

Post Budget 2024 Insights : Key updates on GST, Company Law, and Accounts & Audit





Greetings from Annveshan

As India prepares for the upcoming fiscal year, this document serves as an essential resource to help stakeholders understand the dynamic regulatory and tax framework shaping the nation's economic landscape. This document offers a comprehensive analysis of key updates in accounting, auditing, company law, and Goods and Services Tax (GST), shedding light on the government's focus on fostering transparency, improving compliance, and supporting economic growth.

The accounting and auditing updates emphasize global alignment and enhanced disclosures, with amendments like Ind AS 116 and Ind AS 117 ensuring consistency in financial reporting. The revised classification of non-corporate entities and the extended peer review mandate underline efforts to maintain high professional standards.

In company law, significant strides are highlighted, including the establishment of an e-adjudication platform to streamline penalty proceedings, extended deadlines for CSR and dematerialization filings, and the introduction of mechanisms to accelerate corporate exits. Enhanced vendor reporting requirements further reinforce accountability in corporate governance.

On the GST front, the document outlines significant measures such as rate rationalizations for essential goods, mandatory e-invoicing for larger businesses, and new compliance mechanisms like the track-and-trace system for high-risk commodities. Amnesty schemes and legislative updates aim to ease compliance burdens, while clarifications on SEZ supplies and vouchers provide much-needed guidance for businesses.

Overall, this document encapsulates a forward-looking approach to tax and regulatory reform, emphasizing the government's objectives of promoting ease of doing business, ensuring transparency, and driving sustainable economic growth. It is designed to equip businesses, promoters and professionals with the tools they need to align with evolving compliance requirements and seize opportunities in the upcoming fiscal year.

This document includes the amendments made after the [July budget](#) of 2024.

Regards

Team Annveshan

30 January 2025





TABLE OF CONTENTS

I.	Executive Summary	1 - 3
II.	Accounting and Auditing Updates	4 - 8
III.	Companies Act	9 - 10
IV.	Goods and Services Tax	11 - 21

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I. Executive Summary

Accounting and Auditing Updates

- a) **Ind AS 116 - Leases (Amendment 2024):** Effective from April 1, 2024, this amendment revises sale-and-leaseback accounting by requiring proportional recognition of right-of-use assets and liabilities for seller-lessees. Immediate profit recognition is replaced with deferred recognition over the lease period, enhancing consistency and aligning with IFRS 16. This prevents profit manipulation and ensures accurate financial reporting of retained economic interests.
- b) **Ind AS 104 vs. Ind AS 117 - Insurance Contracts:** Ind AS 117, set to replace Ind AS 104, introduces standardized measurement models like GMM and VFA, enhancing disclosures around cash flows and profitability. While its adoption is delayed due to industry preparedness concerns, the alignment with IFRS 17 aims for global consistency and improved transparency in insurance accounting.
- c) **Revised Classification of Non-Corporate Entities by ICAI:** From April 1, 2024, entities are reclassified into MSMEs and large entities, simplifying compliance for smaller entities while ensuring financial transparency. Exemptions from certain accounting standards aim to ease the reporting burden on MSMEs, promoting clarity in disclosures.
- d) **Peer Review Mandate Update:** The timelines for Phase III and IV of the Peer Review Mandate have been extended by 6-9 months, giving audit firms additional preparation time. The new deadlines are July 1, 2025, for large firms and June 1, 2026, for smaller firms, ensuring readiness for compliance.

Summary of Company Law Updates

- e) **Extension of CSR-2 Filing Deadline:** The deadline for filing CSR-2, to be submitted after filing AOC-4, has been extended from December 31, 2024, to March 31, 2025, for the financial year 2023-24. This extension provides companies with additional time to ensure compliance with corporate social responsibility (CSR) reporting requirements.
- f) **Introduction of E-Adjudication Platform:** Effective from September 16, 2024, an electronic platform has been established for adjudication proceedings under the Companies (Adjudication of Penalties) Amendment Rules, 2024. This facilitates online issuance of notices, submission of replies, hearings, and penalty payments, streamlining the adjudication process.
- g) **Extended Deadline for Dematerialization of Shares:** Producer companies now have time until March 31, 2028, to complete the dematerialization of their shares under the Companies (Prospectus and Allotment of Securities) Rules, 2014. This extension provides more time for compliance with dematerialization requirements.



- h) **Accelerated Corporate Exit via CPACE:** The establishment of the Centre for Processing Accelerated Corporate Exit (CPACE) under the Limited Liability Partnership (Amendment) Rules, 2024, centralizes and expedites the striking-off process for companies and LLPs, replacing individual Registrars of Companies for such applications.
- i) **Restriction on Use of "Nidhi Limited":** Under the Companies (Incorporation) Amendment Rules, 2024, the term "Nidhi Limited" can only be used in a company's name if officially recognized as a Nidhi company. This ensures appropriate use of the term and compliance with regulatory requirements.
- j) **Enhanced MSME Vendor Reporting:** Companies are now required to report detailed payment information to micro and small enterprises in Form MSME (MSME Form 1). The disclosures include payments within and beyond 45 days, outstanding dues, and reasons for delayed payments, ensuring accountability and compliance with vendor payment timelines.

