

Direct & Indirect Tax Updates - July 2025**DIRECT TAXES****Circular No. 8/2025 dated 01-07-2025**

The circular clarifies the applicability of Circular No. 5/2025 dated 28.03.2025 regarding the waiver of interest levied under sections 201(1A)(ii) and 206C(7) of the Income-tax Act, 1961. Such circular states that the prescribed authorities (CCIT/DGIT/Pr. CCIT) are empowered to pass waiver orders for interest charged both before and after 28.03.2025. Waiver applications must be filed within one year from the end of the financial year in which the interest is charged. For example, for interest relating to FY 2023-24, applications can be made up to 31.03.2025. The circular also confirms that interest levied prior to 28.03.2025 can also be considered for waiver, subject to the stipulated conditions and timelines.

Circular No. 9/2025 dated 21-07-2025

Circular No. 9/2025, issued by the CBDT on July 21, 2025, partially modifies Circular No. 3/2023 and extends relief for deductors/collectors who face notices for “short-deduction/collection” when dealing with inoperative PANs under Rule 114AAA.

- a. If someone pays or credits an amount between 01-04-2024 to 31-07-2025 to a party, whose PAN was inactive but then links their PAN with Aadhaar by 30-09-2025, the payer doesn't have to use the higher TDS/TCS rates and can apply the normal rates.
- b. For payments made on or after August 1, 2025, the normal rates apply as long as the PAN is linked within two months after the month of payment.

Circular No. 10/2025 dated 28-07-2025

CBDT, through this circular, has relaxed the time limit for processing electronically filed income tax returns that were wrongly marked as “invalid” by the CPC (Centralized Processing Centre) due to technical reasons for various assessment years. Returns filed electronically up to 31st March 2024, which had been erroneously invalidated, will now be eligible for processing, and intimation under section 143(1) must be issued by 31st March 2026. Subsequent consequences under the Act, including the issue of refund with applicable interest, will apply. However,

in cases where the PAN is not linked with Aadhaar, no refund will be issued, as per Circular No. 3/2023. This move addresses taxpayer grievances and provides an extended window to resolve and process such returns.

Notification No. 70/2025 dated 01-07-2025

Cost Inflation Index for the Financial Year 2025-26 has been notified as 376.

Notification No. 73/2025 dated 09-07-2025

For the purpose of sec. 54EC, Indian Renewable Energy Development Agency (IREDA) (a Public Limited Government Company established as a Non-Banking Financial Institution) has been notified as Long term specified asset

Notification No. 74/2025 to 113/2025 dated 11-07-2025

The Central Government has amended its earlier Notification of various dated relating to sec. 10(23FE). The deadline stated in the earlier notification has now been extended to 31-03-2030 from 31-03-2025.

Notification F No. 275/27/2025 dated 18-07-2025

The Central Government has issued a notification u/s 197A(1F), stating that the provisions of Chapter XVII (which concern deduction of tax at source) will not apply to payments received by the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT). This exemption is subject to the conditions specified in the United Nations (Privileges and Immunities) Act, 1947, and the relevant Ministry of External Affairs notification.

Notification No. 124/2025 dated 24-07-2025

The Central Government, exercising powers under section 35(1)(ii) of the Income-tax Act, 1961 (read with Rules 5C and 5E of the Income-tax Rules, 1962), has approved the organisation “Gitarthganga” (PAN: AAATG1334K), Ahmedabad, as an ‘Other Institution’ for engaging in ‘Social Science or Statistical Research.’ This approval falls under the category specified in section 35(1)(iii) of the Act, enabling contributions to this institution to be eligible for weighted deduction under section 35 for donors. The notification is applicable for five assessment years, from AY 2026-27 to AY 2030-31.

Notification No. 125/2025 dated 24-07-2025

The Central Government, exercising its powers under section 35(1)(ii) of the Income Tax Act, 1961, has approved the 'IQRAA International Hospital and Research Centre' (under the aegis of JDT Islam Orphanage Committee, PAN: AAATJ1934A, Kozhikode, Kerala) as an 'Other Institution' for 'Scientific Research' purposes. This approval allows donations made to this institution to be eligible for weighted deduction under section 35(1)(ii) for donors. The approval is valid for five assessment years, from AY 2026-27 to AY 2030-31.

Notification No. 126/2025 dated 28-07-2025

The Central Board of Direct Taxes (CBDT) has notified the Income-tax (Twentieth Amendment) Rules, 2025, amending Rule 21AK of the Income-tax Rules, 1962. The amendments primarily relate to expanding the list of specified transactions and entities concerning International Financial Services Centres (IFSCs).

