Invocation song by
Ms. Shreya S and Ms. Varsha G H



Inauguration of Conference by lighting the lamp



CA. Manjunath M Hallur
Chairman
Bengaluru Branch (SIRC)



Chief Guest
CA. Maharishi Prashant Kumar
Vice President, Income Tax
Appellate Tribunal, Bengaluru



CA. Kavitha P.
Vice Chairman
Bengaluru Branch (SIRC)



CA. Pampanna B E.
Member, SIRC of ICAI



CA. Pramod R Hegde
Member & SICASA
Chairman, SIRC of ICAI



CA. Shripad H N
Treasurer
Bengaluru Branch (SIRC)



CA. Tuppad Virupakshappa
Muppanna, Secretary,
Bengaluru Branch (SIRC)

TECHNICAL SESSION - DAY 1



Felicitation to Chief Guest CA. Maharishi Prashant Kumar



CA. H. Naginchand Khincha
Session Chairman



CA. Sachin Kumar B P
Speaker



CA. Prashanth G S.
Speaker



Special Address by
Dr. Kotraswamy Maregoudra, IRS
Commissioner of GST
Bengaluru North CGST
Commissionerate



Felicitation to Dr. Kotraswamy Maregoudra, IRS



CA. Jatin Christopher A.
Session Chairman



CA. Aanchal Kapoor
Amritsar, Speaker



Special Address by
Shri. Manoj Bang
Registrar of Companies, Karnataka



Felicitation to Shri. Manoj Bang



CA. Kamal Garg
New Delhi, Speaker



CA. (Dr.) Alok Kumar Garg
New Delhi, Speaker





20th KARNATAKA STATE LEVEL TWO DAYS CA CONFERENCE

SPIRITUAL SESSION



Pujyashri Gavisiddheshwara Mahaswamiji
Gavimatha, KOPPAL



Media coverage

INAUGURAL SESSION - DAY 2



Inauguration of Conference by lighting the lamp



Chief Guest
Sri Dinesh Gundu Rao
Minister of Health and
Family Welfare of Karnataka
In-Charge of Dakshina Kannada Dist

CA. Charanjot Singh Nanda
President of ICAI

Release of Souvenir



Felicitation to Chief Guest Sri Dinesh Gundu Rao



Felicitation to CA. Charanjot Singh Nanda, President of ICAI





CA. B P Rao
Past President of ICAI



Felicitations to CA. B P Rao, Past President of ICAI



TECHNICAL SESSION - DAY 2



CA. S. Venkataramani
Speaker



CA. Rajesh Kumar T R.
Speaker



CA. K. Gururaj Acharya
Speaker



Mrs. Srividya Kannan
CEO and Founder of
Avaali Solutions
Speaker



CA. Vikas Mandawewala
Speaker



CA. Ganesh Kumar B N.
Speaker

ENTERTAINMENT PROGRAM



Chief Guest Actor
Vijay Raghavendra



Actress
Sharanya Shetty



Felicitations to CA. Nirajan Prabhu



Felicitations to Chief Guest Actor Vijay Raghavendra



Felicitations to Actress Sharanya Shetty





CA Akash Srivatsan & Group



1st Branch Award received from SIRC of ICAI

Certification Course in AI for CA's on 08.08.2025 to 10.08.2025



Certification Course in AI for CA's on 16.08.2025 to 18.08.2025

Certification Course in AI for CA's on 22.08.2025 to 24.08.2025