Summary of GST Updates

- k) **Input Tax Credit (ITC) and Tax Dispute Clarifications:** Amendments to Section 17(5)(d) restrict ITC on immovable property unless classified as "plant and machinery," effective retroactively from 2017. Electronic Commerce Operators (ECOs) can now claim full ITC without reversals for supplies under Section 9(5). Appeals related to penalties under Section 129 now require reduced pre-deposit amounts, easing taxpayer compliance burdens.
- l) **Trade Facilitation Measures:** Sponsorship services by body corporates are now taxable under the forward charge mechanism. Vouchers are clarified as neither goods nor services, simplifying disputes. Composition taxpayers are exempt from reverse charge on commercial property rentals.
- m) **SEZ and R&D Updates:** Supplies within SEZs/FTWZs remain GST-exempt until goods are cleared for domestic consumption. Research and development services funded through grants are now GST-exempt, reducing costs for innovation-focused entities.
- n) **E-Invoicing and Compliance:** E-invoicing is now mandatory for businesses with annual turnovers above ₹5 crores, with reporting required within 30 days. GSTR-1 filing is blocked without validated bank details, and pre-filled tax liability in GSTR-3B forms is hard-locked from January 2025.
- o) **Amnesty Scheme and Legislative Updates:** A new scheme allows penalty and interest waivers for specific tax demands from 2017-2020. Reverse charge mechanism (RCM) updates include taxing unregistered-to-registered person transactions for commercial property and metal scrap.



- p) **Track and Trace Mechanism:** Section 148A enables traceability for high-risk commodities, ensuring transparency and reducing evasion. Unique Identification Markings (UIDs) will facilitate monitoring across supply chains.
- q) **Miscellaneous Clarifications:** Preferential location charges in real estate and ancillary services by transport agencies are clarified as composite supplies. GST rules for "pre-packaged and labelled" goods align with Legal Metrology Act provisions, effective from January 2025.
- r) **GST Rate Changes:** Key rate changes include a uniform 5% GST on fortified rice kernels and food inputs for government programs, exemptions for gene therapy and agriculturist-supplied black pepper, and retroactive adjustments for specific products like autoclaved aerated concrete blocks. These changes aim to streamline tax structures and reduce costs for essential goods





II. Accounting and Auditing Updates

1. Ind AS 116 – Leases (Amendment in 2024)

Amendment

- a) Applicable from April 1, 2024, introduced a new paragraph (102A) addressing sale-and-leaseback transactions
- b) **Key revisions:**
 - ▶ Seller-lessees must measure the right-of-use (ROU) asset and lease liability related to the leaseback proportionally to the retained rights of use.
 - ▶ No recognition of gain or loss in the profit or loss statement concerning the ROU retained by the seller-lessee
 - ▶ Aimed at eliminating the practice of immediate recognition of profits on sale and leasebacks, ensuring deferred recognition over the lease period.

Prior to Amendment

- a) The entire gain or loss from the sale was recognized immediately
- b) Resulted in inconsistencies as entities treated sale-and-leaseback transactions differently, often overstating profitability in the year of sale.

Impact

- ▶ The amendment aligns with IFRS 16, ensuring consistency in treatment and preventing profit manipulation.
- ▶ Improves the faithfulness of financial reporting, ensuring the substance of the transaction is reflected, not just its form.

Example: ABC Ltd. sells a building to XYZ Ltd. for ₹70 lakh (fair value) with a carrying amount ₹50 lakh and enters a 10-year leaseback agreement with annual payments of ₹8 lakh at a 10% discount rate. Prior the amendment, ABC recognized a full gain of ₹20 lakh (sale price ₹70 lakh - carrying amount ₹50 lakh), measuring the lease liability and ROU asset at the present value of payments (₹49.16 lakh). However, this failed to reflect the economic substance of the retained ROU asset. Post-amendment (Paragraph 102A), ABC recognizes only a partial gain, as the proportion of the asset transferred is calculated as 29.77% (₹70 lakh total fair value less ₹49.16 lakh ROU asset retained, divided by ₹70 lakh). This results in a recognized gain of ₹5.95 lakh (₹20 lakh × 29.77%). The ROU asset and lease liability remain ₹49.16 lakh, and the unrecognized gain aligns with the retained economic interest. Subsequent lease payments reduce the liability, and depreciation is charged on the ROU asset.



2. Ind AS 104 vs Ind AS 117 – Insurance Contracts

Revised Standard (Ind AS 117) (source: G.S.R. 492(E) dated 12/08/2024) & G.S.R. 602(E) dated 28/09/2024)

- a) Ind AS 117 will replace Ind AS 104, offering a comprehensive framework for insurance contracts. Although Ind AS 117 is yet to be notified, the revisions proposed in 2024 aim to improve measurement and disclosure.
- b) **Key revisions:**
 - ▶ Introduces a General Measurement Model (GMM), a Premium Allocation Approach (PAA), and a Variable Fee Approach (VFA) for measuring insurance liabilities
 - ▶ Requires extensive disclosures about contractual service margin (CSM), risk adjustments, and future cash flows.
 - ▶ Enhanced granularity in financial reporting, showing the timing and sources of profits.
 - ▶ Provides detailed measurement and presentation guidance, including adjustments for non-performance risks for re-insurance contracts.

