

# The Institute of Chartered Accountants of India

(Setup by an Act of Parliament)



## Visakhapatnam Branch e-Newsletter

JUNE - 2025



CA. Sridhar Andhavarapu, Chairman, CA. Patnala Lokesh, Vice Chairman, CA. Ramu Naidu N, Secretary,  
CA. Ujwala M L D, Treasurer, CA. D. Leela Vara Prasad, SICASA Chairman,

CA. Mogalapalli P GuruMurthy, Member & Editor, CA. K. Rambabu, Member, CA. Prasanna Kumar D, Ex-officio Member & Vice President, ICAI





# From the Chairman's Desk



Dear Esteemed Members,

Greetings!

**విద్యా దదాతి వినయం వినయాద్యాతి పాత్రతామ్ ।  
పాత్రత్వాత్ ధనమాప్నోతి ధనాత్ ధర్మం తత సుఖమ్ ॥**

“Knowledge bestows humility (or modesty). From humility comes worthiness (or eligibility). From worthiness, one acquires wealth. From wealth, one performs righteous deeds (Dharma). From Dharma, one attains happiness.”

As the due date for filing income tax returns from 31<sup>st</sup> July to 15<sup>th</sup> of September, we thrilled to announce organising Residential Refresher Course (RRC) in Jagadapur, Bastar District, Chhattisgarh to be conducted in the monsoon month of July. Request the interested members to block the dates 11<sup>th</sup>, 12<sup>th</sup> and 13<sup>th</sup>. Detailed action plan will be communicated.

June is an exciting month filled with several fun filled activities to be conducted to celebrate upcoming CA Day (1<sup>st</sup> July). Let us celebrate this D Day with our families.

## **DISA 3.0:**

We have successfully organised much excited DISA 3.0 certification course during April and May 2025 commenced on 18<sup>th</sup> April and ended on 6<sup>th</sup> May 2025 with hundred percent attendance. The Managing

Committee expresses heartfelt gratitude to all the participants in conducting the DISA certification successfully.

## **LoL Balance:**

To promote holistic well-being among our professional fraternity which is a key mission of the ICAI. In alignment with this, and to commemorate the spirit of Work-Life Balance, we had conducted a special 2-hour interactive program LOL@ICAI - Laugh Out Ledger!

(Because balance is not just for books—it's for life!)

## **FAFD Certification Course:**

FAFD Certification Course commenced as per the schedule from 5<sup>th</sup> June to 18<sup>th</sup> June with members from across the region and one member from Bengaluru joined the course.

## **World Environment Day and ICAI Sustainability Month – June 2025**

The activities are aligned with the 5Ps of sustainability: Planet, People, Prosperity, Peace, and Partnership, and are aimed at engaging members, students, and the community in advancing the UN's SDGs.



**Tree Plantation Drive**



**Walkathon for Sustainability**



**Sustainability Reel Competition**



**Motivational Session**



**Sustainability Awareness Survey**

### **Felicitation of Sr. Members-aged 75 years or above (by a cut-off date -July 1, 2024):**

On occasion of 75 years of illustrious journey of ICAI, it has been decided that as a noble gesture, senior members of aged 75 years or above (by a cut-off date -July 1, 2024) will be felicitated recognizing their monumental contributions towards the advancement of our esteemed profession

### **International Yoga Day (21st June):**

Owing to the visionary efforts of **Hon'ble Prime Minister Shri Narendra Modi**, the United Nations General Assembly declared **June 21** as **International Yoga Day**, recognizing Yoga's role in promoting preventive health and a balanced lifestyle.

In alignment with this vision, under the directions of the **Committee for Promoting Work-Life Balance** your branch is delighted to announce the celebration of the **11th International Yoga Day, 2025**, reaffirming its commitment to holistic well-being. This year's theme, **"Yoga for One Earth, One Health,"** underscores the vital connection between individual wellness and the planet's health, promoting a vision of balance and sustainability.

Let's be a part of Prestigious Yogandhra 2025 that embodies the theme "Yoga for One Earth, One Health," aiming to integrate yoga into daily life and promote a stress-free lifestyle across Andhra Pradesh on the occasion of celebrating International Yoga Day.

In continuation of the many firsts to our credit and the diversity of program coverage, The Branch many more innovative programs on the anvil. During June 2025, apart from the regular CPE programs, we have three commemorative programmes, namely,

- World Environment Day,
- International Yoga Day and
- MSME Day.

The details of the programmes scheduled for June 2025 are published elsewhere in this newsletter under the caption "CPE Calendar".

### **CA Day (1st July):**

As we approach Chartered Accountants Day, let us rejuvenate and reflect on our professional journey and reaffirm our commitment to excellence. I request all the members join in the celebrations and make it an outstanding occasion.

I conclude this month's communique by saying:

**EVERY CHALLENGE IS AN OPPORTUNITY**

With warm regards,

**CA. Sridhar Andhavarapu**

Chairman

Visakhapatnam Branch of ICAI (SIRC)

# The Institute of Chartered Accountants of India

## Visakhapatnam Branch

### ONE TIME ANNUAL PAYMENT OF DELEGATE FEE (2025-26)

#### Registration Form

To  
The Secretary,  
The Institute of Chartered Accountants of India  
Visakhapatnam Branch (SIRC)  
ICAI Bhawan,  
VISAKHAPATNAM -530 003

Dear Sir,

I/We have enclosed Cheque No..... of .....  
Bank dated ..... for Rs ...../- in favour of **VISAKHAPATNAM BRANCH  
OF SIRC OF ICAI, VISAKHAPATNAM** towards my/our **ONE TIME ANNUAL DELEGATE FEE PAYMENT** for  
CPE Seminars at Visakhapatnam Branch for the period from 01.04.2025 to 31.03.2026.

#### Details of the Member/Members

S.No	Name of the Member	Date of Enrolment	M. No	Mobile No.	E-mail ID

Thanking You,

Yours Truly,

Signature



GST No. : .....

#### Online Payment Details :

ACCOUNT NAME : VISAKHAPATNAM BRANCH OF SIRC OF ICAI  
ACCOUNT NO : 024510011011521  
BANK NAME : Union Bank of India  
BRANCH NAME : PITHAPURAM COLONY  
IFSC CODE : UBIN0802450

Please forward the UTR No., Name and Membership No. to the following  
mail ID : [icaivskpbranch@gmail.com](mailto:icaivskpbranch@gmail.com)

