

# DECEMBER 2025 EDITION

## MONTHLY UPDATES

### TABLE OF CONTENTS

Section	Category	Page no.
I	<b>RBI &amp; FEMA</b> Banking & Foreign Exchange	2
II	<b>IBBI</b> Insolvency & Bankruptcy	7
III	<b>IRDAI</b> Insurance	9
IV	<b>CBDT</b> Direct Tax (Income Tax)	11
V	<b>SEBI</b> Capital Markets	14
VI	<b>GST</b> Indirect Tax	22
VII	<b>MCA</b> Corporate Law	24
VIII	<b>MLET</b> Labour & Employment	29
IX	<b>DGFT</b> Foreign Trade	31
X	<b>MAFW</b> Agriculture & Farmers welfare	33
XI	<b>AUDIT</b> Financial Reporting	34
XII	<b>NSE</b> National Stock Exchange	35

# DECEMBER 2025 EDITION

---

## MONTHLY UPDATES

### I. RBI & FEMA (Reserve Bank of India)

#### 1. Commercial Banks - Concentration Risk Management

*(Notification Date: December 04, 2025)*

The Reserve Bank of India has issued amendments to the Large Exposures Framework (LEF) and Intra-Group Transactions and Exposures (ITE) norms applicable to commercial banks. The amendments revise the definition of eligible capital base for exposure limits by permitting inclusion of Tier I capital infused after the balance-sheet date and accrued profits. RBI has also refined the treatment of intra-group and cross-border exposures, particularly for overseas branches and head offices of foreign banks, including derivative transactions to be computed on a gross basis. In addition, banks are required to strengthen board-approved concentration risk policies covering large borrowers and interconnected exposures. RBI has further repealed the framework relating to market-based mechanisms for enhancing credit supply to large borrowers, indicating a shift towards stricter prudential oversight. The amendments except paragraph 3(5) of the circular shall come into force from April 1 shall apply from April 1, 2026.

**Impact:** The amendments enhance prudential control over concentration risk by tightening exposure computation, strengthening governance oversight, and improving transparency in intra-group and foreign exposures.

[Click here](#)

# DECEMBER 2025 EDITION

---

## MONTHLY UPDATES

### **I. RBI & FEMA (Reserve Bank of India)**

#### **2. (Rural Co-operative Banks - Miscellaneous)(Amendment)**

*(Notification Date: December 04, 2025)*

The RBI has issued an amendment to the Miscellaneous Directions for Rural Co-operative Banks. The amendment inserts new norms (Paragraph 36C) for the inclusion of a State Co-operative Bank (StCB) in the Second Schedule to the Reserve Bank of India Act, 1934. StCBs must now meet specific criteria, including maintaining a Capital to Risk-weighted Assets Ratio (CRAR) of at least 3% above the minimum requirement and having no major regulatory concerns, to apply for "Scheduled" status.

**Impact:** This will elevate the sector's financial health by restricting "Scheduled" status to only robust banks with a higher capital buffer (CRAR + 3%). This ensures that access to premium liquidity facilities and market reputation is reserved for institutionally strong State Co-op Banks.

[Click here](#)

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### I. RBI & FEMA (Reserve Bank of India)

#### 3. Monetary Policy: Repo Rate Cut

*(Notification Date: December 05, 2025)*

The Monetary Policy Committee (MPC) of the Reserve Bank of India, in a decisive move to support economic momentum, announced a reduction in the policy repo rate by 25 basis points to 5.25%. This decision, driven by a consistent cooling in core inflation metrics over the last quarter, reflects the central bank's shift from a 'withdrawal of accommodation' stance to one that actively supports growth. The committee noted that while global headwinds persist, domestic consumption required a monetary stimulus to sustain the recovery trajectory across key sectors.

**Impact:** A direct stimulus lowering the cost of capital. Corporates benefit from reduced interest expenses, encouraging CapEx, while lower home/auto loan rates are set to revive retail demand. Banks face immediate pressure to transmit these cuts and realign deposit rates to protect margins.

[Click here](#)

# DECEMBER 2025 EDITION

---

## MONTHLY UPDATES

### **I. RBI & FEMA (Reserve Bank of India)**

#### 4. Amendment Directions for Current Accounts in Payments Banks

*(Notification Date: December 11, 2025)*

The Reserve Bank of India (RBI) has issued a significant update to the Miscellaneous Directions for Payments Banks (2025). These amendment directions introduce a rigorous framework for the opening and maintenance of Current Accounts. A key highlight is the formal definition of a "Current Account" for Payments Banks and the introduction of a tiered system based on the customer's total banking system exposure. For customers with an aggregate exposure (both fund-based and non-fund-based) of less than ₹10 crore, Payments Banks can maintain current accounts without restrictions. However, for those with an exposure of ₹10 crore or more, the bank is restricted to maintaining only "Collection Accounts," where funds must be remitted to a designated account with a commercial bank within two working days.

