

CHAPTER 3

Regulatory updates



SEBI LODR third amendment regulations, 2025

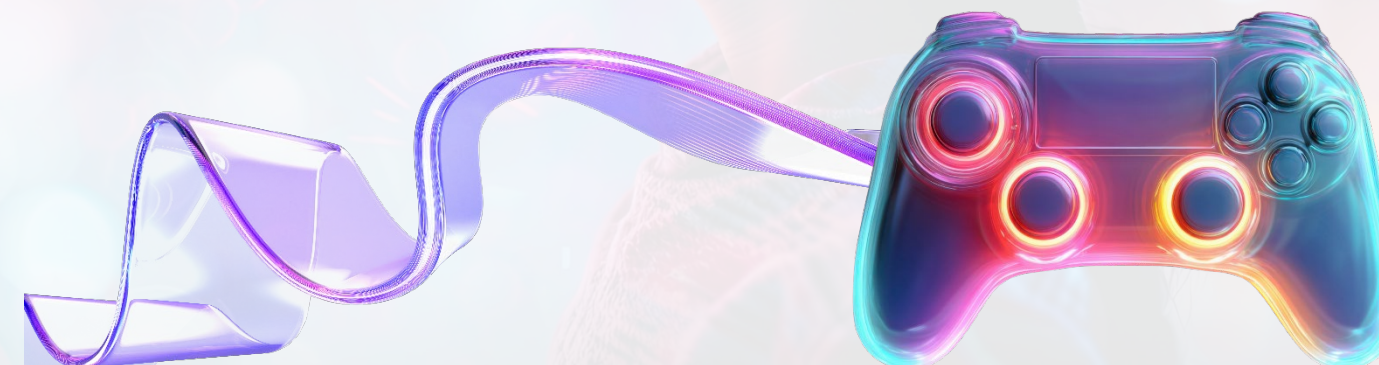
On 8 September 2025, the Securities and Exchange Board of India (SEBI) issued the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2025 (LODR 3rd Amendment Regulations) amending the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations). Some key amendments therein are as follows:

1. **Mandatory dematerialisation (Regulation 39(2A)):** A new sub regulation has been introduced which mandates that any issue of securities under a scheme of arrangement, subdivision, split or consolidation of securities must be in dematerialised form only. Further, a separate demat account is to be opened for such securities of the investors who do not have a demat account.
2. **Annual disclosures by Not-for-Profit Organisations (NPOs) (Regulation 91C):** As per LODR Regulations, the NPOs registered or listed on Social Stock Exchanges (SSEs) were required to make certain annual disclosures, as specified by SEBI, within 60 days from the end of the financial year. The LODR 3rd Amendment Regulations now provide further clarity on the timelines for annual disclosures based on below criteria:
 - **Financial aspects** by 31 October each year or by the due date of filing income tax return, whichever is later.
 - **Non-financial aspects** within 60 days from the end of the financial year.
3. **Impact reporting requirements (Regulation 91E):** Previously, Regulation 91E required all Social Enterprises - whether registered on or funded through an SSE - to submit an annual impact report in SEBI's prescribed format. These reports were to be evaluated by qualified Social Impact Assessors (SIAs) employed by Social Impact Assessment Firms. The SSEs were also empowered to demand additional disclosures beyond SEBI's baseline

requirements. The LODR 3rd Amendment Regulations have introduced following changes:

- Change of terminology wherein the word 'firm' has been substituted with the word 'organisation' broadening the scope of social impact assessment entities to include NGOs and other authorised bodies.
- Post the amendment, only listed projects are required to be assessed by a SIA, whereas non-listed projects are permitted to be self-certified.
- A proviso has been added requiring that the annual impact reports must cover at least 67 per cent of program expenditure in the previous financial year.
- A new sub regulation 2A has been added which provides that social enterprises, registered on SSE but not raising funds through it, are required to submit self-certified annual impact reports. This sub regulation further provides that NPOs registered on SSE may not raise funds for up to two years from the date of registration; however, post that such registration may be cancelled, in case funds are not raised.

(Source: SEBI Notification No. F.No SEBI/LAD-NRO/GN/2025/261. Securities And Exchange Board of India (Listing Obligations And Disclosure Requirements) (Third Amendment) Regulations, 2025, dated 8 September 2025)



SEBI Board meeting

SEBI has approved several regulatory changes during its September 2025 Board meeting. Some significant updates are as follows:

1. Amendments to RPT provisions under LODR Regulations

SEBI approved major amendments to Related Party Transactions (RPT) provisions under the LODR Regulations, following stakeholders' feedback on its recent consultation paper issued on 4 August 2025. These changes aim to enhance ease of doing business while safeguarding minority shareholders' interests. The key amendments are as follows:

A. Scale-based thresholds based on annual consolidated turnover of listed entities:

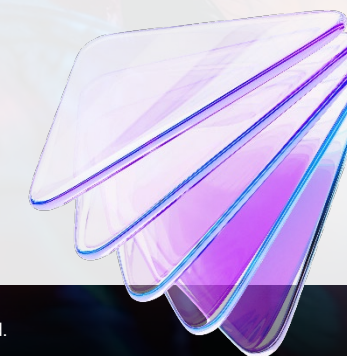
Prior to the amendment any RPT exceeding INR1,000 crore or 10 per cent of a listed entity's annual consolidated turnover (whichever is lower) was considered to be material and required shareholders' approval. SEBI has now approved below scale-based approach for computing the materiality threshold for RPTs of a listed entity:

Annual consolidated turnover of listed entity	Threshold
Upto INR20,000 crore	10 per cent of annual consolidated turnover of the listed entity
Between INR20,001-40,000 crore	INR2,000 crore + 5 per cent of annual consolidated turnover of the listed entity above INR20,000 crore
More than INR40,000 crore	INR3,000 crore + 2.5 per cent of annual consolidated turnover of the listed entity above INR40,000 crore or INR5,000 crore, whichever is lower.