#### One Time Annual Fee Structure for 2025-26 :

Rs. 3,000+GST 18% (Rs. 3,540/-) for New Members enrolled after 01.04.2022

Rs. 6,000+GST 18% (Rs. 7,080/-) for Members enrolled on or before 01.04.2022



# COMPLIANCE CALENDAR

## Days to Remember June 2025

**CA. P.S.V. Sai Kumar**

Date	Department	Summary
5/6/2025	SEZ	Monthly Report of Investment & Employment
7/6/2025	FEMA	ECB 2 Return
7/6/2025	TDS/TCS	TDS/TCS Payment for May'2025
10/6/2025	Professional Tax	PT on Salaries for May'2025( Due date varies from State to State)
10/6/2025	STPI/SEZ	STPI - SERF; SEZ - SERF
10/6/2025	GST	GSTR - 7 (TDS) ; GSTR - 8 (TCS)
11/6/2025	GST	Monthly Return of GSTR 1 for May'2025
13/6/2025	GST	GSTR-1 IFF (Optional) (May 2025) for QRMP
13/6/2025	GST	GSTR - 5 (NRTP) ; GSTR 6 - Input Service Distributor
14/6/2025	TDS/TCS	Due date for issue of TDS Certificate for tax deducted under section 194 IA/IB/M/S in the month of April, 2025
15/6/2025	Income Tax	Advance tax Payment for Apr to Jun 2025
15/6/2025	PF & ESI	Monthly Payment for May'2025
15/6/2025	TDS/TCS	Issuance of TDS Certificates to employees in respect of salary paid and tax deducted during Financial Year 2024-25, Quarterly TDS certificates (in respect of tax deducted for payments other than salary) for the quarter ending March, 2025
20/6/2025	GST	Monthly GSTR 3B;GSTR - 5A (OIDAR) - for May'2025
25/6/2025	GST	GST Challan Payment -May 2025 (QRMP Scheme filers)
30/6/2025	STPI	STPI - APR (for FY 2024-25)
30/6/2025	MCA	Return of Deposits for Companies (DPT 3 for FY 2024-25)
30/6/2025	TDS	Due date for furnishing of challan-cum-statement in respect of tax deducted under Section 194 IA/IB/M/S in the month of May, 2025
30/6/2025	DGFT	IEC Code Renewal
30/6/2025	Income Tax	Furnishing of Equalisation Levy statement for FY 2024-25
30/6/2025	FTP	Annual RoDTEP Return
30/6/2025	STPI/SEZ	STPI - SOFTEX; SEZ - SOFTEX
30/6/2025	DGFT	IEC Code Renewal

# ICAI UPDATES

**Subject: Gentle Reminder - Completion of Pending CPE Hours for Calendar Year 2024  
Latest by June 30, 2025 (Level I of Consequential Provisions)**

Dear Member,  
Greetings!!

This is in continuation of our earlier announcement dt. 30-12-2024 regarding "Extension of last date of CPE hours' compliance for the Calendar year 2024 - From 31st December, 2024 to 28th February, 2025" which is hosted at link <https://www.icaai.org/post/cpe-ext-of-last-date-of-cpe-hours-compliance-for-year2024>.

As per CPE Statement, 2023 hosted at <https://www.icaai.org/post/issuance-of-cpe-statement-2023> it was informed that consequential provisions for non-compliance with CPE hours' requirements applicable to various categories of members on yearly basis was made effective from Calendar year 2024 onwards, and the duration of consequential provisions at Level I is from January 1st to June 30<sup>th</sup> for calendar year 2024 and onwards. Further it is mentioned in the above announcement that duration of consequential provisions at Level I (from January 1st to June 30<sup>th</sup>) would be changed to March 1st to June 30<sup>th</sup>, 2025 specifically for calendar year 2024 to avoid hardship to members.

Accordingly, you all are hereby requested to check your CPE Compliances for calendar year 2024 as per above notification and as per CPE Hours Requirements for Members for Each Calendar Year Applicable from 1-1-2023 onwards and **if you have complied with CPE requirements please ignore the below email** and pass on this information to other professional colleagues.

**NEW** However, **if you are yet to meet the requirements, you are kindly advised to complete the requisite CPE hours for Calendar year 2024 as prescribed for non-complied members at Level-I of Consequential provisions for non-compliance with CPE hours requirement on yearly basis from calendar year 2024 onwards latest by 30th June 2025, and further no extension would be given.**

Important:

**1) Members who are non-compliant with CPE hours requirements for 2024 are currently at Level I and Consequential provision at Level I is given below:**

"Members who fail to complete their CPE requirement by the end of calendar year 2024 shall be given an extended period until 30th June 2025 to make up for the shortfall. They must obtain twice the shortfall in CPE hours, in addition to the regular CPE hours requirement for 2025."

2) Failure to comply with CPE hours requirements for the year 2024 by 30th June 2025, will escalate your status to Level II and subsequent levels, as per the Consequential Provisions (refer to page 4 at <https://shorturl.at/Rl9c8> for illustration). Consequences of Level II include:

"Names of members who do not comply by 30th June 2025 shall be classified under non-compliance status from 1st July 2025, and this status will be reflected on the CPE Portal under the member's login until full compliance is achieved."

This communication serves as a **gentle reminder to all non-compliant members for Calendar year 2024, to complete their CPE requirements latest by 30th June 2025 to avoid escalation to Level II** and its associated consequences.

Your timely compliance is crucial to uphold professional standards and avoid potential difficulties that may arise from non-compliance at subsequent levels. For any query may write at [cpeadmin@icaai.in](mailto:cpeadmin@icaai.in).

With Kind Regards,

**Chairman**  
**Continuing Professional Education Committee**

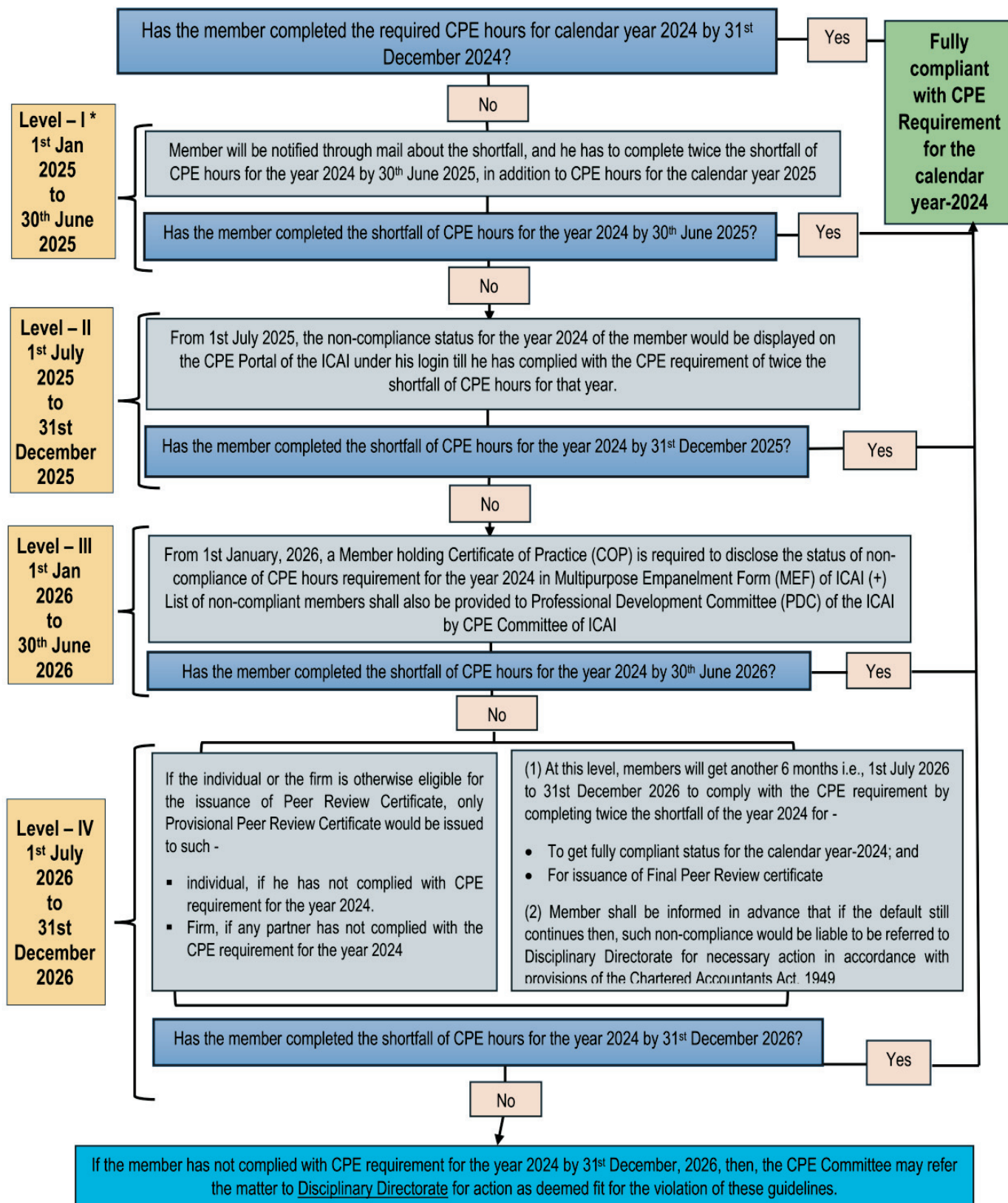
The Institute of Chartered Accountants of India (Set up by an Act of Parliament)