Earlier Standard (Ind AS 104)

- a) The disallowed significant flexibility in measurement approaches for insurance contracts.
- b) Minimal requirements for disclosures regarding assumptions, risks, and profit recognition.
- c) Created inconsistencies in reporting, making it harder for investors to compare financial statements.

Impact

- ▶ Ind AS 117, when adopted, will align with IFRS 17, ensuring uniform practices globally
- ▶ Will improve transparency and comparability, giving stakeholders a clearer picture of profitability and risks.

Rationale of putting the standard on hold

- a) **Industry Feedback:** Following the notification, stakeholders in the insurance sector expressed concerns regarding the readiness for implementing Ind AS 117. The apprehensions centred around the significant changes required in accounting practices, systems, and processes to comply with the new standard.
- b) **Regulatory Discussions:** The Insurance Regulatory and Development Authority of India (IRDAI) engaged in discussions to assess the industry's preparedness and the potential impact of the new standard on financial reporting within the sector.



3. Revised criteria for classification of non-corporate entities

The Institute of Chartered Accountants of India (ICAI) has revised the criteria for classification of non-company entities for applicability of accounting standards (issued by the ICAI). The classification would determine the extent of compliance required with the accounting standards by each category of the non-company entities. This revised scheme of applicability of Accounting Standards will come into effect for accounting periods beginning on or after 1 April 2024

Prior to amendment

- a) Non-company entities were classified into **four levels** for the applicability of Accounting Standards
- ▶ **Level I** – Large entities [Turnover > ₹250 crores; Borrowings > ₹50 crores; Listed or in the process of listing securities]
 - ▶ **Level II** – Medium-sized entities [Turnover between ₹50 crores and ₹250 crores; Borrowings between ₹10 crores and ₹50 crores]
 - ▶ **Level III** - Small-Sized Entities [Turnover between ₹10 crores and ₹50 crores; Borrowings between ₹2 crores and ₹10 crores]
 - ▶ **Level IV** - Micro-Sized Entities [Turnover up to ₹10 crores; Borrowings up to ₹2 crores]

After amendment

- a) Non-company entities are now classified into **two categories**:
- ▶ ***Micro, Small, and Medium-Sized Entities (MSMEs)***
 - i. whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;
 - ii. which is not a bank, financial institution or an insurance company;
 - iii. whose turnover (excluding other income) does not exceed two hundred and fifty crore rupees in the immediately preceding accounting year;
 - iv. which does not have borrowings in excess of fifty crore rupees at any time during the immediately preceding accounting year; and
 - v. which is not a holding or subsidiary of an entity which is not a micro, small and medium-sized entity.
 - ▶ **Large Entities** [is a non-company entity that is not an MSME and large entities are required to comply with all the Accounting Standards in full]
- b) Uniform compliance for MSMEs with significant exemptions across the board to ease the burden for smaller entities. (*refer announcement by MCA: [ICAI](#)*)



- c) ICAI has granted certain exemptions and relaxations to MSMEs regarding the applicability of following Accounting Standards which do not apply to MSMEs in their entirety:
- ▶ AS 3, *Cash Flow Statements*
 - ▶ AS 17, *Segment Reporting*
 - ▶ AS 20, *Earnings per Share*
 - ▶ AS 24, *Discontinuing Operations*.
- d) Further AS 18, *Related Party Disclosures* and AS 28, *Impairment of Assets* not applicable in their entirety to following MSMEs
- ▶ Whose turnover (excluding other income) does not exceed INR50 crore in the immediately preceding accounting year
 - ▶ Which does not have borrowings in excess of INR10 crore at any time during the immediately preceding accounting year and
 - ▶ Which is not a holding and subsidiary of an MSME not covered above.
- e) Accounting standards wherein relaxation from certain requirements of the standards have been given as an option to the MSMEs are (refer the notification for the detailed announcement: [ICAI](#))
- ▶ AS 10, *Property, Plant and Equipment*
 - ▶ AS 11, *The Effects of Changes in Foreign Exchange Rates*
 - ▶ AS 15, *Employee Benefits*
 - ▶ AS 19, *Leases*
 - ▶ AS 22, *Accounting for Taxes on Income*
 - ▶ AS 26, *Intangible Assets*
 - ▶ AS 28, *Impairment of Assets*
 - ▶ AS 29, *Provisions, Contingent Liabilities and Contingent Assets*.
- f) Further, a non-company entity which are required to apply Accounting Standards under any other relevant regulatory requirement, will not be eligible to benefit from these exemptions/relaxations. The MSMEs are required to disclose their status as an MSME and the fact that they have availed these exemptions in a note to its financial statements. The announcement also provides other disclosure requirements and guidelines for MSMEs under different scenarios.

Impact

This new classification replaces the old criteria issued in March 2021 and it mandates clear financial disclosures, aiming to simplify compliance for MSMEs while ensuring transparency.