Key changes include:

- ⊙ The scope of instruments and participants recognised under the rule is widened by including "over-the-counter derivatives" alongside "offshore derivative instruments".
- ⊙ The definition of eligible entities is expanded: any "Foreign Portfolio Investor" (FPI) being a unit of an IFSC is now explicitly included.
- ⊙ The Explanation to Rule 21AK is amended to define "Foreign Portfolio Investor" as a person registered under the SEBI (Foreign Portfolio Investors) Regulations, 2019.

These amendments come into effect from the date of publication in the Official Gazette and aim to facilitate and clarify the tax treatment of transactions involving offshore derivatives and FPIs within IFSCs.

INDIRECT TAXES**Customs****Notification No. 33/2025 – Customs dated 18-07-2025 & 34/2025 – Customs dated 19-07-2025**

The Central Government, u/s 25(1) of the Customs Act, 1962, has amended Notification No. 146/94-Customs dated 13th July 1994. The amendment inserts a new serial number 10A in the specified list regarding customs exemption for "Horses for polo." The notification grants customs

duty exemption on the import of horses for polo under certain conditions, effective from 19th July 2025.

Key Highlights:**1. Eligible Importers:**

- ⊙ Polo teams of Indian Army and Indian Navy
- ⊙ Polo teams of Central Armed Police Forces
- ⊙ Civilian polo teams that have participated in recognized 14-goal level tournaments (Indian National Championship or any other recognized by the Indian Polo Association)
- ⊙ Individual players (male and female) who have been active members of the Indian Polo Association for at least five years, categorized as:
 - ⤴ Senior Male Players with +1 handicap and above
 - ⤴ Senior Female Players with -1 handicap and above
 - ⤴ Junior Male Players who have participated in Junior National Championships and played in winner/runners-up teams
 - ⤴ Junior Female Players who meet similar participation criteria

Quantity and Periodicity Limits:

- ⊙ **Polo teams:** Up to 30 horses every 2 years
- ⊙ **Individual players:** Up to 6 horses every 3 years

Import Procedure:

- ⊙ Importers must produce a certificate from an officer of the Ministry of Youth Affairs and Sports (rank of Deputy Secretary or above) at the time of import.
- ⊙ The certificate must state:
 - ⤴ Importer's name and address
 - ⤴ Description, quantity, and value of horses
 - ⤴ Compliance with quantity and periodicity conditions

Licensing Conditions:

Imports are subject to conditions imposed by the Directorate General of Foreign Trade.

This amendment provides structured customs duty exemption focusing on promoting polo by easing import of horses for qualified teams and players under

specified oversight and quantity restrictions.

However, vide Notification No. 34/2025-Customs dated 19-07-2025, in exercise of the powers conferred by sec. 25(1) of the Customs Act, 1962, the Central Government made the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 146/94-Customs, dated the 13th July, 1994

In the said notification, in the Table, S. No. 10A and the entries relating thereto shall be omitted.

Circular No. 18/2025 – Customs dated 22-07-2025 & 19/2025 – Customs dated 23-07-2025

The Central Board of Indirect Taxes & Customs (CBIC) has issued this circular to inform that the previously available online digitized application system hosted on the Invest India microsite for the Manufacture and Other Operations in Warehouse Regulations (MOOWR) scheme will no longer be accessible for submission of applications. Applicants who wish to obtain licenses under section 58 and permissions to operate under section 65 of the Customs Act, 1962, must now submit their applications in the prescribed physical format directly to the jurisdictional Principal Commissioner or Commissioner of Customs. Trade and field formations are advised to follow and communicate this updated procedure accordingly.

This change effectively discontinues the online facility introduced earlier for ease of application submission under the MOOWR scheme, reverting to manual submission to Customs authorities.

Further, circular 19/2025 has been issued to revise the instruction

Key Points:

- ⊙ **Continuation of Online Facility:** Contrary to the earlier circular which discontinued the online application system hosted on the Invest India portal, the CBIC has decided to continue this online facility up to 31st October 2025 as a temporary arrangement. Applicants may still use the portal for submitting applications under sections 58 and 65 of the Customs Act, 1962.
- ⊙ **Processing of Applications:** Applications submitted through the Invest India portal will be processed by the jurisdictional Principal Commissioners/Commissioners of Customs in line with existing legal provisions and instructions.

- ⊙ **Future Transition:** CBIC is working on an alternate electronic model for MOOWR applications. Details and timelines for transitioning to the new system will be issued in due course.
- ⊙ **Withdrawal of Earlier Circular:** Circular No. 18/2025-Customs (dated 22.07.2025), which had directed submission by e-mail and withdrawal of the online system, is hereby withdrawn.
- ⊙ **Communication to Stakeholders:** Field formations are advised to inform trade and industry associations immediately about the continuation of the online system and extend necessary guidance to ensure smooth facilitation.