**Vice-Chairman**



**CONSEQUENTIAL PROVISIONS FOR NON-COMPLIANCE WITH CPE HOURS REQUIREMENT ON YEARLY BASIS" FROM CALENDAR YEAR 2024 ONWARDS**

**Illustration for Calendar Year-2024**



\*Duration of consequential provisions at Level I (from January 1st to June 30th) is reduced to March 1st to June 30th, 2025 specifically for calendar year 2024.





## Expression of Interest

# Resource Persons for Revamping Background Material for the Certificate Course on Forex and Treasury Management

The Committee is pleased to announce an exciting opportunity for Chartered Accountants with a proven track record and industry expertise to serve as resource persons for revamping Background material for the **Certificate Course on Forex and Treasury Management**.



**CA. Charanjot Singh Nanda**  
President, ICAI



**CA. Prasanna Kumar D**  
Vice President, ICAI



**CA. Durgesh Kumar Kabra**  
Chairman, CFMIP, ICAI



**CA. Dayaniwas Sharma**  
Vice-Chairman, CFMIP, ICAI

The Committee invites applications from experienced domain experts who have substantial knowledge and hands-on experience in Forex markets & its compliance and are passionate about sharing their insights and expertise with the next generation of Chartered Accountants. The selected individuals will have the opportunity revamp the background material as per current and future prospects of course.



## Key Qualifications

- Domain expert with extensive industry experience in Forex and Treasury.
- Demonstrated proficiency in imparting knowledge through teaching or training programs.
- Ability to create a practical, engaging, and relevant learning experience for students, incorporating real-world examples and case studies.

## Role & Responsibilities

- Deliver high-quality lectures and training sessions on compliance in the domain of Forex and Treasury
- Share practical insights, challenges, and best practices from the industry to enhance participant's understanding.
- Mentor and guide participants in understanding the complexities of Forex and Treasury operations and regulatory compliance.

If you are passionate about forex & treasury and have the experience to revamp the Background Material to contribute your expertise to a specialized course that plays a critical role in the development of skilled professionals, the Committee encourages you to submit your expression of interest. Join us in empowering CAs with the knowledge and tools needed to thrive in the dynamic and highly regulated Forex and Treasury Management industry.

### To Apply:

Please send your updated CV, along with a brief cover letter outlining your relevant experience in the capital markets sector, to **cfmip@icai.in**, latest by Tuesday, **20th May 2025**.



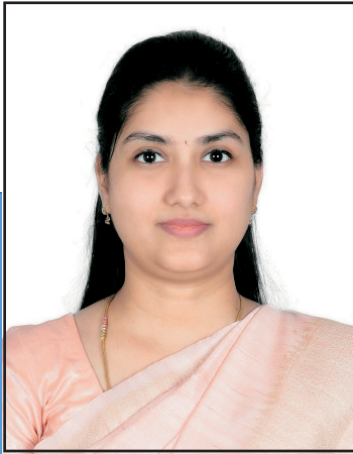
Applications will be reviewed on a rolling basis, and shortlisted candidates will be contacted for further discussions.

The Committee looks forward to receiving your application and exploring the opportunity to work together in advancing the professional knowledge of capital market compliance of the Members of ICAI.



### Committee on Financial Markets and Investors' Protection

The Institute of Chartered Accountants of India,  
Second Floor, Hostel Block, ICAI Bhawan, A-29- Sector 62 ,Noida - 201309  
Email: cfmip@icai.in



CA. Hemalatha

## CASELAW DIGEST - APRIL 2025

**SLP dismissed against order of HC that cash seized by criminal court couldn't be claimed custody by I-T Dept.**

Supreme Court of India in the case of Government of India, Income-tax Department v. Mohammed K reported in [2025] 174 taxmann.com 1243 (SC)

Cash was seized from assessee and his companion while travelling, and was produced before Magistrate as they failed to explain its source - Assessee's request for interim custody was denied, and amount was released to Income Tax Department - A subsequent petition under Section 452 CrPC was also rejected - Assessee challenged Magistrate's order in instant revision petition and by relying on decision of Kerala High Court in Ravirajan R. v. State of Kerala [2023 (6) KHC SN 23] contended that Income Tax Department could not claim custody of money under section 132A when it was in possession of a criminal court and that a Magistrate could not compel Revenue to complete assessment within a prescribed timeframe under Section 451 CrPC - High Court held that there was no reason to deviate from view taken by this Court in Ravirajan (supra) and accordingly, impugned order was liable to be set aside - However, High Court directed amount would be released to assessee upon execution of a bond to repay/redeposit it if directed, and furnishing a bank guarantee from a Nationalised or Scheduled Bank for same amount and Department would complete assessment as per law.

Department filed instant SLP against said order - Whether there was no reason to interfere with impugned order passed by High Court directing release of cash seized from vehicle of assessee for reason that High Court had already provided that seized property would be released only upon furnishing bank guarantee(s) and personal bond(s) and once amount was secured, there was no reason to interfere with said order - Held, yes - Whether accordingly, SLP was dismissed - Held, yes

**Proceedings pertaining to reassessment u/s 147, 148 and 148A should be conducted in faceless manner: HC**

High Court of Telangana in the case of Tecumseh Products India (P.) Ltd V. DCIT in [2025] 174 taxmann.com 1203 (Telangana)

After introduction of 'Faceless Jurisdiction of Income-tax Authorities Scheme, 2022', revenue should conduct/initiate proceedings pertaining to reassessment under sections 147, 148 and 148A in a faceless manner

**No additions towards suppressed income if assessee followed ICDS-III for recognising income on POCM: ITAT**

Chennai ITAT In the case of DCIT V. S R Builders Chennai LLP reported in [2025] 174 taxmann.com 1200 (Chennai - Trib.):



Where there was no dispute between assessee and revenue on percentage of work completed in respect of each project but only on whether amount to be recognised as per ICDS had been recognised as revenue or not, since assessee had followed ICDS III and accounted entire revenue as required by ICDS III in computing its total income, no addition could be made to its income towards suppressed income.