Our View

As auditors, we acknowledge that the mandatory status of Accounting Standards, as outlined in the Technical Guide on Financial Statements of Non-Corporate Entities, requires us to assess compliance during our audit. In the event of any deviations, it is our duty to



provide adequate disclosures in our audit reports, ensuring users of the financial statements are fully informed. Hence, it is recommendatory for non-corporate entities to comply with accounting standards.

4. Revised peer review mandate

Deferment of Phase III and IV of Peer Review Mandate, The Council has decided to defer the implementation timelines for Phase III and Phase IV of the Peer Review by 6 & 9 months respectively.

Revised Date of Applicability

- a) For Practicing units undertaking Statutory Audit of entities raising funds over ₹50 Cr or public interest entities (corporates/trusts) (or) Practice Units rendering attestation services with **4 or more partners**. The peer review is mandatory from **01.07.2025**
- b) For Practice Units undertaking audits of Public Sector Bank branches. (or) Practice Units rendering attestation services with **3 or more partners**. The Peer review is mandatory from **01.06.2026**

Earlier Date of Applicability

- a) For Practicing units undertaking Statutory Audit of entities raising funds over ₹50 Cr or public interest entities (corporates/trusts). (or) Practice Units rendering attestation services with **4 or more partners**. The peer review is mandatory from **01.01.2025**.
- b) For Practice Units undertaking audits of Public Sector Bank branches. (or) Practice Units rendering attestation services with 3 or more partners. The Peer review is mandatory from **01.04.2025**

Impact

This decision aims to provide Practice Units with additional time to prepare and comply with the requirements.



III. Companies Act

1. Companies (Accounts) Second Amendment Rules, 2024.

The deadline for filing CSR-2, which is to be filed post filing AOC-4 extended from 31st December 2024 to 31st March 2025 for the financial year 2023-2024.

2. The Companies (Adjudication of Penalties) Amendment Rules, 2024 (G.S.R. 476(E))

- ▶ The Central Government develops the facility of e-adjudication platform for addressing all adjudication proceedings including proceedings pending before the Adjudicating Officer or Regional Director.
- ▶ All issuances of notices, filing replies, evidence, hearings, and penalty payments can be done electronically through this platform with **Effective from September 16, 2024** and all the pending adjudications before 16th September, 2024 shall be completed as per the older format.

3. Update in Dematerialization of Shares Notification under Companies (Prospectus and Allotment of Securities) Rules, 2014, in sub-rule (2) of rule 9B

Producer companies, which were earlier required to complete the dematerialisation of their shares by September 30, 2024, have now been given until the end of March 2028 to achieve full compliance.



4. Limited Liability Partnership (Amendment) Rules, 2024.

This notification declares the setup of the Centre for Processing Accelerated Corporate Exit (CPACE) as the central authority for streamlining and speeding up striking off companies and LLPs from the register. CPACE will now handle these applications, replacing individual Registrars of Companies, to ensure a faster and more efficient corporate exit process.



5. Companies (Incorporation) Amendment Rules, 2024

Under this Notification, the term "Nidhi Limited" can only be used in the company's name if it is officially declared as a Nidhi company.



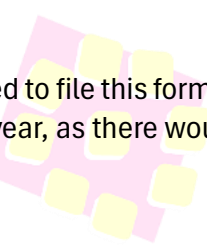
6. Micro and Small Enterprise Suppliers) Amendment Order, 2024

Following this notification, if any MSME vendor dues are not paid within the stipulated time of 45 days then the said form is required to be filed.

Companies are now required to report additional details in Form MSME (MSME Form 1) regarding payments to vendors registered as micro and small enterprises. The pending invoice details include:

- ▶ Payments made to micro and small vendors within 45 days during the half-year.
- ▶ Payments made to micro and small vendors after 45 days during the half-year.
- ▶ Outstanding payments to micro and small vendors at the end of the half-year, where the payment is less than 45 days overdue.
- ▶ Outstanding payments to micro and small vendors at the end of the half-year, where the payment is more than 45 days overdue.
- ▶ Reasons for outstanding dues.

Previously, companies were not required to file this form if payments to vendors were made after 45 days but within the end of the half-year, as there would be no outstanding dues to micro and small vendors at the end of the period.





IV. Goods and Services Tax

A. Changes from the 55th GST council meeting dated 21st December, 2024

1. GST rate changes

Supply	Previous GST Rate	Revised GST Rate	Effective date	Reference
Fortified Rice Kernel (FRK)	18% (For non-govt. purposes), 5% (For Govt. nutritional schemes)	5% (Irrespective of end use)	18-01-25	NN: 01/2025-CTR
Gene Therapy	12%	Exempt	16-01-25	NN: 02/2025-CTR
Food Inputs for Preparations Distributed Free Under Govt. Programs (HSN 19,21)	12% or 18%	5% (Made uniform)	16-01-25	NN: 03/2025 – CTR
Autoclaved Aerated Concrete (ACC) Blocks with >50% Fly Ash Content under HS 6815	12%	12% (Clarified)	10-10-24 (Retro.)	Not notified
Fresh or Dried Black Pepper and Dried Raisins Supplied by Agriculturists	5%	Exempt	-	Not notified

2. Tax Dispute and Settlement Measures

a) Amended ‘Plant or Machinery’ Under Section 17(5)(d) of the CGST Act with ‘Plant & Machinery’:

The Section 17(5) of the CGST Act blocked ITC on construction materials for immovable property, except for plant or machinery, causing ambiguities. The Safari Retreats ruling emphasized a functionality test to determine if a building qualifies as a “plant” under Schedule 2.