**Impact:** Enforces strict credit discipline by preventing credit leakage. Payments Banks must now flag and restrict accounts with >₹10 Cr exposure to "Collection-Only" status, effectively barring high-value corporate borrowers from using these banks for operational spending.

[Click here](#)

# DECEMBER 2025 EDITION

---

## MONTHLY UPDATES

### **I. RBI & FEMA (Reserve Bank of India)**

#### 5. Comprehensive Update to KYC Master Directions

*(Notification Date: December 29, 2025)*

In a move to standardize compliance protocols across the Indian financial ecosystem, the Reserve Bank of India has issued simultaneous amendments to the Master Directions on "Know Your Customer" (KYC). This wide-reaching update applies to every category of Regulated Entity (RE)—from Commercial and Co-operative Banks to NBFCs and Asset Reconstruction Companies. By releasing these directions in unison, the central bank aims to eliminate regulatory arbitrage and ensure that the "Client Due Diligence" (CDD) standards are uniform, regardless of the institution type.

**Impact:** This will eliminate regulatory arbitrage by unifying CDD standards across all financial institutions. Compliance teams must urgently perform a gap analysis of their onboarding policies against these new 2025 norms to avoid supervisory penalties for non-compliance.

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# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### **II. IBBI (Insolvency & Bankruptcy Board of India)**

#### 1. Introduction of Modification Utility & Fee for Delayed Filing (*Circular Date: December 18, 2025*)

To enforce strict discipline in regulatory reporting, the IBBI has introduced a "Modification Utility" for Forms filed under Regulation 40B of the CIRP Regulations. Previously, correcting errors in filed forms was a cumbersome manual process. Now, IPs can modify submitted data through a digital utility, but this convenience comes with a cost: a progressive fee structure has been imposed for delayed filings or repeated modifications. This move signals the Board's zero-tolerance approach towards casual or inaccurate reporting by Insolvency Professionals.

**Impact:** This will improve database integrity by offering a legitimate digital path to correct errors while simultaneously penalizing delays. This "carrot and stick" approach forces Insolvency Professionals to prioritize accurate, timely reporting, ensuring stakeholders have reliable data for decision-making.

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# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### **II. IBBI (Insolvency & Bankruptcy Board of India)**

#### **2. Insolvency Resolution Process for Corporate Persons**

*(Notification Date: December 23, 2025)*

The IBBI has notified the Seventh Amendment to the CIRP Regulations to address persistent bottlenecks in the resolution process. Key changes include a stricter clarification on the treatment of "essential operational costs" during the moratorium to ensure business continuity, and a streamlined, non-negotiable timeline for the submission and verification of claims by creditors. The amendment explicitly empowers the Resolution Professional (RP) to reject claims submitted after the specified deadline unless exceptional circumstances are proven, thereby aiming to finalize the liability list much earlier in the process.

**Impact:** This targets the statutory 330-day resolution timeline by cutting litigation delays. By empowering RPs to reject late claims and crystallizing liabilities earlier, it provides certainty to bidders (PRAs) and encourages more viable resolution plans.

**[Click here](#)**

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### **III. IRDAI (Insurance Regulatory & Development Authority)**

#### **1. Mandatory Migration to '1600' Series for Insurance Entities**

*(Circular Date: December 19, 2025)*

The Telecom Regulatory Authority of India (TRAI), in coordination with the Department of Telecommunications (DoT), has issued a strict directive for all entities regulated by the Insurance Regulatory and Development Authority of India (IRDAI). To reduce spam and fraud, all insurers are now mandated to migrate their transactional and service voice calls to the designated "1600" numbering series. The use of regular 10-digit mobile numbers for making service calls to policyholders will be discontinued. The deadline for completing this migration is set for February 15, 2026.

**Impact:** This will restore consumer trust by clearly distinguishing genuine insurer calls from spam. Insurers must immediately coordinate with TSPs to migrate infrastructure before Feb 2026 to avoid communication blackouts with policyholders.