B. Revised thresholds for approval by Audit Committee, for RPTs undertaken by

subsidiaries: SEBI has now harmonised the approval requirements for RPTs undertaken by subsidiaries of listed entities as follows:

- **For subsidiaries with audited financials available:** For an RPT transaction above INR1 crore and to which the subsidiary of a listed entity is a party, will require a prior approval of the audit committee of a listed entity if:
 - The value of such transaction, whether entered into individually or taken together with previous transactions, exceeds lower of the below:
 - 10 per cent of the subsidiary's annual standalone turnover, or
 - listed entity's materiality threshold calculated as per the scale-based table.
- **For subsidiaries without audited financials of at least one year:** For an RPT transaction above INR1 crore and to which the subsidiary of a listed entity is a party, will require a prior approval of the audit committee of a listed entity if:
 - The value of such transaction, whether entered into individually or taken together with previous transactions, exceeds lower of the below:
 - 10 per cent of the aggregate value of paid-up share capital and securities premium account of the subsidiary, or
 - listed entity's materiality threshold calculated as per the scale-based table.



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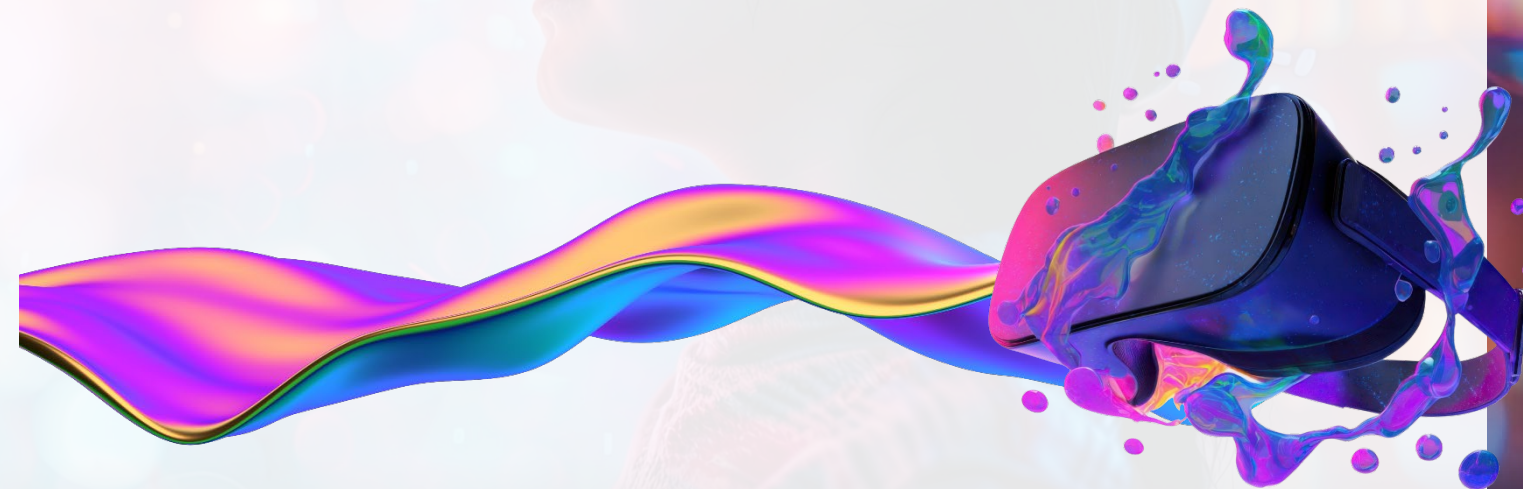
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- C. Simpler disclosure requirements for smaller RPTs:** SEBI will issue a circular to specify the minimum information to be provided to the Audit Committee and shareholders for approval of RPTs which does not exceed lower of either one per cent of annual consolidated turnover of the listed entity or INR10 crore, whether individually or taken together with previous transactions during a financial year (including those which are approved by way of ratification). The aim is to provide relaxation to such RPTs from the RPT Industry standards issued by SEBI via a circular dated 26 June 2026.
- D. Validity of shareholders' omnibus approvals:** Regulation 23(4) of the SEBI LODR has been amended to align it with the Para (C)11 of Section III of the Master circular on LODR, which provides that omnibus RPT approvals given by shareholders in Annual General Meetings (AGMs) will remain valid until the next AGM or up to 15 months, whichever is earlier. In addition, approvals granted in general meetings other than AGMs will be valid for up to 1 year.
- E. Clarifications on applicability of RPT provisions:** SEBI has provided below clarifications with regards to certain RPTs:
- **Retail purchases:** SEBI has amended the existing exemption under RPT provisions, clarifying that retail purchases made by directors, Key Managerial Personnel (KMPs), or their relatives from a listed entity or its subsidiary - without establishing a business relationship and on terms uniformly applicable or offered to employees – are exempt from RPT classification.
 - **Subsidiary transactions:** LODR Regulations provide exemption to certain transactions from RPT approval requirements, one of such transaction was that between a holding company and its wholly owned subsidiary. SEBI has now clarified that exemption for transactions between holding companies and its wholly owned subsidiaries apply only when the holding company is listed.