The Council amended Section 17(5)(d) to replace “plant or machinery” with “plant and machinery,” retrospectively from July 1, 2017, restricting ITC to cases where immovable property does not qualify as plant and machinery.



b) No Proportional Reversal of ITC by Electronic Commerce Operator (ECO) for Supplies Made Under Section 9(5) of CGST Act (Circular No. 240/34/2024-GST):

If you are an Electronic Commerce Operator (ECO), like an online marketplace, you may have to pay GST on behalf of sellers for certain supplies under Section 9(5) of the CGST Act. This doesn't affect your ability to fully claim ITC on your platform's other expenses. This clarification, effective retrospectively from 10-10-24, confirms that you don't need to reverse or adjust your ITC for these supplies. In simple terms, you can fulfil your GST payment obligations without worrying about losing any ITC benefits for other business expenses.

Section 9(5) supplies include passenger transportation, accommodation, housekeeping & restaurant services.

c) Reduction in the Amount of Pre-deposit for Filing of Penalty Appeals in Respect of Section 129 of CGST Act Matters (detention and seizure of goods and conveyance):

Appeal to be Filed Before	Existing	Revised	Cases	Amendment
Appellate Authority	25% of the amount of penalty	10% of the amount of penalty	Cases involving only demand of penalty without involving the demand of tax	Proviso to Section 107(6) of CGST Act
Appellate Tribunal	No specific provision for cases involving penalties; general provision of pre-deposit will apply	10% of the amount of penalty		Proviso to Section 112(8) of CGST Act

3. Trade Facilitation

a) Taxability of Sponsorship Services Provided by Body Corporate Under Forward Charge Mechanism (NN. 07/2025-CTR):

Supplier (Sponsor)	Recipient (Sponsored)	Pre-amendment	Post-amendment	Effective date	Reference
Body corporates	Any bodycorporate or partnership firm located in the taxable territory.	RCM	FCM	16-01-2025	NN.07/2025-CTR



Other than body corporates	Anybody corporate or partnership firm located in the taxable territory.	RCM	RCM	-	NN.13/2017-CTR
Body corporates	Others	FCM	FCM	-	NN.13/2017-CTR
Other than body corporates	Others	FCM	FCM	-	NN.13/2017-CTR

b) Hotels with restaurant services- The Definition of Declared Tariff is omitted and the Definition of Specified Premises is amended (NN: 05/2025- CTR):

The above changes will be effective from 01-04-2025 to avoid any transition difficulties.

"Specified premises", for a FY, means, -

- ▶ A premises from where the supplier has provided in the preceding FY, 'hotel accommodation' service having the value of supply of any unit of accommodation above 7,500 rupees per unit per day or equivalent; or
- ▶ A premises for which a registered person supplying 'hotel accommodation' service has filed a declaration (in Annexure VII), on or after the 1st of January and not later than 31st of March of the preceding FY, declaring the said premises to be a specified premises; or (Say by 31-03-25 for FY 25-26)
- ▶ A premises for which a person applying for registration has filed a declaration (in Annexure VIII), within fifteen days of obtaining acknowledgment for the registration application, said premises to be a specified premises.

Services	Current Tax Rate & ITC	Proposed Tax Rate & ITC
Restaurant or Outdoor catering services (Standalone)	5% without ITC	No change
Hotel accommodation (Standalone)	18% with ITC (if specified premises), 12% with ITC (if non-specified premises)	No change



Hotel accommodation (Restaurant with Hotel)	18% with ITC (if specified premises), 12% with ITC (if non-specified premises)	No change
Restaurant services (Restaurant with Hotel)	18% with ITC (if specified premises), 5% without ITC (if non-specified premises)	18% with ITC (if specified premises), 5% without ITC (if non-specified premises); with an option to voluntarily opt for 18% with ITC option

*Annexure IX is to be filed in case of Opt-out.

c) Transaction of Vouchers Neither to Be Treated as Supply of Goods nor as Supply of Services (Circular No. 243/37/2024-GST):

Earlier vouchers were ambiguously classified as either goods or services under GST, leading to disputes over their taxability. The below changes have been introduced:

Clarification	Details
Transactions in vouchers	Treated neither as a supply of goods nor as a supply of services.
Distribution of vouchers	<u>Principal-to-principal basis:</u> Not subject to GST. <u>Principal-to-agent basis:</u> The commission/fee or any other amount charged by the agent for such distribution is taxable under GST.
Additional services (related to vouchers)	Services such as advertisement, co-branding, marketing, promotion, customization, technology support, customer support, etc., would be liable to GST on the amount paid for these services.
Unredeemed vouchers (breakage)	Not considered as supply under GST, and no GST is payable on income booked in accounts in respect of breakage.

d) Exclusion of Composition Taxpayers from RCM on Renting of Commercial Property Under GST (NN: 07/2025-CTR): This is made effective retrospectively from 10-10-24.



e) Recommendation to Amend the Definition of ‘Pre-Packaged and Labelled’ (NN. 01/2025 – CTR):

The GST rules for "pre-packaged and labelled" goods were updated to match the rules under the Legal Metrology Act. The definition now refers to goods that are pre-packed for retail sale in quantities of up to 25 kg or 25 litres. This change takes effect from 16-01-25.