**SLP dismissed against ruling that interest paid on loan taken for acquiring agricultural land wasn't allowable as deduction**

Supreme Court of India in the case of Mini Muthoottu Credit India (P) Ltd. V., CIT reported in [2025] 174 taxmann.com 695 (SC)

SLP dismissed as withdrawn against order of High Court that where assessee-company acquired land for business purposes by taking loan however said land was used for agricultural purposes, which yielded agricultural income, interest paid in respect of loan could not be allowed as a deduction under section 36(1)(iii)

**Provisions of sec. 56(2)(x) not applicable if property was purchased prior to its insertion in statute book: ITAT**

Kolkata ITAT in the case of Smt. Kajari Banerjee reported in [2025] 174 taxmann.com 1226 (Kolkata - Trib.)

Where assessee purchased a property vide an agreement dated 28-12-2012, provision of section 56(2)(x), which was brought on statute book by Finance Act, 2017 with effect from 1-4-2017, was not applicable

**Reassessment not valid to disallow management fee paid to AE if same was subject matter of scrutiny: HC**

High Court of Delhi in the case of Idemia Identity and Security India (P.) Ltd. Reported in [2025] 174 taxmann.com 779 (Delhi)

Where Assessing Officer issued a reassessment notice on ground that assessee had made payment

of huge amount of management fee to its associated enterprises for rendering of services which were higher than what ought to have been paid, since income alleged to have escaped assessment was not based on a single occasion or an event spanning over period in question, present case did not fall within exception to sub-section (1A) of section 149 and, thus, impugned notice was to be set aside.

**HC remanded matter as no draft penalty order was ever generated by AO under faceless mechanism for levy of penalty**

High Court of Gujarat in the case of Sun Pharmaceutical Industries Ltd. reported in [2025] 174 taxmann.com 1202 (Gujarat)

Where no draft penalty order was ever generated by Assessing Officer under faceless mechanism for levy of penalty under section 271(1)(c) nor final order for levy of penalty was generated, subsequent action on part of revenue to communicate demand to CPC which on basis of automatic system adjusted refund was illegal and without any basis.

**No power to cancel sec. 12A registration retrospectively under new scheme: ITAT**

ITAT Pune Bench in the case of Poona Obstetrics and Gynaecological Society reported in [2025] 174 taxmann.com 218 (Pune - Trib.):

Where registration granted to assessee trust under section 12A was cancelled on ground that during search certain documents were seized showing alleged cash receipt by assessee on account of membership fee, and further, certain pharmaceutical company had given freebies to doctors through assessee in garb of organising conferences, since funds received from membership fee were being consistently applied for objects of trust, and further, there was no reference to any professional association of doctors with assessee, registration under section 12A could not be cancelled

**No sec. 56(2)(vii)(b) additions if there was no discrepancy in purchase value declared by assessee: ITAT**

ITAT Mumbai Bench in the case of Sudha Agrawal reported in [2025] 175 taxmann.com 64 (Mumbai - Trib.):

Where assessee purchased a flat from a builder and there was no discrepancy in purchase value declared by assessee, addition made under section 56(2)(vii)(b) by Assessing Officer being difference between set forth value and stamp duty valuation of property was not sustainable

**CIT(A) can't set aside best judgment order passed by AO without adjudicating legal issues raised by assessee: ITAT**

ITAT Hyderabad Bench in the case of Eyegear Optics India (P.) Ltd reported in [2025] 174 taxmann.com 1060 (Hyderabad - Trib.):

Where assessment was reopened in case of assessee under section 147 and completed under section 144 disallowing referral fees paid to doctors; Commissioner (Appeals) instead of summarily setting aside matter to file of Assessing Officer for making a fresh assessment, ought to have taken a call as regards specific ground based on which validity of jurisdiction that was assumed by Assessing Officer for framing reassessment was assailed by assessee before him

**AO can't deny sec. 54F relief without verifying whether assessee had substantiated compliance with conditions**

ITAT Chennai Bench in the case of Murugan Doraisamy reported in [2025] 174 taxmann.com 846 (Chennai - Trib.):

Where assessee claimed deduction under section 54F, Assessing Officer could not deny claim on ground that net consideration was not deposited in specific bank account within time limit prescribed under section 139(1), without verifying whether assessee had substantiated compliance with conditions provided under sub-section (1) of section 54F in appropriating net consideration in new asset

**Capital gain on surrender of tenancy rights eligible for sec. 54F relief if new flat was allotted by builder: ITAT**

ITAT Mumbai Bench in the case of Vasant Nagorao Barabde reported in [2025] 174 taxmann.com 1015 (Mumbai - Trib.):

Where tenancy rights were surrendered in favour of developer and there was an investment by way of Permanent Alternate Accommodation (PAA) residential flat allotted by builder of equivalent stamp duty value, capital gain so computed would be eligible for deduction under section 54F

**Trust restricted to benefit of a particular religious community or caste not eligible for Sec. 12AB registration**

ITAT Ahmedabad Bench in the case of Vaishnav Sadhu reported in [2025] 174 taxmann.com 1118 (Ahmedabad - Trib.):

Where objects of assessee-trust were charitable in nature but restricted to benefit of a particular religious community or caste, assessee-trust would not be eligible for registration under section 12AB

**AO couldn't reject DCF method adopted by assessee for determining FMV of shares without pointing out any error: HC**

High Court of Delhi in the case of A.H. Multisoft (P.) Ltd. reported in [2025] 175 taxmann.com 46 (Delhi):

Where assessee adopted DCF method for determining FMV of shares issued by it which was one of methods that could be adopted by assessee under rule 11UA(2)(b) for determining FMV of unquoted equity shares, FMV determined by assessee was to be accepted