This circular aims to maintain convenience and continuity in MOOWR application submission while a new digital platform is being developed.

Circular No. 20/2025 – Customs dated 24-07-2025

The Central Board of Indirect Taxes and Customs (CBIC) has issued Circular No. 20/2025 to clarify the requirements regarding the correlation of technical characteristics, quality, and specification of imported inputs with the export product under the Duty-Free Import Authorization (DFIA) Scheme, as per the Foreign Trade Policy (FTP) 2023 and related customs notifications.

Key points of the circular:

- ⊙ **Policy Context:** Paragraphs 4.12, 4.28(iv), and 4.29 of FTP 2023 and condition (iii) of Customs Notification No. 25/2023-Cus dated 1st April 2023 set the framework for input correlation requirements under the DFIA scheme.
- ⊙ **Trade Representations:** Exporters have reported difficulties due to Customs authorities insisting on proof of a close nexus or correlation between imported goods and the inputs actually used in making the exported product in all imported cases under the DFIA Scheme.
- ⊙ **Clarification by CBIC:** For inputs mentioned in paragraph 4.29 of FTP 2023 (listing about 22 specific items), exporters must provide declarations about the technical characteristics, quality, and specification of inputs used in the export product in the shipping bill or bill of export. Correlation of input details with export product is mandatory here.

For inputs covered under paragraphs 4.12 and 4.28(iv) of FTP 2023, where the Standard Input-Output Norms (SION) allow use of generic or alternative inputs, only the specific input name and quantity actually used in manufacturing the export product need to be declared in the shipping bill. Detailed correlation of the technical quality or specification of these inputs with the export product is not required.

- ⊙ **Implementation:** Customs should not insist upon technical correlation for inputs other than those listed under paragraph 4.29.
- ⊙ Exporters and Customs staff should follow this clarification strictly to avoid unnecessary procedural difficulties.
- ⊙ **Action:** Public Notices and Standing Orders should be issued to the trade and Customs staff for guidance. Any issues faced during implementation should be reported to CBIC promptly.

This circular provides much-needed clarity and eases procedural difficulty for exporters under the DFIA scheme by limiting the detailed correlation requirement of imported inputs only to specified inputs under paragraph 4.29 of the FTP, while simplifying compliance for other inputs.

Instruction No. 24/2025 – Customs dated 22-07-2025

Acceptance of electronic Certificate of Origin (e-CoO) issued under the India-Mauritius CECPA.

Key points of the instruction:

- **Introduction of e-CoO:**
 - ⊙ Effective from 1st June 2025, the Mauritius Revenue Authority (MRA), Customs Department, has started issuing electronic Certificates of Origin (e-CoOs) under the India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA).
- **Validity of e-CoO:**
 - ⊙ The e-CoO issued electronically by MRA is considered a valid document for claiming preferential tariff benefits under the CECPA, provided it:
 - ▲ Is in the prescribed format,
 - ▲ Bears the seal and signatures of

authorized signatories,

- ▲ Meets all requirements specified in Notification No. 38/2021-Customs (N.T.) dated 31st March 2021.

• **Verification Mechanism:**

- ⊙ Customs officers will verify e-CoOs using the specimen seals and signatures already circulated.
- ⊙ Additionally, authenticity can be verified using a QR code printed on the e-CoO or through the MRA online verification portal.
- ⊙ Any doubts regarding genuineness shall be referred to the FTA Cell under the Directorate of International Customs for further verification with the Issuing Authority.

• **Procedural Requirements for Importers:**

- ⊙ Importers or Customs Brokers must mandatorily upload the e-CoO on the e-Sanchit platform while filing the bill of entry.
- ⊙ Key details of the e-CoO, such as unique reference number, date, and originating criteria, must be accurately entered.

• **Defacement Process:**

- ⊙ For customs procedural compliance, a printed copy of the e-CoO must be presented to the Customs officer to cross-check particulars entered electronically.
- ⊙ This printed copy will be used in place of defacing original hard copy Certificates of Origin.
- ⊙ The ICES system includes a control to prevent the reuse of the same CoO reference number in multiple bills of entry.

• **Implementation:**

- ⊙ Customs formations are advised to note and implement the process to facilitate acceptance of e-CoOs under the India-Mauritius CECPA.

This instruction modernizes and streamlines the process for claiming preferential tariff benefits by recognizing electronic Certificates of Origin issued by Mauritius, integrating verification technologies, and ensuring proper customs compliance procedures. **MA**