For example, if rice is sold in a 5 kg pre-packaged bag, GST will apply at 5%, but if it is sold loose in 30 kg quantities, GST will not apply as per the provisions.

f) Recommendation to Include Warehoused SEZ/FTWZ Supplies to Schedule III:

When goods are moved within Free Trade Warehousing Zones (FTWZs) or Special Economic Zones (SEZs), they are not considered as a normal sale of goods or services. This means GST doesn't apply to these transfers.

GST will only be charged when the goods are removed from the zones to be sold or used in the domestic market (what's called "clearance for home consumption"). This rule has been in place since 01-07-17.

4. Clarifications on ongoing issues

a) No GST on the ‘Penal Charges’ Levied and Collected by Banks and NBFCs:

It is clarified that no GST is payable on the ‘penal charges’ levied and collected by banks and NBFCs from borrowers for non-compliance with loan terms

b) Clarification on ITC Availability for Goods Delivered by Supplier on Ex-Works Basis (Circular No. 241/35/2024-GST):

Previously, ITC eligibility in ex-works contracts was disputed as goods collected by the recipient's transporter were argued not to be "received" directly by the recipient under Section 16(2)(b) of the CGST Act. It is now clarified that goods collected from the supplier's premises in ex-works arrangements are considered "received" by the recipient, allowing ITC claims if all other conditions are met.

c) Transaction Clarification on Applicability of Late Fee for Form GSTR-9C (NN. 08/2025):

Financial Year	Form Filed Late	Relief Provided
2017-18 to 2022-23	Form GSTR-9C	Waiver of late fee in excess of that payable for GSTR-9, if filed by 31-03-25.

FAQ: If late fees have already been paid, can a refund be claimed?

Answer: No, refunds are not available for late fees that have already been paid.



d) Recommendation to Include Inter-State RCM Transactions in ISD Mechanism:

Previously, ISDs could distribute ITC for intra-state but not inter-state RCM transactions, causing inefficiencies for centralized businesses. From 01-04-25, Section 20(1) of the CGST Act allows ISDs to include inter-state RCM transactions in ITC distribution.

e) Transaction Alignment of IMS Functionality with GST Provisions:

IMS functionality has been thoroughly aligned with the provisions of the act by making various amendments and insertions.

f) Introduction of Temporary Identification Number (TIN) for Unregistered Persons:

Earlier Unregistered persons, not liable to register under the CGST Act, faced challenges in fulfilling GST obligations such as paying penalties, complying with advance rulings, and making payments under the reverse charge mechanism, as these tasks required full GST registration and created unnecessary administrative burdens.

g) Allowed Modifications to Registered Person Category in Form CMP-02:

Earlier modifications were not permitted to the "category of registered person", even when business activities or structures changed (Say manufacturing to trading), causing challenges for businesses with inaccurate registration categories.

5. Clarifications on ongoing issues

a) Introduction of Track and Trace Mechanism for High-Risk Commodities:

Section 148A was inserted into the CGST Act to empower the government to implement a Track and Trace Mechanism for evasion-prone commodities using Unique Identification Markings (UIDs). This system enables authorities to trace goods across the supply chain, capturing details such as origin, destination, and intermediary stops. The Track and Trace Mechanism is expected to roll out in phases for specific commodities.

b) Clarification for Place of Supply for Online Services (Circular No. 242/36/2024-GST):

Providers of online services are now required to record the state of the unregistered recipient as part of their invoicing. This recorded state will determine the place of supply for GST purposes.

6. Rate rationalization

a) Recommendation to Increase GST Rate to 18% on Sale of All Old and Used Vehicles, Including Electric Vehicles (EVs) (NN. 04/2025 – CTR):

Effective from 16-01-25.



b) Clarification on GST Rates for Popcorn:

Clarifying that this was not a new tax imposition but a resolution of disputes caused by differing interpretations by field units.

Type of Popcorn	Classification Code	GST Rate (Other than Pre-Packaged and Labelled)	GST Rate (Pre-Packaged and Labelled)
Ready-to-Eat Popcorn with Salt and Spices	HS 2106 90 99	5%	12%
Caramel Popcorn (Considered a sugar confectionary)	HS 1704 90 90	18%	

c) GST Appellate Tribunal (GSTAT):

The GST Council reviewed the proposed procedural rules for the internal functioning of the GSTAT. These rules will be notified after examination by the Law Committee.