## ARTICLES



CA. Sai Hemanth Kolachana



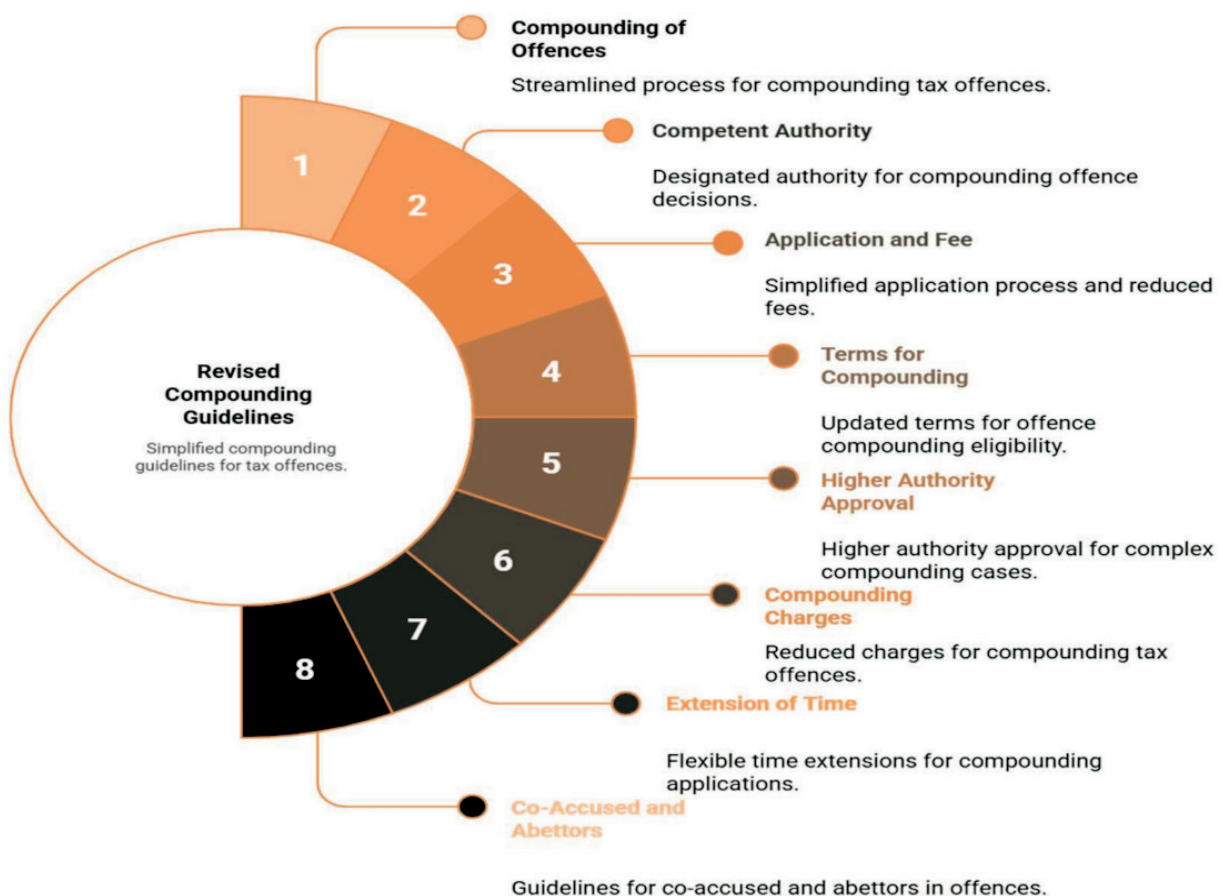
# FAQs ON REVISED GUIDELINES ON COMPOUNDING OF OFFENCES



## Background:



- CBDT issued revised guidelines for compounding offences under Section 279(2) of the Income-Tax Act, effective from 17 October 2024, following the FM's July 2024 Budget announcement.
- Applies to both pending and new compounding applications as of 17 October 2024.
- All earlier guidelines are replaced to simplify procedures and improve efficiency for taxpayers and tax deductors.
- The new framework removes offence categorization and the limit on filing compounding applications, allows fresh applications after curing defects, permits compounding in cases involving search and seizure or TDS defaults, and eliminates the 36-month time limit for filing such applications.
- To enhance stakeholder awareness and clarify its revised guidelines, the CBDT recently issued a circular containing FAQs, organized into eight sections as follows:





# 1. Compounding of offence:



**“Compounding is a resolution of the offence, not an admission”**

- **Meaning:** Compounding of an offence allows a defaulter to avoid major legal consequences by paying a specified sum. The specified offences can be compounded by the competent authority either before or after the initiation of proceedings.
- All offence under Income Tax Act have been made compoundable in revised guidelines dated 17.10.2024.

# 2. Competent authority/ Jurisdiction:



- **Where can the compounding application be filed by the applicant?**  
The compounding application can be filed before the jurisdictional Pr. CCIT / CCIT / Pr. DGIT / DGIT, being the Competent Authority for compounding of offences.
- **Who is the Competent Authority when multiple jurisdictions are involved in TDS-related offences?**  
The Pr. CCIT/CCIT/Pr. DGIT/DGIT where the application is filed is the Competent Authority. If filed in multiple jurisdictions, the authority with the higher TDS default is the Competent Authority.
- **Who is the Competent Authority when the applicant has multiple TANs under different jurisdictions?**  
The authority with the higher TDS default will be the Competent Authority.



### 3. Compounding application and fee:



- The compounding application must be in Annexure-1 format, may cover multiple offences/periods, and should be submitted as an affidavit on stamp paper worth Rs. 100, along with fees as outlined in Para 4.2.1 of the revised guidelines dated 17.10.2024.
- A compounding application can be filed anytime after the offence, even if unnoticed by the department or before prosecution begins.
- No application fees are required for applications filed under earlier guidelines and still pending on 17.10.2024.
- The compounding fee is adjustable only against compounding charges payable for offences in the particular application. Cross-application adjustment isn't allowed, and no refund or adjustment is permitted if the application is rejected.
- An applicant can file a consolidated compounding application if previous ones were rejected due to **curable defects**.
- No new application is allowed for rejections on merits.
- The revised guidelines apply to pending applications as of 17.10.2024. No need to file a new application or pay additional fees.

- The applicant can file a new or consolidated application after withdrawing the previous one. It will be treated as subsequent, and a higher rate will apply as per Para 10.
- The applicant can apply for multiple offences in a single application. It cannot be rejected for not including an offence with ongoing prosecution proceedings.
- There's no limit on compounding applications, but the Competent Authority may reject it if on the ground of him being a 'habitual offender'.
- If earlier rejection was solely due to conviction without examination of merits, the applicant can reapply under the revised guidelines.
- Defective applications can be revived by curing defects within one month of intimation. If not cured, the application is deemed rejected. A new application can be filed which shall be treated as subsequent for fee purposes.
- The date of application pending as of 17.10.2024 shall be the original date of application for any purpose.
- The 12/24/36 month limit is removed. Applicants rejected earlier on this ground may reapply; such cases will be treated as subsequent applications for fee purposes.

## 4. Terms for compounding:

Is withdrawal of an appeal required before filing a compounding application?



No, withdrawal of the appeal is not required before filing the compounding application. However, applicants must undertake to withdraw any appeals (including writ petitions) related to the offences being compounded or the specific grounds of appeal related to such offences, in case the appeal involves “**mixed grounds**”.

After submitting an undertaking to withdraw the Writ Petition, the applicant can reapply for compounding, which will be considered a subsequent application for determining compounding charges.



Can an applicant with a pending writ petition (challenging rejection due to delay period of 12/24/36 under earlier guidelines) file a fresh compounding application? How will it be treated?

## 5. Approval of Higher Authority:

- Applicants convicted with imprisonment of two years or more for offences under the Income Tax Act or related laws may apply for compounding, but approval from the Chairman, CBDT is required under revised guidelines.
- Cases involving ED/CBI can be compounded if the applicant is not involved in anti-national or terrorist activities. Otherwise, Chairman, CBDT's approval is required.

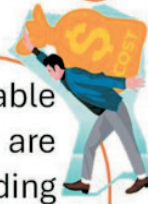
If the main accused or co-accused apply for compounding of an offence that doesn't require higher authority approval, it will be processed independently, regardless of co-accused facing offences requiring approval.

Is higher authority approval required if only one director /partner seeks compounding?

Offences requiring higher authority approval (e.g., Section 277A) will only be compounded with such approval, regardless of who files the application.