2. Enhanced participation of mutual funds in InvITs and REITs

SEBI had released a consultation paper on 17 April 2025 to seek public feedback on proposals to enhance investment limits for Mutual Funds (MFs) in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) with the aim to diversify MF portfolios, deepen the market for these instruments, and improve liquidity. SEBI has amended the Mutual Funds Regulations, 1996, reclassifying REITs as 'equity' instruments. This has been done considering the characteristics of REITs i.e. being more inclined towards equity, relatively more liquid. InvITs, on the other hand being products primarily privately placed with more stable cash flows and having lesser liquidity will retain the 'hybrid' classification. This has been done to facilitate investments by MFs and Specialised Investment Funds (SIFs). This reclassification makes REITs eligible for inclusion in equity indices thereby increasing visibility and potentially attracting more institutional investment. Further, earlier, MFs had a combined investment cap for REITs and InvITs. With REITs now classified under equity, that joint cap now applies exclusively to InvITs, giving them more room for fund inflows and greater potential for growth.



3. Relaxation for entities having listed non-convertible securities

Regulation 58(1)(b) of the LODR Regulations required that a listed entity shall send a hard copy of the statement containing the salient features of all documents as specified in Section 136 of the 2013 Act and rules made thereunder to holders of Non-Convertible Securities (NCS), who have not registered their email address(es) either with the listed entity or with any depository. The Ministry of Corporate Affairs (MCA) had provided relaxations from sending physical copies of financial statements (including Board's report, Auditor's report or other documents required to be attached therewith) to the shareholders, for the AGMs till 30 September 2025¹. Following this, SEBI issued circular on 5 June 2025 providing similar relief to entities with listed NCS who have complied with the MCA Circular No. 09/2024 conditions. It was provided that such entities will not face penalties for non-compliance with Regulation 58(1)(b) of the LODR Regulations from 6 June 2025 until 30 September 2025, provided issuers of listed NCS publish a web link to all financial documents stated in Section 136 of the 2013 Act, in advertisements as per Regulation 52(8) of the LODR Regulations. SEBI has approved the proposal to amend the LODR Regulations to allow entities with listed NCS to send holders a letter providing the web-link (and optionally a QR code) to access the annual report, if their email is not registered. The entity may at its discretion include a static Quick Response Code in the letter to access the annual report. Timelines for sending annual reports will align with the 2013 Act.

(Source: SEBI Board Meeting, dated 12 September 2025)



1. General Circular no. 09/2023 dated 25 September 2023 and General Circular no.09/2024 dated 19 September 2024

ESOP relief for promoter employees in an IPO

SEBI in its board meeting held in June 2025 had approved a proposal to provide some relief to employees who were classified as promoters at the time of filing the Draft Red Herring Prospectus (DRHP). Subsequently, on 8 September 2025, the SEBI (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations 2025 (SBEB and SE amendment) was notified. The SBEB and SE amendment has introduced a new Regulation 9A which now allows employees who are classified as promoters or as part of the promoter group in the DRHP for an IPO, to retain and exercise stock options, Stock Appreciation Rights (SARs), or other benefits as per terms of the scheme and subject to applicable laws. This would be allowed only if such benefits were granted at least one year prior to the filing of the DRHP with SEBI. This has been done to prevent hardships faced by senior employees who were identified as promoters during the IPO process (e.g. founding employees, senior management with significant shareholding). This amendment is effective from 8 September 2025.

(Source: SEBI Notification F.No. SEBI/LAD-NRO/GN/2025/262, Securities and Exchange Board of India (Share Based Employee Benefits And Sweat Equity) (Amendment) Regulations, 2025, dated 8 September 2025)

REIT and InvIT amendment regulations

SEBI has notified the SEBI (Real Estate Investment Trusts) (Second Amendment) Regulations, 2025 (REIT regulations), and the SEBI (Infrastructure Investment Trusts) (Third Amendment) Regulation, 2025 (InvIT regulations). These amendments are aimed at enhancing operational flexibility, investor protection, and regulatory clarity for REITs and InvITs. The key amendments include:

- 1. Refined definition of 'public':** Under the amended Regulation the term 'public' now excludes:
 - In case of REITs, related parties of the REIT, sponsor, sponsor group, and manager
 - In case of InvITs, the related party of the InvIT, its sponsor, investment manager or project manager
 - Any other person as may be specified by SEBI.

However, Qualified Institutional Buyers (QIBs) will continue to be treated as 'public' for the purpose of offers, even if they fall under the excluded categories.