B. Changes from the 54th GST council meeting dated 9th September, 2024

1. GST rate changes

Supply	Previous Rate	Revised Rate	Effective Date	Ref.	Explanation
Extruded/expanded savoury food products	18%	12%	15-07-24	NN. 02/202 4-CTR	Refers to savoury or salted food products, typically used as snacks, manufactured through extrusion processes. Unfried/un-cooked snack pellets are excluded.
Cancer drugs (Trastuzumab Deruxtecan, Osimertinib, Durvalumab)	12%	5%	15-07-24	NN. 02/202 4-CTR	These are specialized cancer treatment drugs used for advanced stages of cancer, reflecting a reduction to make these life-saving medicines more affordable.
Car seats of motor cars	18%	28%	15-07-24	NN. 03/202 4-CTR	Seats specifically designed for motor cars, aligning their tax rate with other automobile components classified under the luxury goods category.



2. Procedural Changes

a) Amnesty Scheme (Circular No. 238/32/2024-GST):

The introduction of Rule 164 in the CGST Rules facilitates the waiver of interest and penalty for tax demands under Section 73 of the CGST Act for FY 2017-18, 2018-19, and 2019-20. Under the scheme, effective from 01-11-24, taxpayers can pay outstanding dues for the above-mentioned years without penalty by 31-03-25. Forms GST SPL – 01, GST SPL – 02 are to be filled for the payment.

b) ITC-Related Amendments:

Taxpayers can claim Input Tax Credit (ITC) for invoices or debit notes from financial years 2017-18 to 2020-21 by filing a return under Section 39, provided the return is submitted by 30-11-21, regardless of other time limits.

3. Legislative changes

a) Reverse Charge Mechanism (RCM) Updates:

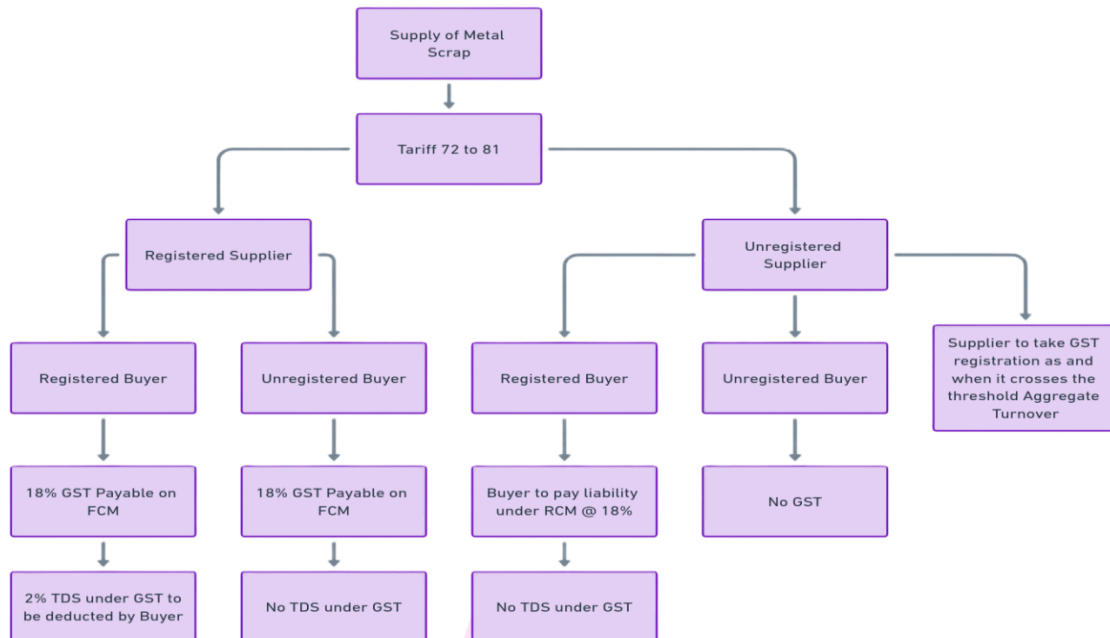
- i. **Renting of Commercial Property (NN. 09/2024-CTR):** The renting of commercial property by unregistered persons to registered persons is now taxable under RCM effective from 10-10-24.

Scenarios	Nature/Type of the Property	Use of Property	Landlord (Supplier)	Tenant (Recipient)	GST Applicability
1	Residential	Personal	URD	URD	Not taxable
2	Residential	Personal	URD	Reg	Not taxable
3	Residential	Personal	Reg	URD	Not Taxable
4	Residential	Business	URD	URD	Not Taxable
5	Residential	Business	URD	Reg	RCM-18%
6	Residential	Business	Reg	Reg	FCM-18%
7	Commercial	Business	Reg	Reg	FCM-18%
8	Commercial	Business	URD	URD	Not Taxable
9	Commercial	Business	URD	Reg	RCM-18%



ii. Supply of Metal Scrap:

The supply of metal scrap by unregistered persons to registered persons is now taxable under RCM.



*FCM: Forward charge mechanism, RCM: Reverse charge mechanism

*Under Section 51 of the CGST Act, Tax Deducted at Source (TDS) under GST must be deposited with the government by the buyer in cases such as the purchase of metal scrap.