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# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### **III. IRDAI (Insurance Regulatory & Development Authority)**

#### **2. Investment in AT1 Bonds of AIFIs**

*(Circular Date: December 19, 2025)*

Expanding the investment horizon for the insurance sector, the IRDAI has permitted insurers to invest in Additional Tier 1 (AT1) Bonds and Tier 2 Capital issued by All India Financial Institutions (AIFIs) regulated by the RBI, such as NABARD, SIDBI, and NHB. This permission comes with specific safeguards, including limits on exposure to a single issuer and requirements for the bonds to have a minimum credit rating. This aligns with the broader financial sector trend of deepening the corporate bond market.

**Impact:** This creates a win-win for liquidity and yields. Insurers can diversify into higher-yielding, quasi-sovereign instruments to boost solvency, while AIFIs (like NABARD/SIDBI) gain access to long-term domestic capital for infrastructure funding.

[Click here](#)

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### IV. CBDT (Central Board of Direct Taxes)

#### 1. Jurisdiction of CIT (Appeals) for Sections 246A and 248

*(Notification Date: December 15, 2025)*

The CBDT issued Notification No. 170/2025 to streamline the appellate process. This notification specifies the powers and functions of various Commissioners of Income-tax (Appeals) in respect of appeals filed under Section 246A (Appealable orders) and Section 248 (Appeal by a person denying liability to deduct tax).

This administrative refinement is designed to handle the backlog of appeals and ensure that specific classes of cases are heard by designated authorities. It aligns the appellate jurisdiction with the Face-less Appeals scheme, ensuring that there is no ambiguity regarding which authority holds the power to adjudicate specific tax disputes.

**Impact:** This will accelerate dispute resolution by clearly defining the "Face-less" vs. specific jurisdiction boundaries. This reduces ambiguity for taxpayers regarding appellate authorities and streamlines the disposal of backlogged cases.

[Click here](#)

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### **IV. CBDT (Central Board of Direct Taxes)**

#### **2. CBDT "NUUDGE" Campaign for ITR Mismatches**

*(Press Release Date: December 23, 2025)*

The Central Board of Direct Taxes (CBDT) has launched a targeted NUDGE campaign to encourage taxpayers to voluntarily review and correct potentially ineligible deduction or exemption claims identified through risk management and data analytics for Assessment Year 2025–26. The initiative covers cases involving issues such as bogus donations to Registered Unrecognised Political Parties (RUPPs), incorrect or invalid PAN details of donees, and errors in the amount of deductions or exemptions claimed. Identified taxpayers are being contacted through SMS and email and advised to review their Income-tax Returns and file revised returns by 31 December 2025, where required. The campaign adopts trust-first, non-intrusive approach, allowing voluntary correction before further verification. CBDT has clarified that taxpayers with genuine and correctly made claims need not take any action, while those who do not avail of this opportunity may still file an updated return from 1 January 2026, subject to applicable additional tax.

**Impact:** The NUDGE initiative reinforces CBDT's data-driven compliance approach and provides taxpayers an opportunity to voluntarily correct errors and mitigate the risk of scrutiny or follow-up proceedings, while promoting transparent and taxpayer-centric tax administration.

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# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### IV. CBDT (Central Board of Direct Taxes)

#### 3. CBDT Issues FAQs on Section 80G Under "Nudge Campaign"

*(Date: December 19, 2025)*

Section 80G of the Income Tax Act, 1961 provides a mechanism for taxpayers to claim deductions on donations made to specific charitable institutions and funds. The deduction amount varies based on the category of the recipient fund: some donations (like those to the Prime Minister's National Relief Fund or National Defence Fund) are eligible for 100% deduction, while others (such as the Jawaharlal Nehru Memorial Fund) are eligible for 50% deduction. Additionally, donations to certain private charitable trusts are subject to a "qualifying limit" (10% of Adjusted Gross Total Income). The FAQs clarify that deductions are only available for donations made in money (cash donations over ₹2,000 are not eligible) and not for contributions in kind (like food or clothes). Crucially, the donor must obtain a valid donation receipt and the donee institution must file a Statement of Donations (Form 10BD) to enable the donor to see the details in their Form 26AS/AIS.

**Impact:** The tax department is now using data to cross-check every claim—if the charity doesn't report your donation digitally, your tax deduction will be rejected. By giving taxpayers until December 31, 2025, to voluntarily fix their returns, the government is offering a "last chance" to avoid legal notices and heavy penalties for fake or unverified donation claims.