- 2. Disclosure timelines for under-construction assets:** Regulation 10(18) has been updated to align the reporting schedule for development status of under-construction properties with the timelines applicable for quarterly financial results. Additionally, valuation reports under Regulations 21(4) and 21(5) of the respective Regulations must now be submitted to the trustee concurrently with their filing to the stock exchanges, ensuring synchronised disclosures.
- 3. Treatment of negative cash flows at HoldCo level:** A new proviso under Regulation 18 allows adjustment of negative net distributable cash flows at the HoldCo level against positive cash flows from SPVs. Such adjustments must be disclosed to unitholders in the format prescribed by SEBI.

4. Valuation reporting and communication requirements

- **Annual valuation (Reg. 21(4)):** The timeline for submitting the annual valuation report – conducted as of 31 March each year – has now been aligned to the submission of the annual financial results to the designated stock exchange. Additionally, the requirements of conducting such valuation within 3 months from the end of such year has been removed.
- **Half-yearly valuation (Reg. 21(5)):** The timeline for submitting the half yearly valuation – conducted as of 30 September each year – has now been aligned to the submission of the quarterly financial result for the quarter ended 30 September to the designated stock exchange. Additionally, the earlier requirement to prepare the valuation report within 45 days for REITs and 30 days for InvITs from the end of the half year has been removed.
- **Submission protocols (Reg. 21(6)):** The amendment removes the requirement for mandatory communication of valuation reports to unitholders and clarifies that reports under Regulations 21(4) and 21(5) must be submitted to designated stock exchanges as per their specified timelines, unlike other valuation reports which are required to be submitted within 15 days of their receipt.

- 5. Synchronisation of disclosure timelines:** Investment managers are now expected to align their quarterly reporting duties, to the Board of Directors, with the schedule used for submitting financial results instead of submitting the same within 30 days from end of the quarter. This harmonisation under Regulation 10(24) of the InvIT Regulations promotes consistency and streamlines compliance efforts.

- 6. Lowered entry barrier for investors:** Under Regulation 14 of the InvIT Regulations, the minimum investment requirement has been significantly reduced from INR1 crore to INR25 lakh making InvITs more accessible to a broader pool of investors. Additionally, the earlier mandate requiring a INR25 crore investment for trusts focussed predominantly on completed, income-generating assets has now been eliminated.

7. Enhanced reporting framework for public and high-leverage InvITs:

- **Half-yearly submissions:** Publicly listed InvITs must now furnish a half-yearly report in tandem with their September quarter financial disclosures, as per Regulation 23(4).
- **Quarterly reports for leveraged structures:** If an InvITs' total borrowings and deferred obligations surpass 49 per cent, the investment manager is required to file quarterly updates for June, September, and December, alongside the respective financial statements, in accordance with Regulation 23(4A).

(Source: SEBI Notification Nos F.No.SEBI/LAD-NRO/GN/2025/259 SEBI (Infrastructure Investment Trusts) (Third Amendment) Regulation, 2025 and SEBI/LAD-NRO/GN/2025/258 SEBI (Real Estate Investment Trusts) (Second Amendment) Regulations, 2025, both dated 1 September 2025)



ICDR Amendment Regulations 2025

SEBI on 8 September 2025 issued the SEBI (Issue of Capital and Disclosure Requirements) (2nd Amendment) Regulations, 2025 (the ICDR amendments) to amend the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations). Some key amendments are as follows:

1. Mandatory demat holding for key persons (Regulation 7(1)(c)): SEBI in its June 2025 board meeting had approved a proposal to broaden its share dematerialisation requirements to enhance transparency and traceability in ownership. The ICDR amendments mandate that a wider group of shareholders must convert their physical securities into electronic form before filing the DRHP. This group includes:

- Promoter group
- Selling shareholders
- Key Managerial Personnel (KMPs)
- Senior management
- Qualified Institutional Buyers (QIBs)
- Directors
- Employees
- Shareholders with special rights equity shares
- Entities regulated by financial sector regulators
- Any other category specified by SEBI.

Previously, only promoters were required to hold their shares in demat form before listing.

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- 2. Period of holding of securities under OFS (Regulation 8):** ICDR Regulations stipulate that only fully paid-up equity shares held for at least one year prior to the filing of the draft offer document may be offered for sale (OFS) to the public. However, exemptions exist for shares acquired under schemes approved by a High Court, Tribunal, or the Central Government under Sections 230 to 234 of the Companies Act, 2013, in exchange for business and invested capital that had been in existence for over one year prior to such approval. The ICDR amendment now extends this exemption to equity shares arising out of the conversion of fully paid-up compulsorily convertible securities (CCS) issued under the schemes as mentioned above. For such securities, the holding period will be calculated by combining the duration of holding prior to conversion with the period post-conversion into equity shares.
- 3. Increased flexibility in contribution to MPC:** The proviso to **Regulation 15(1)(b)** stipulates that, for the purpose of calculating Minimum Promoters' Contribution (MPC) in an IPO, certain securities are ineligible - specifically, those acquired in the preceding year by promoters, Alternative Investment Funds (AIFs), Foreign Venture Capital Investors, Scheduled Commercial Banks, Public Financial Institutions, IRDAI-registered insurance companies, non-individual public shareholders holding ≥5% of post-issue capital, or members of the promoter group - if acquired at a price lower than the IPO offer price. However, an exception applies where such securities were received solely by the promoter under a scheme of arrangement approved by a High Court, tribunal, or the Central Government (under Sections 230–234 of the Companies Act, 2013), in exchange for a business or capital that had existed for over one year prior to such approval. The recent amendment now extends this exception to include all aforementioned entities, not just the promoters.