## 6. Compounding charges:



- Rejected applications (due to curable defects) under earlier guidelines are considered the first compounding application. Fresh consolidated applications are treated as the second, with charges calculated per para 10 of the revised guidelines.
  - Pending applications, whether for single or multiple years, are treated as first compounding applications, and charges are re-computed for each disclosed offence per Annexure-4, as per para 10 of the revised guidelines.
  - Compounding can be filed suo-moto anytime after the offence, regardless of departmental notice. Charges depend on application sequence and offence, not on how it's filed.
- 
- Credit for previously paid amounts is allowed only for the same offence and year during re-computation, but any excess payment is neither refundable nor adjustable.
  - Partial payments from a withdrawn application can be used only for the same offence and year in the new application.
  - No action is pending under revised guidelines for the applications which have been compounded.
  - If no information is available on tax evaded or under-reported due to pending assessment/reassessment for offence under section 276CC, the minimum compounding charge as per Annexure-4 shall apply.

The compounding charge rate depends on both the application sequence and the offence. If an offence appears again in a later application—whether the earlier one was rejected, pending, or compounded—it attracts a higher rate (e.g., 1.2x, 1.4x, 1.6x, etc.) as per para 10.4. However, offences included for the first time in any application are charged at the normal rate as per Annexure-4.



## ILLUSTRATION:

An applicant has filed different applications on different dates to compound different offences which will be considered as below:



Scenario			Clarifications		
Application Date	Status	Offence (FY)	Sequence of Application	Offence included in Earlier Application?	Rate
15/01/2021	Compounded	276B (2012-13)	NA	NA	NA
17/10/2022	Compounded	276C (1) (2018-19)	NA	NA	NA
18/08/2023	Rejected	276B (2013-14)	NA	NA	NA
17/09/2024	Pending	276D (2019-20)	First (No fresh application required)	NA	Normal rate
01/11/2024 (filed under revised guidelines)	Single application (for earlier application rejected)	276B (2013-14)	Second	Yes, in applications dated 15/01/2021 and 18/08/2023 (considered as 2nd time)	1.2 times of normal rate
18/12/2024 (filed under revised guidelines)	Consolidated application	276B (2017-18)	Third	Yes, in applications dated 15/01/21, 18/08/2023 & 01/11/2024 (3rd time)	1.4 times of normal rate
		276C (1) (2019-20)		Yes, in application dated 17/10/2022 (2nd time)	1.2 times of normal rate
		275A (2023-24)		No, first time applied for (1st time)	Normal rate



## EXPLANATION:

It is noted that the applicant has opted for compounding for this offence for the third time in third application and accordingly compounding charges at 1.4 times of normal rate should apply. However, since both applications were filed under previous guidelines, all such applications will be cumulatively considered as 'first' application, in terms of Para 10.6 of the revised guidelines. Thus, offence under these applications will be considered as clubbed together for calculation of compounding charges.

**It is noted that the applicant has opted for compounding for this offence for the fourth time in fourth application and accordingly compounding charges at 1.6 times of normal rate should apply. However, since first two applications were filed under previous guidelines, both these applications will be cumulatively considered as 'first' application, in terms of Para 10.6 of the revised guidelines, 01.11.2024 application will be considered as 'second' and this application will be considered as 'third'. Thus, offence under first two applications will be considered as clubbed together for calculation of compounding charges.**

## LAUNCH OF PROSECUTION:



**Whether compounding application may be filed after launch of the prosecution? If yes, how the compounding charge will be determined?**

If application is filed within 12 months from end of the month in which prosecution complaint is filed, the compounding charge will be determined as per para 10.2 to 10.5 of guidelines as illustrated in example below. For applications filed after 12 months, the compounding charge so calculated shall be increased by 50% as per para 10.7.

## ILLUSTRATION:

Assessee had made TDS default of Rs 10,00,000/- for 3 months during FY 2019-20. The prosecution has been launched on 01/04/2022 u/s 276B of the Income Tax Act.

Scenario	Case	Date of Application	Time Elapsed	Rate	Compound ing Charge
Scenario-1 (No earlier application rejected)	Case-1	12/10/2022 (Pending as of 17/10/2024)	Less than 12 months	Normal compounding charge as per Annexure-4	Rs 45,000/-
	Case-2	31/10/2024 (filed under revised guideline)	More than 12 months	Increase by 50% of normal compounding charge as per Annexure-4	Rs 67,500/- (1.5*Rs 45,000)
<b>Scenario-2</b> (First application rejected, revised application filed)	Case-3	12/10/2022 (Rejected)	Less than 12 months	NA (application rejected)	NA
		31/10/2024 (filed under revised guideline)	More than 12 months	1.2 times of normal compounding charge increased by 50%	₹81,000/- {1.5* (1.2* ₹45,000)}



There is a path on e-filing website of the department and payment may be made by login through PAN or TAN. The path of the same is as under:  
**"Login on e-Filing portal → e-Pay Tax → New Payment → Income Tax → Minor Head → Other Receipts (500) → compounding charges".**



## 7. EXTENSION OF TIME:



- The time for payment of compounding charges may be extended, subject to conditions mentioned in para 9.4 of the guidelines, for a maximum period of 24 months.
- The time for payment of compounding charges cannot be extended beyond 24 months; if not paid within this period, the application will be rejected, and prosecution proceedings will be initiated if not already started. However, new application can be filed, treated as subsequent application.
- For applications pending as on 17.10.2024 with unpaid compounding charges, the 24-month period commence from the end of the month of issuance of these guidelines viz October 2024, subject to approval as per para 9.4 of the guidelines.
- Interest or additional charges are not applicable on extension allowable under para 9.4 of the guidelines.

## 8. CO-ACCUSED AND ABETTORS-OFFENCE BY COMPANIES AND HUF:

These are individuals or entities charged along-side the main accused because they are alleged to have actively participated in the offence.

**Example:** In case of a **Company**

- The company is treated as the **main accused**.
- The **co-accused** could include Directors, Managing Directors, Managers, Company Secretaries, Authorized Signatories

**Example:** *A company fails to deposit TDS. Along with the company, the Finance Director (who was responsible for tax compliance) can be prosecuted as co-accused.*



Who are CO-ACCUSED?

Who are Abettors?

These are individuals who may not have directly committed the offence but are believed to have:

- Instigated, Aided, **Conspired** to commit the offence.

**Example:** *A consultant who advises a company to evade tax and helps them prepare fake documents may be prosecuted as an abettor.*





## COMPOUNDING IN CASE OF CO-ACCUSED AND ABETTERS:

- Co-accused may apply for compounding of offence separately or conjointly.
- Only the main accused or co-accused can file a compounding application for a company or HUF, and must disclose their status in serial no. 4 of the application as per Annexure-1.
- If co-accused are not yet identified under Section 278B, the main accused or anyone who can prove with documents that they were responsible for the company's operations during the offence can file as a co-accused.
- If a compounding application of a co-accused was previously rejected because the main accused had not filed for compounding, the co-accused may file again—either separately or jointly—unless the earlier rejection was on merit. Such re-filing will be treated as a subsequent application for calculating compounding charges.

No separate compounding fee for co-accused shall be payable, irrespective of the fact that application has been filed by main accused or co-accused or by both of them conjointly.