[Click here](#)

# DECEMBER 2025 EDITION

---

## MONTHLY UPDATES

### V. SEBI (Securities & Exchange Board of India)

#### 1. SEBI (Substitution of Registered Post with Speed Post)

*(Notification Date: December 03, 2025)*

SEBI has notified an consolidated amendment across multiple regulatory frameworks to modernize official communication methods. The Securities and Exchange Board of India (Substitution of Registered Post with Speed Post) (Amendment) Regulations, 2025 replaces the legacy requirement of "Registered Post" with "Speed Post with Registration" (with or without Acknowledgment Due). This change applies to the ICDR (Issue of Capital), PFUTP (Fraudulent Trade Practices), Intermediaries, and CIS (Collective Investment Schemes) Regulations.

**Impact:** This amendment resolves a long-standing proces problem where companies and intermediaries were legally bound to use Registered Post even when Speed Post was faster and offered superior digital tracking. By aligning legal terminology with modern postal services provided by India Post, SEBI has made the service of notices, summons, and statutory documents more efficient, trackable, and less prone to "delivery failure" disputes.

[Click here](#)

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### V. SEBI (Securities & Exchange Board of India)

#### 2. Mandatory Independent Valuation for Infrequently Traded Shares

*(Notification Date: December 03, 2025)*

Under the SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2025, SEBI has now mandated that the "Offer Price" for infrequently traded shares must be determined based on an Independent Valuation Report. Previously, there was ambiguity in how to value shares that didn't have a high daily trading volume. The new rule requires an IBBI-registered valuer to provide a fair price using standardized valuation methodologies (like DCF or Net Asset Value) rather than relying solely on the last traded price.

**Impact:** This move protects minority shareholders during takeovers or open offers. It ensures that promoters or acquirers cannot "low-ball" the exit price for stocks that are not liquid. By requiring a third-party valuation, SEBI adds a layer of transparency and fairness to the pricing mechanism, ensuring that the exit price reflects the true intrinsic value of the business.

[Click here](#)

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### **V. SEBI (Securities & Exchange Board of India)**

#### 3. Clarification on Digital Accessibility for Persons with Disabilities (*Circular Date: December 08, 2025*)

Following the landmark July 31st mandate, SEBI issued a crucial Clarification Circular on December 8, 2025, regarding digital accessibility norms for Regulated Entities (REs). The update clarifies that the "Investors' Right to Digital Accessibility" must now be formally included in the Investor Charter of all brokers, AMCs, and exchanges. Furthermore, while the deadline for appointing IAAP-certified auditors remains December 14, 2025, the timeline for submitting the full "Readiness and Compliance Status" for digital platforms (Websites/Apps) has been clarified as March 31, 2026.

**Impact:** This ensures that financial services are "Accessible by Design" for investors with visual, auditory, or motor impairments. By mandating adherence to WCAG 2.1 (Level AA) and GIGW standards, SEBI is making the Indian capital market one of the most inclusive in the world. The inclusion of an "Accessibility" category in the SCORES portal also gives PwDs a direct channel to report platforms that are not user-friendly.

**[Click here](#)**

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### V. SEBI (Securities & Exchange Board of India)

#### 4. Relaxation of Geo-Tagging Requirement for NRIs during Re-KYC (*Circular Date: December 10, 2025*)

In a major move to enhance the ease of doing business for Non-Resident Indians (NRIs), the Securities and Exchange Board of India (SEBI) has modified the Master Circular on KYC (October 12, 2023). Recognising the practical difficulties faced by NRIs residing abroad, SEBI has relaxed the requirement that mandated a client's physical location to be within India during digital onboarding for re-KYC and KYC modification. While the digital KYC apps used by intermediaries must still feature random action prompts, time-stamping, and IP-spoofing prevention, the GPS location (latitude and longitude) captured will now be validated against the country provided in the client's Proof of Address (PoA) instead of forcing an Indian location.

**Impact:** This will prevent account freezing without requiring travel to India. Intermediaries must now sync GPS validation with international addresses while ensuring robust anti-spoofing security.

[Click here](#)

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### V. SEBI (Securities & Exchange Board of India)

#### 5. Migration to "AI-Only" Schemes under AIF Regulations

*(Circular Date: December 08, 2025)*

SEBI has notified the operational framework allowing Alternative Investment Funds to migrate to a dedicated "AI-only" scheme category. The framework recognises that AI-driven strategies involve complex algorithms, higher risk, and sophisticated investment techniques. Existing AIFs may migrate to this category, subject to obtaining 100% investor consent, and participation is restricted to Accredited Investors who meet prescribed financial and knowledge thresholds. To support innovation, SEBI has granted regulatory flexibilities, including exemptions from standard PPM formats and certain audit requirements, while continuing to safeguard retail investors by restricting access.