* Tariff 72 to 81 includes Iron, steel, copper, nickel, aluminium, tin, zinc, other base metals & their articles thereof.

b) Refund of IGST on exports:

- ▶ The omission of Rules 89(4A), 89(4B), and 96(10) eliminates restrictions on refund eligibility for exporters availing duty-free benefits.
- ▶ **Earlier Provision:** Rule 96(10) restricted exporters from claiming refunds when using duty-free imports.
- ▶ **Current Provision:** Exporters can now claim refunds without foregoing duty-free benefits, improving liquidity.

4. Proposed exemptions under GST

a) Import of Services by Foreign Airlines (NN.14/2024-Central Tax):

Management services provided by parent companies to their Indian branch offices without consideration are now exempt from GST. Previously, all imports of services by foreign entities, including those by Indian branches of foreign airlines, were taxable under GST, regardless of whether consideration was involved.



b) Supply of Research and Development Services (NN. 15/2024-Central Tax):

R&D services provided by government-notified entities are now exempt from GST if funded through grants, whether from government or private sources. Previously, GST applied to such services regardless of funding, increasing costs for recipients.

c) Electricity-Related Services (NN. 16/2024-Central Tax):

Ancillary services related to electricity supply, such as meter rentals and testing fees, are now exempt from GST as part of composite electricity supply. Previously, these services were taxable, increasing consumer costs, but the exemption now reduces the financial burden on electricity consumers.

5. Proposed clarificatory changes

a) Preferential Location Charges (PLC):

Preferential Location Charges (PLC), which are additional charges for prime locations in real estate projects, are now treated as part of the composite supply and taxed at the same rate as the principal service.

b) Ancillary Services by Goods Transport Agencies (GTA) (Circular no.229/23/2024-GST):

Ancillary services like warehousing and packing, when bundled with goods transport, are now treated as composite supplies and taxed at the same rate as goods transport.

6. Other notable changes

a) Supreme Court Ruling: Royalties Are Not Taxes

Case Reference: Mineral Area Development v. M/S Steel Authority of India & Ors

In a landmark 8:1 judgment, the Supreme Court, led by CJI DY Chandrachud, ruled that royalties and dead rent under the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act) are contractual payments, not taxes. This decision overrules the India Cements case and confirms that States have the authority to levy taxes on mineral rights, resolving long-standing ambiguities.

Key Takeaways:

- ▶ **Royalties ≠ Taxes:** Royalties are payments for mining leases, not a form of taxation.
- ▶ **States' Taxing Rights:** States can levy taxes on mineral-bearing lands under their authority in the State List.
- ▶ **Regulatory Powers of Union:** Entry 54 of the Union List is regulatory and does not include taxation authority.



b) Changes in E-Invoicing compliance

The GST Network issued an advisory on December 17, 2024, mandating 2FA (2 Factor Authentication) on NIC for taxpayers. From January 1, 2025, 2FA is mandatory for enterprises with an AATO over ₹20 crores, and from February 1, 2025, for those with turnover between ₹5 crores and ₹20 crores. From April 1, 2025, all taxpayers, regardless of turnover, must use 2FA for e-invoice and e-way bill generation.

Annual Turnover (AATO)	E-Invoice Issuance Requirement	E-Invoice Reporting Time Limit	Effective Date
Above ₹100 Crores	Mandatory	Must be reported within 30 days	Effective from 01-11-23
Above ₹10 Crores	Mandatory	Must be reported within 30 days	Effective from 01-04-25
Above ₹5 Crores, up to ₹10 Crores	Mandatory	No time limit for reporting	NA
Below ₹5 Crores	Voluntary	No time limit for reporting	NA

c) Compliance changes

- i. **Hard-Locking of Auto-Populated Tax Liability in GSTR-3B:** Starting from the January 2025 tax period, the GST Portal will restrict changes in auto-populated tax liability in pre-filled GSTR-3B forms.
- ii. **Archival of GST Data:** GST records will remain accessible on the portal for a seven-year period from the filing date; however, the exact implementation date for this measure has not been specified.
- iii. **Update on GSTR-1 Reporting:** Supplies exceeding ₹1 lakh must now be reported in Table B2CL, reducing the previous threshold of ₹2 lakh.
- iv. **Negative Liability in GSTR-3B:** Negative liabilities should be reported in Table 6.1, and they will automatically adjust in the next return, simplifying reconciliation.
- v. **GSTR-1 Blocked for Missing Bank Details:** Filing of GSTR-1/IFF will be blocked unless bank account details are added and validated in your GST registration.



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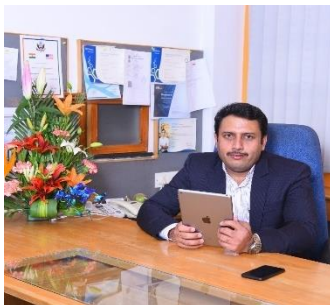
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Disclaimer

This document provides an overview of the updates/ amendments since the Finance Act (2), July 2024 till date. The information contained herein is for informational purposes only and should not be construed as professional advice. For a more detailed understanding and to ensure compliance with relevant regulations, it is strongly recommended to consult a qualified professional. No responsibility is assumed for any actions taken based on the content of this document.

Sources

- ▶ Central Board of Indirect Taxes & Customs
- ▶ Ministry of Corporate Affairs
- ▶ Institute of Chartered Accountants of India

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