4. Clarifications for Social enterprises and SSE listings: The following amendments have been made to the SSE ecosystem under **Regulation 292A** and **292E** of the ICDR Regulations in order to foster financial access for social enterprises.

- **Expanded definition of NPOs:** To widen the pool of entities eligible to participate in the SSE framework, the definition of Not-for-Profit Organisations (NPOs) has been expanded to include:
 - Trusts registered under the Indian Registration Act, 1908
 - Charitable societies registered under Societies registration Act of the relevant state
 - Companies registered under Section 25 of the erstwhile Companies Act, 1956.
- **Introduction of SIAO:** Social Impact Assessment Organisation (SIAO) is introduced to replace social impact assessment firm, to allow broader professional inclusion. Each SIAO is required to employ at least two full-time social impact assessors with a minimum of three years' experience.
- **Expanded eligible activities:** Eligible fundraising activities have been aligned with Schedule VII of the Companies Act, 2013 which governs CSR activities - broadening the scope of impact sectors.
- **Fundraising timeline:** Registered social enterprises must raise funds within two years of registering with the SSE and if not, registration shall lapse.
- **Relaxed eligibility for NPOs:** Earlier requirements mandating a certain percentage of activity to fall under eligible sectors now apply only to for-profit social enterprises, making eligibility easier for NPOs.

5. Improved disclosure requirements in placement documents: Recognising public availability of information for listed entities and with an aim to reduce/remove duplication of such information in the placement document, the disclosure requirements in the placement document stated in Schedule VII of the ICDR Regulations have been simplified. The disclosures shall now be made in a summarised and concise form, specifically simplifying the following disclosures:

- Issuers must now disclose only material risks directly associated with the public issue and its stated objectives, eliminating the need to include generic risk factors
- Instead of full financial statements, a summary of the issuer's current financial position will suffice which will include comprehensive data on the company's capital structure with specific requirements mentioned in the amendments
- Disclosure of any ongoing legal proceedings
- Instead of generic details of board of directors and senior management, specific information in relation to such personnel has been specified to be disclosed.

These changes in disclosures will help investors make more informed decisions.

(Source: SEBI Notification No F.No SEBI/LAD-NRO/GN/2025/264, Securities And Exchange Board Of India (Issue Of Capital And Disclosure Requirements) (Second Amendment) Regulations, 2025, dated 8 September 2025)

FAQs on applicability of the RPT Industry Standards

SEBI through its circular dated 26 June 2025, introduced Industry Standards on minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT Industry Standards) prescribing the minimum information required to be furnished to the Audit Committee and shareholders for approval of RPTs. These standards which are effective 1 September 2025, aim to enhance transparency, consistency, and informed decision-making in the governance of related party dealings.

To facilitate effective implementation of these standards, the National Stock Exchange of India (NSE) has issued a set of Frequently Asked Questions (FAQs) on 4 September 2025. The FAQs provide interpretative guidance and practical clarity on the scope, applicability, and procedural expectations under the new framework. These FAQs are intended to support listed entities in aligning their internal processes with the revised disclosure norms and reinforce SEBI's broader objective of strengthening corporate governance in India's capital markets.

(Source: NSE Circular Ref No. NSE/CML/2025/36, Frequently Asked Questions (FAQs) on Applicability of the Industry Standards on "Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)", dated 4 September 2025)

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FAQs on Management Representation Letter (MRL)

The Institute of Chartered Accountants of India (ICAI), through its Auditing and Assurance Standards Board (AASB), released a comprehensive publication on 14 August 2025 titled 'FAQs on Management Representation Letter (MRL)'. This purpose of this document is to provide practical guidance on implementation of the principles laid down in Standard on Auditing (SA) 580 – Written Representations. Some Key elements are as follows:

- **Purpose and role of MRL:** Primary objective of the publication is to enhance audit documentation, promote consistency in applying SA 580, and improve the overall quality and reliability of financial reporting in India. The publication emphasises MRL as a vital form of audit evidence that reinforces managements' accountability for financial statements.
- **Scope and limitations:** It explains the evidential value of MRLs, their limitations, and the auditor's expected response when representations are inconsistent or refused.
- **Illustrative formats:** The publication also includes illustrative format of MRL, formats for updating MRLs, formats for Additional considerations and SA 580 compliance checklist.

(Source: AASB, [ICAI.org>>post>> Frequently Asked Questions \(FAQs\) on Management Representation Letter](https://www.icai.org/post/Frequently-Asked-Questions-(FAQs)-on-Management-Representation-Letter), dated 14 August 2025)



Companies (Indian Accounting Standards) Second Amendment Rules, 2025

MCA in consultation with the National Financial Reporting Authority (NFRA), has notified significant amendments to the Companies (Indian Accounting Standards) Rules, 2015. These amendments aim to align Indian Accounting Standards (Ind AS) with International Financial Reporting Standards (IFRS), enhance clarity in financial reporting, and address emerging financial arrangements and tax reforms. Following is a summary of the major amendments introduced:

1. Ind AS 107 – *Financial Instruments: Disclosures* and Ind AS 7 – *Statement of Cash Flows*

- The amendments introduce additional disclosure requirements for companies that enter into supplier advance arrangements that have all of the following characteristics:
 - A finance provider pays amounts a company (the buyer) owes its suppliers
 - A company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid
 - The company benefits from extended payment terms, or suppliers benefit from early payment terms, compared to the original invoice due date.
- These amendments do not apply to arrangements for financing receivables or inventory.
- Entities shall apply these amendments to supplier finance arrangements for the annual reporting periods beginning on or after 1 April 2025.
- These amendments introduce two new disclosure objectives – one in Ind AS 7 *Statement of Cashflow* and another in Ind AS 107 *Financial Instruments* – for an entity to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

- Disclosures relating to the effects of reverse factoring arrangements on an entity's liabilities and cash flows include the following:
 - a. The terms and conditions of the supplier finance arrangements - e.g. extended payment terms and security or guarantees provided. However, an entity shall disclose separately the terms and conditions of arrangements that have dissimilar terms and conditions.
 - b. As at the beginning and end of the reporting period:
 - i. the carrying amounts and associated line items presented in the balance sheet of the financial liabilities that are part of the supplier financing arrangements
 - ii. the carrying amounts, and associated line items of the financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers
 - iii. the range of payment due dates (e.g. 30-40 days after the invoice date) for both the financial liabilities disclosed under (i) and comparable trade payables that are not part of a supplier finance arrangement. Comparable trade payables are, for example, trade payables of the entity within the same jurisdiction or business as the financial liabilities disclosed under (i). If ranges of payment of due dates are wide, an entity shall disclose explanatory information about those ranges or disclose additional ranges (for example, stratified ranges) that are not part of the such arrangements, and

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- c) The type and effect of non-cash changes in the carrying amounts of financial liabilities disclosed under b(i). Examples of non-cash changes include the effect of business combinations, exchange differences or other transactions that do not require the use of cash or cash equivalents.
- Companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.
- Supplier finance arrangements are now included as examples under Ind AS 107 for quantitative liquidity risk disclosures.

2. Ind AS 1 – *Presentation of Financial Statements*

- The amendments have made extensive revisions to classification of liabilities as current or non-current, especially in context of loan covenants.
- Under existing Ind AS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendment has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.
- Presently, entities interpreted the existing Ind AS 1 requirements differently in relation to classification of convertible debt. The amendments clarify how a company should classify a liability that can be settled in its own shares – e.g. convertible debt.
- Amendments in relation to breach of covenant are in two phases.
 - a) For accounting periods beginning on or after 1 April 2025 - If a breach of a material covenant occurs on or before the reporting date, and the lender agrees not to demand payment after the reporting period but before approval of financial statements, the

liability is not classified as current. However, the entity must disclose details of each breach as per Ind AS 107.

- b) For accounting periods beginning on or after 1 April 2026 - If a covenant breach occurs on or before the reporting date and the liability becomes payable on demand, it is classified as current, even if the lender agrees not to demand payment after the reporting period. An entity classifies the liability as current because, at the end of the reporting period, it does not have the right to defer its settlement for at least 12 months after that date. However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least 12 months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.
- The companies will be required to disclose information related to non-current liabilities from loan arrangements that are subject to future covenants in the notes to the financial statements.
- The Ind AS 1 amendments apply retrospectively for annual reporting periods beginning on or after 1 April 2025. The amendment relating to breach of covenants on or before the reporting period that are aligned to IAS 1 are applicable for annual reporting periods beginning on or after 1 April 2026 retrospectively in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.



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3. Ind AS 12 – *Income Taxes*

- The amendments introduces provisions to address Organisation for Economic Co-operation and Development (OECD) Pillar Two model rules (Pillar Two taxes).
- The amendments provide **mandatory exemption** to entities from recognising deferred tax assets/liabilities related to Pillar Two taxes. However, entities are required to disclose that they have applied the exemption.
- Further, the standard has introduced new disclosures, that entities are required to provide in their financial statements for annual reporting periods beginning on or after 1 April 2025. No disclosures are required in interim periods ending on or before 31 March 2026.

• Disclosure Requirements

a. Before top-up tax is effective:

- Disclose information known or reasonably estimable to help users understand exposure to Pillar Two taxes.
- **Qualitative:** How the entity is affected and jurisdictions where exposure arises.
- **Quantitative:** Proportion of profits subject to Pillar Two taxes, average effective tax rate, or how the rate would change if Pillar Two taxes were effective.
- If information is not known or cannot be estimated, disclose a statement to that effect and progress in assessing exposure.

b. After top-up tax is effective:

- Disclose current tax expense related to top-up tax.
- This amendment is effective from 1 April 2025, with retrospective application for certain provisions.

4. Other amendments: Other amendments have been made to various standards to update/correct references of the latest standards, to align references to various IFRS and Ind AS and to bring further clarity in the standards. Some of the changes include:

- In Ind AS 10, *Events After the Reporting Period* certain terms have been updated to align with changes in Ind AS 1
- Incorrect reference made to IFRS 108 instead of IFRS 8 *Operating Segments* is corrected
- In Ind AS 101, *First-time Adoption of Ind AS*, transitional provisions of IFRS 11 *Joint Arrangements*, have been selectively incorporated and a new paragraph D9AA has been added to provide transitional relief for lessors adopting Ind AS 116 *Leases* for the first time, allowing classification of lease elements based on facts at the transition date.