**Impact:** This provides high-end investment funds with greater operational flexibility and reduces their "Time to Market" for new strategies. By creating a dedicated lane for sophisticated investors, SEBI is allowing for more complex and innovative investment products while maintaining strict safeguards for the general retail public. It positions India as a more attractive destination for global private equity and venture capital.

[Click here](#)

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### V. SEBI (Securities & Exchange Board of India)

#### 6. Enhancing the 'Facility for Basic Services Demat Account (Circular Date: December 24, 2025)

SEBI has further refined the Basic Services Demat Account (BSDA) framework. Effective March 31, 2026, certain non-monetary or non-tradeable assets like Zero Coupon Zero Principal (ZCZP) bonds and delisted securities will be excluded when calculating the portfolio value threshold for BSDA eligibility. This prevents such illiquid holdings from artificially inflating a portfolio and disqualifying small investors from low-cost BSDA benefits. Additionally, Depository Participants (DPs) must now automatically convert eligible regular accounts into BSDA every quarter unless the owner provides active, verifiable consent to remain in a regular account.

**Impact:** This will encourage long-term holding of securities among lower-income segments, thereby deepening the retail base of the Indian capital markets. The standardisation of the process also reduces the documentation burden on Depository Participants (DPs).

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# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### V. SEBI (Securities & Exchange Board of India)

#### 7. Simplification of Procedure for Issuance of Duplicate Certificates (Circular Date: December 24, 2025)

SEBI has significantly streamlined the process for issuing duplicate securities certificates to enhance investor convenience and promote dematerialization. The monetary threshold for "simplified documentation" (which avoids the need for an FIR or newspaper advertisement) has been doubled from ₹5 lakh to ₹10 lakh. The reform introduces a tiered documentation approach: holdings up to ₹10,000 require only a simple undertaking on plain paper; those between ₹10,000 and ₹10 lakh require a newly standardized Affidavit-cum-Indemnity bond; and holdings over ₹10 lakh, investors still need to follow standard safety steps like filing a police report and publishing a public notice. However, for holdings up to ₹10,000, SEBI has removed the requirement for a legal witness (notary), significantly easing the process. Additionally, all new duplicate shares will now be issued digitally in demat form to ensure better security.

**Impact:** This "Ease of Investment" reform drastically reduces the cost, paperwork, and time required for investors, especially small and medium shareholders, to reclaim lost securities. By standardizing formats and raising thresholds, SEBI has eliminated the inconsistent demands of different RTAs, while the mandatory demat issuance accelerates the transition toward a fully paperless securities market.

[Click here](#)

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### V. SEBI (Securities & Exchange Board of India)

#### 8. Certification requirement for Compliance Officers of Managers of AIFs (*Circular Date: December 30, 2025*)

SEBI has mandated a specific professional qualification for Compliance Officers of Managers of Alternative Investment Funds (AIFs) under Regulations 20(17) and 20(18) of the AIF Regulations. To standardize the quality of compliance oversight, all such officers must now obtain certification by passing the NISM Series-III-C: Securities Intermediaries Compliance (Fund) Examination. While the circular is effective immediately, SEBI has provided a transition window, stipulating that by January 01, 2027, only certified individuals can be appointed or continue to serve in this role. Additionally, the AIF's annual 'Compliance Test Report' must now explicitly confirm adherence to these new certification requirements.

**Impact:** This move professionalises the AIF compliance function by ensuring officers possess verified technical expertise in fund regulations. Managers must immediately audit their current staffing to ensure existing officers clear the NISM exam before the 2027 deadline to avoid regulatory disqualification and potential enforcement action.

[Click here](#)

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### **VI. GST (Goods & Services Tax)**

#### 1. Auto-Suspension of Registration (Rule 10A)

*(Advisory Date: November 05, 2025)*

The Goods and Services Tax Network (GSTN) has operationalised a system-driven mechanism to enforce Rule 10A of the CGST Rules, 2017, which mandates newly registered taxpayers to furnish their bank account details within the prescribed time period. Under the automated framework, failure to submit bank account information now triggers auto-suspension of GST registration without any manual intervention by tax officers. The system also provides a self-service restoration facility, allowing taxpayers to automatically revoke the suspension upon furnishing the required bank details. The move is aimed at strengthening controls against fake registrations and misuse of GST credentials, while ensuring minimal hardship for genuine taxpayers through instant compliance-based restoration.

**Impact:** This will strengthen the checks against fraudulent registrations while enabling quick and system-based compliance for genuine taxpayers.