- If the compounding application of the main accused was earlier rejected because the co-accused had not filed or given an undertaking, the main accused may reapply—either separately or jointly with the co-accused—unless the earlier rejection was on merit. Such re-filing will be treated as a subsequent application for calculating compounding charges.
- If any application filed by the main accused or co-accused under previous guidelines is pending, no fresh application is required under the revised guidelines. All such applications will be clubbed and treated as a single, first application for determining compounding charges.
- Co-accused cannot furnish undertaking for withdrawal of appeal on behalf of the main accused.
- The compounding order u/s 279(2) will be issued in the name of the applicant(s). If the co-accused applies, the order includes the main accused. If the main accused applies and co-accused is identified, the order covers both names.



# COMPOUNDING IN CASE OF INSOLVENCY

## BANKRUPTCY CODE:

If a company is undergoing insolvency proceedings and its liabilities are being managed under IBC, any co-accused in a legal case involving that company is still responsible for their own role and can independently seek compounding of the offence. Their responsibility is not nullified by the company's insolvency.

### Example: Co-Accused & Compounding During Insolvency



#### ✓ Scenario:

- **ABC Pvt. Ltd. (the main accused)** and **Mr. Raj (the co-accused, a director of the company)** are both accused of non-payment of TDS (a prosecutable tax offence under the Income Tax Act).
- Later, ABC Pvt. Ltd. goes into insolvency under the Insolvency and Bankruptcy Code (IBC).
- The insolvency process suspends all actions against the company and hands control to an insolvency resolution professional.

#### ? What happens now?

- Since ABC Pvt. Ltd. is under insolvency, the company cannot take actions like filing a compounding application directly unless approved by the insolvency professional.
- However, Mr. Raj (the co-accused) is still personally liable for his part in the offence.
- Mr. Raj can still file a compounding application on his own, to settle the case against himself.



#### Who can pay the compounding charges?

Either Mr. Raj pays the compounding fee from his own resources, or if permitted, ABC Pvt. Ltd. (through the insolvency resolution process) may pay it on his behalf.

#### ✓ Key Takeaway:

**The co-accused cannot escape liability just because the main company is in insolvency.** He/she can still be prosecuted and must take independent legal action (like compounding) if they wish to avoid further consequences.

Whether Paragraph 4.3 of the guidelines will apply when a company is undergoing Insolvency or Liquidation under the IBC:

Paragraph 4.3 of the guidelines:

✓ What is Para 4.3?

"Compounding of an offence shall be subject to the condition that the compounding charges (including tax, interest, penalty, and any other sum due) must be paid before the application is processed for compounding."



Key Elements of Para 4.3:

- **No compounding without clearing dues:** All tax dues, including interest, penalties, and any other statutory liabilities, must be paid in full.
- **Pre-condition:** Payment of dues is a **mandatory pre-condition** before any compounding application is processed.
- **Applies to all applicants:** This applies to **main accused** and **co-accused**, including individuals, companies, HUFs, or directors.



✓ Example:

If a company is accused of failing to deposit ₹10 lakh in TDS and applies for compounding, it **must first pay**:

- ₹10 lakh (TDS amount)
- Interest on TDS
- Any penalties levied
- Compounding fee

Only then will the CBDT **consider** the compounding application under the guidelines.





When a company (main accused) is under NCLT/CIRP/Liquidation, certain protections and procedures apply under the Insolvency and Bankruptcy Code (IBC). In such cases whether Paragraph 4.3 of the compounding guidelines, which mandates payment of all taxes, interest, and other sums due still applies???



### Case-1

#### During the Moratorium Period (Section 14 of IBC)

- ❑ A **moratorium** is declared during Corporate Insolvency Resolution Process (CIRP).
- ❑ This **freezes all recovery actions** against the company.
- ❑ However, the **tax dues are not extinguished** (i.e., they still exist).
- ❑ If a **co-accused** files a **compounding application** during this period, **Paragraph 4.3 still applies**, meaning all dues must be paid as part of compounding.

#### After Rejection of the Resolution Plan (Liquidation Proceedings)

- ❑ If the resolution plan is rejected, the company enters **liquidation** under Section 33 of IBC.
- ❑ Once liquidation starts, the earlier demand becomes a **valid claim against the company**.
- ❑ A **co-accused** can still file for compounding, and the **pending demand will be treated as a legitimate debt**, so para 4.3 will apply.

### Case-2

**LIQUIDATION!**

## Case-3

### After Approval of the Resolution Plan

- ❑ The resolution plan is approved under Section 31, and **if there's a change in management**, the company is protected under **Section 32A** and **is absolved of past offences**.
- ❑ Although the company is no longer liable due to the change in control, the **co-accused still remains liable**.
- ❑ If a co-accused seeks compounding after the plan's approval, **para 4.3 will apply** for their liability.



## ILLUSTRATION:

**Company:** ABC Tech Ltd.

**Offence:** Failed to deduct and deposit TDS (Tax Deducted at Source) of ₹50 lakh.

**Main accused:** ABC Tech Ltd.

**Co-accused:** Mr. Raj, Finance Director of ABC Tech Ltd.

Due to this offence, a prosecution notice is issued under the Income Tax Act. ABC Tech Ltd. goes into financial trouble and enters insolvency under the **Insolvency and Bankruptcy Code (IBC)**.



### What is Paragraph 4.3?

It says: **To compound (settle) an offence, all tax, interest, and penalties must be paid before the application is considered.** So if ₹50 lakh is tax, and ₹10 lakh is interest & penalty = **₹60 lakh must be paid.**

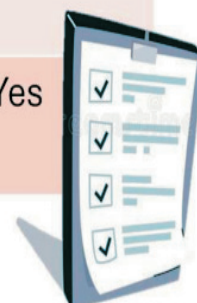
CASE	SITUATION	EXAPMLE
<b>✓ Case 1:</b> <b>During the Moratorium Period</b>	ABC Tech Ltd. has started insolvency, so there is a <i>moratorium</i> (legal pause on action against the company). But this does not cancel the tax liability.	Mr. Raj (co-accused) applies for compounding. → Even during the moratorium, he must ensure ₹60 lakh is paid before his application is accepted. Why? Because the offence is not waived and para 4.3 still applies.



CASE	SITUATION	EXAPMLE
<input checked="" type="checkbox"/> <b>Case 2: After Rejection of the Resolution Plan (Liquidation)</b>	The creditors reject the insolvency plan → ABC Tech Ltd. goes into liquidation.	Mr. Raj again applies for compounding. → The ₹60 lakh becomes a valid claim on the company's estate. → But Mr. Raj still needs to settle this ₹60 lakh demand as per paragraph 4.3 to get compounding approved.
<input checked="" type="checkbox"/> <b>Case 3: After Approval of the Resolution Plan</b>	A new investor takes over ABC Tech Ltd. under Section 31 and 32A of IBC. → The company is now protected and not liable for past offences.	But Mr. Raj is still personally liable as co-accused. → He wants to apply for compounding. → He still has to pay the ₹60 lakh before the application is accepted, as per para 4.3.