(Source: MCA Notification No G.S.R. 549(E)., dated 13 August 2025)



Broadened scope of fast-track mergers

The MCA on 4 September 2025 notified the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2025 (CAA 2025 Amendment Rules), amending the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2016 (CAA 2016 Rules), to broaden the scope of fast-track mergers under Section 233 of the Companies Act, 2013 (2013 Act). The CAA 2025 Amendment Rules expands the scope of the Fast-Track Merger (FTM) route, allowing more classes of companies to seek approval from the Regional Director (RD) having jurisdiction over the transferee company instead of the National Company Law Tribunal (NCLT).

Under the CAA 2015 Rules, mergers between following class of companies were already covered under the FTM scheme

- Merger between two or more small companies
- Merger between a holding company and its wholly owned subsidiary
- Merger between two or more startup companies
- Merger between one or more startup company with one or more small company

The CAA 2025 Amendment Rules now covers the below:

1. Holding and subsidiary companies: Mergers between listed/unlisted holding companies and listed/unlisted subsidiaries, even if not wholly owned. However, in such cases the transferor company must be unlisted to qualify.

2. Unlisted companies: Merger between unlisted companies (other than companies covered under Section 8 of the 2013 Act²) that have outstanding loans, debentures or deposits less than INR200 crore and have no default in repayment of such outstanding loans, debentures or deposits. This criteria should be met on a day, not more than 30 days before the date of notice referred to in Section 233(1)(a) of the 2013 Act. An auditor certificate in form CAA-10A certifying these conditions are met is to be filed along with a copy of the approved scheme.

3. Fellow subsidiaries: Merger between one or more subsidiaries of the same holding company where the transferor company or companies are not listed. Here merger, subject to the condition stated in the clause, includes schemes of merger or amalgamation or transfer or division.

4. Reverse cross-border mergers: Merger of a foreign holding company, incorporated outside India, with its wholly owned subsidiary company being an Indian company incorporated in India.

The CAA amendment rules also provide revised formats for various other forms as well – Form nos. CAA.9, CAA.10, CAA.10A, CAA.11, CAA.12 in relation to filing the scheme of merger.

(Source: MCA Notification G.S.R. 603(E), dated 4 September 2025)

2. Section 8 provides 'Where it is proved to the satisfaction of the Central Government that a person or an association of persons proposed to be registered under this Act as a limited company -

- has in its objects the promotion of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object.
- intends to apply its profits, if any, or other income in promoting its objects; and
- intends to prohibit the payment of any dividend to its members, the Central Government may, by license issued in such manner as may be prescribed, and on such conditions as it deems fit, allow that person or association of persons to be registered as a limited company under this section without the addition to its name of the word 'Limited', or as the case may be, the words 'Private Limited', and thereupon the Registrar shall, on application, in the prescribed form, register such person or association of persons as a company under this section.



The Income Tax Act 2025

The Income Tax Act, 2025 (the 2025 Act) received Presidential assent on 21 August 2025. Enacted to replace the existing Income Tax Act, 1961 (the 1961 Act), the new legislation focuses on simplifying tax provisions, eliminating obsolete sections, and aligning with advancements in technology and the evolving economic landscape. The 2025 Act will be effective from 1 April 2026. Some of the key changes are as follows:

- 1. Simplified compliance framework:** The 2025 Act introduces a more structured and technology-enabled tax administration system, aimed at reducing complexity and enhancing ease of compliance for both taxpayers and authorities.
- 2. Redefined tax year concept:** Replacing the dual concepts of Financial Year and Assessment Year, the 2025 Act defines a unified 'Tax Year' as a 12-month period beginning 1 April every year. This change is intended to streamline reporting and reduce ambiguity.
- 3. Expanded scope of Virtual Digital Assets (VDAs):** The definition of VDAs has been widened to include crypto-assets, non-fungible tokens (NFTs), and other digital assets as may be notified by the Government. This reflects the evolving nature of digital transactions and asset classes.
- 4. Inclusion of VDAs under undisclosed income:** VDAs are now explicitly covered under the definition of undisclosed income, reinforcing the Government's intent to monitor and regulate digital wealth.

5. Reforms in tax recovery and appeals: The 2025 Act introduces measures to modernise and streamline the processes related to tax recovery and appellate proceedings, aiming for greater efficiency and transparency in dispute resolution.

6. Streamlined structure and enhanced readability: The 2025 Act adopts a simplified framework, reducing the volume of content while maintaining essential coverage. With fewer sections and chapters, the Act is designed for greater ease of interpretation and implementation. It features well-organised schedules, supplemented by illustrative tables and formulae to aid comprehension. Redundant and repetitive provisions are removed for better navigation.

(Source: Ministry of Law and Justice (legislative department), The Income Tax Act, 2025, No. 30 of 2025, dated 21 August 2025)

Deadline for filing tax audit report extended

The deadline for filing the tax audit report for Previous year 2024–25 (Assessment year 2025–26) has been extended and is now aligned with the due date for filing the Income Tax Return (ITR), i.e., on or before 31 October 2025.