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# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### VI. GST (Goods & Services Tax)

#### 2. Implementation of 'GST 2.0' Rate Rationalization

*(Pre Release Date: December 21, 2025)*

The recommendations of the 55th GST Council Meeting, the Central Board of Indirect Taxes and Customs (CBIC) has implemented the final phase of the “GST 2.0” reform agenda, focusing on rate rationalisation and simplification. The changes include exemption of GST on individual life and health insurance premiums, rationalisation of GST rates on hotel accommodation, and reduction of GST on fortified rice kernels to support public nutrition initiatives. These measures are intended to correct inverted duty structures, reduce tax incidence on essential services, and align GST rates with socio-economic priorities while improving the overall structure and coherence of the GST regime.

**Impact:** Overall, these "2.0" reforms focus on reducing the tax burden on essential services while streamlining the slab structure, which will strengthen revenue mobilisation and improve tax collections.

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# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### VII. MCA (Ministry of Corporate Affairs)

#### 1. Amendment to 'Small Company' Definition

*(Notification Date: December 01, 2025)*

The Ministry of Corporate Affairs (MCA) has significantly broadened the definition of a "Small Company" under Section 2(85) of the Companies Act, 2013, by revising the financial thresholds upward. The paid-up capital limit has been increased to ₹10 crore (previously ₹4 crore), and the turnover limit has been raised to ₹100 crore (previously ₹40 crore). This reclassification is designed to encompass a larger segment of India's mid-sized private limited companies, effectively transitioning them into a light-touch regulatory regime. By aligning these limits with the current economic scale of growing enterprises, the amendment ensures that capital expansion does not immediately trigger burdensome compliance requirements.

**Impact:** This reform cancels out administrative overhead for mid-sized firms by exempting them from auditor rotation and cash flow statement requirements. By reducing board meetings and simplifying filings, it significantly cuts professional costs, allowing management to focus entirely on scaling operations.

[Click here](#)

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### VII. MCA (Ministry of Corporate Affairs)

#### 2. Corporate Social Responsibility of the Companies Act, 2013 (*Issue Date: December 08, 2025*)

The Government has introduced the Companies (Amendment) Bill, 2025, proposing a significant amendment to Section 135 of the Companies Act, 2013, aimed at expanding the scope of mandatory Corporate Social Responsibility (CSR) compliance. The Bill proposes to lower the CSR applicability thresholds, making CSR mandatory for companies having a net worth of ₹100 crore or more, or turnover of ₹500 crore or more, or net profit of ₹3 crore or more during the immediately preceding financial year. This is a substantial reduction from the existing thresholds of ₹500 crore net worth, ₹1,000 crore turnover, or ₹5 crore net profit. Additionally, it mandates including at least one director with extensive experience in planning and implementing CSR projects on the CSR Committee to enhance project effectiveness.

**Impact:** The proposed amendment would significantly increase the number of companies covered under mandatory CSR, leading to higher compliance obligations and CSR spending for mid-sized corporates. Companies close to the revised thresholds will need to reassess CSR applicability, board composition, and governance frameworks.

[Click here](#)

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### VII. MCA (Ministry of Corporate Affairs)

#### 3. Deadline Extension for FY 2024-25 Annual Filings

*(Circular Date: December 30, 2025)*

The Ministry of Corporate Affairs (MCA) has granted a second major extension for filing annual financial statements and returns for the Financial Year 2024-25. The deadline for forms AOC-4 (including XBRL, CFS, and NBFC-Ind AS) and MGT-7/7A has been pushed from December 31, 2025, to **January 31, 2026**. This decision follows persistent technical glitches on the MCA21 V3 portal, including validation errors and system timeouts, which were formally flagged by professional bodies like the ICSI and ICAI. By waiving additional fees until the end of January, the Ministry aims to facilitate a smoother transition to the new web-based filing format.

**Impact:** This relief provides a critical one-month window for corporates to resolve V3 portal errors without incurring steep daily late fees. While it significantly eases the administrative burden on finance teams, companies must remember that it does not extend the statutory deadline for holding the Annual General Meeting (AGM).

[Click here](#)

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### **VII. MCA (Ministry of Corporate Affairs)**

#### 4. Removal of Names of Companies from the Register of Companies

*(Notification Date: December 31, 2025)*

The Ministry of Corporate Affairs (MCA) has amended Rule 4(3) of the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016. This amendment introduces a specific proviso for Government Companies and their subsidiaries seeking voluntary strike-off. Under the new norms, the mandatory indemnity bond (Form STK-3A) no longer needs to be executed by directors in their personal capacity. Instead, an authorised representative (holding the rank of Under Secretary or above) from the administrative Ministry or Department is now permitted to furnish the bond on behalf of the company.