## SUMMARY TABLE:

STAGE	Company Liable?	Co-accused Liable?	Must Pay ₹60 lakh under Para 4.3?
During Moratorium	<input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> Yes
After Resolution Plan Rejected	<input checked="" type="checkbox"/> Yes (via liquidator)	<input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> Yes
After Resolution Plan Approved	<input checked="" type="checkbox"/> No (company cleared)	<input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> Yes



## Annexure - Compounding Charges for other offences:

Compounding charges for other offence such as failure to comply with the provisions of section 269SS (Accepting loans, deposits in specified modes), 269ST (Undertaking specified transactions in cash), failure to furnish return of income, an offence committed under section 277 (False statement in Verification), willful attempt to evade tax, etc. have been specified in Annexure-4 of the revised guidelines which is provided as follows:

Section	Description/Heading of section	Compounding Charges
276A	(Prior to 01.04.2023) Failure to comply with the provision of sections 178(1) and 178(3)	Compounding charge is decided by the Competent Authority based on offence severity and revenue loss, with a minimum of ₹10,000 per offence.
276AA	(Prior to 01.10.1986) - Failure to comply with the provisions of section 269AB or section 269I	
276AB	(Prior to 01.04.2022) - Failure to comply with the provisions of sections 269UC, 269UE and 269UL	
276DD	(Prior to 01.04.1989) - Failure to comply with the provisions of section 269SS	10% of the amount of any loan or deposit accepted in contravention of the provisions of Section 269SS.
276E	(Prior to 01.04.1989) - Failure to comply with the provisions of section 269T	10% of the amount of deposit repaid in contravention of the provisions of Section 269T.
275A	Contravention of order made under sub-section (3) of section 132 i.e., contravention to Prohibitory Order passed by the authorized officer during the search and seizure action.	10% of the highest of total income declared or assessed in the last 7 financial years including year of search, subject to a minimum of Rs.5,00,00,000/- (Rupees five crore).



Section	Description/Heading of section	Compounding Charges
275B	Failure to comply with the provisions of clause (iib) of sub-section (1) of section 132 i.e., failure to provide access to the authorized officer to inspect such books/documents during search and seizure.	10% of the highest of total income declared or assessed, in the last 7 financial years including year of search, subject to a minimum of Rs. 5,00,00,000/- (Rupees five crore).
276	(w.e.f. 01.04.1989) - Removal, concealment, transfer or delivery of property to thwart tax recovery.	75% of the outstanding tax or the recovery amount sought to be thwarted through the removal/concealment/transfer/delivery of property, whichever is lower.
276B	Failure to pay tax deducted at source under Chapter XVII-B	1.5% per month (or part) on TDS default, calculated from date of deduction to deposit date as in case of section 201(1A). The compounding charge shall not exceed the TDS amount in default.
276BB	Failure to pay the tax collected at source	Same as charge for offence u/s 276B as above
276C(1)	Willful attempt to evade tax, etc.	125% of tax amount sought to be evaded or tax on under-reported income, as the case may be.
276C(2)	Willful attempt to evade payment of taxes, etc.	Interest and penalty of 1.5% per month or part of the month on the tax amount sought to be evaded, for the default period. The default period is from the due date to the actual payment date, excluding any stay of demand by tax authorities, the Appellate Tribunal, or Court.

Section	Description/Heading of section	Compounding Charges
		The compounding charge cannot exceed the tax, interest, and penalty evaded. For offences under both Sections 276C(1) and 276C(2) for the same issue and year, only charges under 276C(1) apply.
276CC	Failure to furnish return of income	In cases of default in filing returns following a search or survey, the compounding charge is 30% of the tax evaded or under-reported, with a minimum of ₹10,00,000. For other defaults, the charge is 15%, with a minimum of ₹5,00,000. If proceedings involve both Sections 276C(1) and 276CC for the same issue and year, only the charges under Section 276C(1) will apply.
276CCC	Failure to furnish return of income in search case as per 158BC	Same as above for offence u/s 276CC, relating to non-filing of return pursuant to search action.
276D	Failure to produce accounts and documents	10% of returned income or assessed income of the assessment year pertaining to the offence, whichever is higher, subject to a minimum of Rs. 5,00,000/- (Rupees five lakh).
277	False statement in verification etc.	For an offence committed u/s 277 of the Act, 50% of the amount of tax, which would have been evaded due to the offence committed u/s 277.
278	Abetment of false return, etc.	50% of the tax evaded or attempted to be evaded for offences under Section 278. If Sections 277 and 278 apply to the same facts, charge is calculated as a single offence.



Section	Description/Heading of section	Compounding Charges
		Where same set of facts and circumstances attract prosecution u/s 277 or 278, in addition to another offence, no separate compounding charge shall be charged for offence u/s 277 or 278.
277A	Falsification of books of account/documents, etc.	100% of the amount of tax or interest or penalty evaded on account of such false entry or statement.

## Concluding Remarks:

- Circular clarifies multi-party offences, re-applications, no time limits, appeal withdrawal, expanded eligibility, insolvency cases, e-filing payment, and easier procedures—making compounding more accessible.
- The circular ensures a transparent, simplified, and consistent approach to compounding by addressing pragmatic concerns and providing clear references to the revised guidelines.
- The revised guidelines and FAQs promote a taxpayer-friendly approach, encouraging compounding to resolve offences, reduce litigation, and enhance ease of doing business.
- Removes procedural hurdles and promotes rectification of offences without harsh legal repercussions; however, authorities may still inspect and initiate prosecution.
- Compounding charges are not deductible when computing taxable income.

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# PROGRAM CALENDAR FOR THE MONTH

S.No	Date & Time	Topics
1	14/06/2025 – 10:00 am-5.00 pm (Saturday) - 6 Hrs	Physical - Full Day CPE Seminar Topics : Recent Changes in Income Tax Forms, Practical Approach to filling of various forms under Companies Act 2013
2	18/06/2025 – 5:00 pm-8.30 pm (Wednesday) - 3 Hrs	Physical - CPE Seminar Topics : Issues in Taxation of Salaries and Income from House Property and Capital Gains
3	21/06/2025 – 7.00 am onwards (Saturday)	INTERNATIONAL YOGA DAY At ICAI Bhawan
4	25/06/2025 – 5:00 pm-8.30 pm (Wednesday) - 3 Hrs	Physical - CPE Seminar Topics : Recent Land Mark Judgement under Income Tax Act.
5	28/06/2025 – 10:00 am-5.00 pm (Saturday) - 6 Hrs	Physical - Full Day CPE Seminar Topics : Companies Audit and other relevant issues

## “Snapshot of Memories: A Glimpse into Last Month’s Events”

CPE Seminar on Hands on workshop on Tally 6.0 NewFeatures Explained held on 10th May, 2025







**CPE Seminar on Responding to Income Tax Notices and Communicating with ITD held on 14th May, 2025**



**CPE Seminar on Presumptive Taxation, Taxation of Firms and other Non-corporate Entities held on 17th May, 2025**







**CPE Seminar on Decoding Reassessment 2.0-An overview of Sec.147, Transformations, Timelines and Landmark Rulings held on 21st May, 2025**





## CPE Seminar on ZOHO Books- Workshop held on 22nd and 23rd May, 2025





## CPE Seminar on Demystifying TDS Provisions held on 24th May, 2025



## LOL @ ICAI - Laugh Out Ledger held on 28th May, 2025



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