(Source: Ministry of Finance, Release ID: 2171215, 'CBDT extends 'specified date' for filing of various reports of audit for the Assessment Year 2025-26 from 30 September 2025 to 31 October 2025'; dated 25 September 2025.)



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Citizen-centric GST reforms: key recommendations of the GST council

The Goods and Service Tax (GST) Council, in its 56th meeting held on 3 September 2025, unveiled a transformative set of recommendations aimed at simplifying India's indirect tax framework and enhancing its inclusivity, transparency, and economic responsiveness. The key change relates to rationalisation of the current 4-tiered tax rate structure into a citizen-friendly 'Simple Tax' - a two-rate structure. The standard rate is 18 per cent and a merit rate of 5 per cent. There is also a de-merit rate of 40 per cent for a few select goods and services.

These recommendations have brought a relief for households and common citizens by rate reduction on several household essentials and consumer durables such as life and health insurance, breads, milk, packaged food items, soaps, shampoos, TV, ACs. Further, it has enhanced support for agriculture and Micro, Small and Medium Enterprises (MSMEs) by reduction in GST on agricultural machinery, labour intensive goods, cement, etc.

The recommendations are focussed on improved compliance, dispute resolution and simplified registration schemes for small businesses and e-commerce suppliers.

The GST Council has approved phased implementation of revised GST rates from 22 September 2025, covering services and most goods while deferring changes for certain goods like tobacco and pan masala products until compensation cess liabilities are fully discharged. Additionally, administrative roll out of provisional refunds will be done in a phased manner pending requisite amendments in CGST Act, 2017.

(Source: Ministry of Finance, Government of India Press Information Bureau (PIB), Recommendations of the 56th Meeting of the GST Council held at New Delhi, today, dated 03 September 25)



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New resources to support ISSA 5000 adoption and implementation

The International Auditing and Assurance Standards Board (IAASB) has issued two key resources to assist jurisdictions and stakeholders in the adoption and implementation of International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, set to become effective in December 2026.

- 1. Extracts from ISSA 5000 for limited and reasonable assurance engagements:** To aid regulatory and standard-setting bodies, IAASB has published targeted extracts from ISSA 5000, separating content relevant to limited and reasonable assurance engagements. These reference tools are intended to simplify jurisdictional analysis without altering the authoritative full standard.
- 2. FAQs on ISAE 3000 (Revised) and ISAE 3410:** The IAASB has clarified that once ISSA 5000 is effective, International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements* will no longer apply to sustainability assurance engagements in jurisdictions adopting IAASB standards. These FAQs are designed to facilitate a smooth transition and ensure consistent application.

These resources, along with updated adoption guidance on IAASB's website, reinforce the IAASB's commitment to promoting globally consistent, high-quality sustainability assurance practices.

(Source: [IAASB.org>>news-events>>IAASB Publishes New Resources to Support ISSA 5000 Adoption and Implementation](https://iaasb.org/news-events/iaasb-publishes-new-resources-to-support-issa-5000-adoption-and-implementation), dated 14 August 2025)

IASB issues amendments to IFRS 19

The International Accounting Standards Board (IASB) has issued amendments to IFRS 19 - *Subsidiaries without Public Accountability—Disclosures*, completing its catch-up work on the standard. Originally issued in May 2024, IFRS 19 allows eligible subsidiaries to apply full IFRS Accounting Standards with reduced disclosure requirements.

The latest amendments extend these reduced disclosures to cover standards and amendments issued between February 2021 and May 2024, including:

- IFRS 18: Presentation and Disclosure in Financial Statements
- Supplier Finance Arrangements (IAS 7 and IFRS 7)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)
- Lack of Exchangeability (Amendments to IAS 21) and
- Amendments to Classification and Measurement of Financial Instruments (IFRS 9 and IFRS 7).

These updates ensure IFRS 19 reflects all relevant changes effective up to 1 January 2027.

(Source: [IFRS.org>>news and events>>IASB issues amendments to IFRS 19 to complete catch-up work](https://ifrs.org/news-and-events/iasb-issues-amendments-to-ifrs-19-to-complete-catch-up-work), dated 21 August 2025)



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Practice aid: accounting and auditing of digital assets

As digital assets continue to reshape financial ecosystems, the need for robust accounting and assurance practices has become increasingly critical. To support professionals navigating this evolving landscape, a comprehensive non authoritative practice aid has been developed, offering practical guidance on the accounting and auditing of digital assets.

This resource is designed to assist preparers, auditors, and other stakeholders in understanding the unique characteristics of digital assets - such as cryptocurrencies, tokenised assets, and blockchain-based instruments - and the implications these have on financial reporting and assurance engagements. The practice aid offers practical insights into:

- **Recognition and valuation:** Identifying digital assets and determining fair value
- **Presentation and disclosure:** Structuring financial statements disclosures
- **Audit procedures:** Addressing risks like ownership, access, and transaction integrity
- **Controls and compliance:** Highlighting governance and cybersecurity considerations.

This resource supports consistent, informed treatment of digital assets in financial reporting and assurance engagements.

(Source: [AICPA-CIMA.com>>resources>>Accounting for and auditing of Digital Assets practice aid \(PDF\)](https://aicpa-cima.com/resources/Accounting-for-and-auditing-of-Digital-Assets-practice-aid.pdf), dated 2 September 2025)