**Impact:** This amendment accelerates the exit of inactive state-owned entities by removing the deterrent of personal liability for government-nominated directors. By allowing the Ministry to vouch for the company's liabilities,

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# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### **VII. MCA (Ministry of Corporate Affairs)**

#### 5. Appointment and Qualification of Directors

*(Notification Date: December 31, 2025)*

The MCA has notified the Companies (Appointment and Qualification of Directors) Amendment Rules, 2025, effective from March 31, 2026. This reform replaces annual KYC filings with a triennial (3-yearly) cycle, requiring DIN holders to submit the unified web-form DIR-3-KYC-Web by June 30th every third financial year. While periodic filing is reduced, the rules mandate a strict 30-day window for reporting changes in a director's mobile number, email, or residential address. The system now utilises Straight Through Processing (STP), where filings are automatically taken on record based on a "statement of correctness" and professional certification, relying on dual-OTP verification to ensure data integrity.

**Impact:** This will accelerate approvals through a Straight Through Processing (STP) model, where forms are taken on record electronically based on a "statement of correctness". By shifting from manual oversight to professional certification,

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# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### **VIII. MLET (Ministry of Labour & Employment)**

#### 1. ESIC Clarifies SPREE Circular on Social Security Code Compliance

*(Issue Date: December 11, 2025)(clarified on 18 December 2025)*

On 11 December 2025, the Employees' State Insurance Corporation (ESIC), under the Ministry of Labour & Employment, issued a circular relating to the implementation of the Code on Social Security, 2020, advising establishments to prioritise registration and compliance. The circular was widely interpreted as making registration mandatory under the new Code. Subsequently, ESIC issued a clarification on 18 December 2025 stating that the earlier communication was issued only to create awareness under the SPREE (Scheme for Promotion of Registration of Employers & Employees) 2025 initiative and not a statutory demand for immediate compliance under the Social Security Code. ESIC emphasised that actual compliance obligations will arise only once the relevant rules and regulations under the Code are formally notified and operationalised.

**Impact:** This clarification provides temporary relief to establishments by confirming that no enforceable statutory compliance under the Social Security Code has yet been triggered. Employers are encouraged to use the awareness period to assess applicability, plan registration under SPREE, and prepare systems for future obligations once the Social Security Code rules are notified.

[Click here](#)

# DECEMBER 2025 EDITION

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## MONTHLY UPDATES

### **VIII. MLET (Ministry of Labour & Employment)**

#### 2. FAQs on the Implementation of New Labour Codes, 2025

*(Release Date: December 30, 2025)*

In anticipation of the full enforcement of the four Labour Codes (Wage, Social Security, OSH, and Industrial Relations), the Ministry of Labour and Employment has released a comprehensive set of FAQs. This document provides critical clarity on the "50% Wage Rule," the new standardised definition of "Wages," and the updated timelines for statutory benefits like Gratuity. It serves as the primary transition guide for HR departments and payroll providers to align their systems with the new legal framework which were already effective from November 21, 2025. The FAQs detail the "50% Rule," which stipulates that if allowances (excluding gratuity and retrenchment compensation) exceed 50% of total remuneration, the excess must be added back to "Wages" for calculating statutory contributions like PF and ESI.

**Impact:** Streamlines the chaotic correction process that often delays PF withdrawals. Employers must now strictly adhere to the document list (e.g., Birth Certificate/Passport for DOB > 3 years diff) to ensure their employees' claims are processed faster.

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## MONTHLY UPDATES

### IX. DGFT (Foreign Trade)

#### 1. Implementation of the Import Management System for IT Hardware

*(Notification Date: December 17, 2025)*

The Directorate General of Foreign Trade (DGFT) has notified the detailed procedure for the Import Management System (IMS) applicable to specified restricted IT hardware products for the calendar year 2026. The IMS framework covers items classified under HSN 8471, including laptops, tablets, all-in-one personal computers, and servers, which have been placed under the restricted import category. Under the notified procedure, importers are required to obtain import authorisation through the designated IMS portal. The DGFT has opened the portal for filing new applications from 22 December 2025, and all authorisations issued under this window will remain valid until 31 December 2026. The system is intended to regulate imports through a transparent, digital authorisation mechanism while ensuring continuity of supply for legitimate importers.

**Impact:** This will provide pricing stability for Indian exporters. By confirming the continuity of duty remission benefits, exporters can competitively price their long-term contracts for the upcoming fiscal year without factoring in tax uncertainties.

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## MONTHLY UPDATES

### IX. DGFT (Foreign Trade)

#### 2. Notifies Amendments to Chapter 6 of Handbook of Procedures (*Notification Date: December 31, 2025*)

The Directorate General of Foreign Trade (DGFT), exercising powers under paragraphs 1.03 and 2.04 of the Foreign Trade Policy (FTP) 2023, has issued a Public Notice amending Chapter 6 of the Handbook of Procedures (HBP) and notifying a new Appendix 6N with immediate effect. Appendix 6N standardises the formats of various letters and permissions issued by Development Commissioners to Export Oriented Units (EOUs). The newly notified appendix consolidates and prescribes uniform formats for a wide range of EOU-related approvals, including acceptance and amendment of Legal Undertakings (LUTs), broad-banding of Letters of Permission (LoP), enhancement of capacity, approval of revised projections, DTA sale permissions, consolidation of goods, inclusion or change of location, renewal and extension of LoP, in-principle and final exit from the EOU scheme, fixation of ad-hoc norms, and other operational permissions. The amendment aims to bring procedural uniformity and clarity in administrative communications issued under the EOU framework.

**Impact:** This will improve procedural consistency and reduce ambiguity in EOU administration across SEZs. EOU and trade facilitation professionals should align future applications and compliance documentation with the newly prescribed formats under Appendix 6N.

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## MONTHLY UPDATES

### X. MAFW (Agriculture & Farmers' welfare)

#### 1. Aadhaar Authentication Mandatory for NMNF Benefits

*(Notification Date: December 22, 2025)*

The Ministry of Agriculture & Farmers Welfare has notified that Aadhaar authentication (or proof of Aadhaar possession) is now mandatory for beneficiaries seeking assistance under the National Mission on Natural Farming (NMNF). The NMNF scheme aims to promote natural farming practices and provides financial assistance of ₹4,000 per acre per year for a period of two years to eligible and enrolled farmers. As per the notification, beneficiaries must undergo Aadhaar authentication to receive benefits, while individuals who do not yet possess Aadhaar are required to enroll and submit Aadhaar enrolment proof along with a valid photo identity document. The move is intended to strengthen beneficiary identification, prevent duplication, and ensure targeted delivery of government assistance under the scheme.

**Impact:** This notification reflects the increasing reliance on Aadhaar-based authentication for government benefit delivery, which may have broader implications for identity verification, e-KYC processes, and benefit disbursement mechanisms involving banks and financial intermediaries.

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## MONTHLY UPDATES

### **XI. AUDIT (Financial Reporting)**

#### 1. NFRA Crackdown on Audit File Integrity and Submission Timelines (*Notification Date: December 16, 2025*)

The National Financial Reporting Authority (NFRA) has issued a strict directive to auditors of Public Interest Entities (PIEs) regarding the handling of audit workpapers. The regulator flagged a growing trend where auditors seek long extensions to "prepare" or "reconstruct" files after an inspection is announced. To end this, NFRA has mandated that all audit files must be archived within 60 days of the audit report and maintained for at least 7 years. Most importantly, once NFRA requests a file, the auditor must submit it within 7 days. The circular also bans the practice of scanning physical copies into unsearchable PDFs, requiring original electronic files with intact metadata to prevent back-dated alterations.

**Impact:** This mandate ends the practice of "cleaning up" audit files after a regulator's request. By enforcing a 7-day deadline and requiring original digital files, NFRA can now use timestamps to catch back-dated changes, making real-time documentation a legal necessity for audit firms.

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## MONTHLY UPDATES

### **XII. NSE (National Stock Exchange)**

#### **1. NSE Restricts Brokers from Distributing Banking Loan Products** *(Notification Date: December 24, 2025)*

The National Stock Exchange (NSE) has issued a warning to trading members against the unauthorised distribution of banking loan products. The Exchange observed that several brokers, particularly those also registered as Research Analysts, were offering products such as home loans, vehicle loans, personal loans, and education loans to their clients. Reaffirming the June 16, 2025 framework on third-party product distribution, NSE clarified that brokers are strictly prohibited from acting as distributors for any lending products not expressly permitted by SEBI. Currently, the only authorized lending-related activities for brokers are Margin Trading Facility (MTF) and T+1+5 funding. This move ensures that brokers do not overstep their regulatory boundaries or create conflicts of interest by mixing core brokerage services with retail banking distribution.

**Impact:** This rule keeps a clear line between stock trading and bank loans. By stopping brokers from earning commissions on outside loans, the NSE is protecting investors from being pressured into debt. It ensures brokers stay focused on their main job: helping people invest safely in the stock market.

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## MONTHLY UPDATES

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