



LEGAL MUSINGS

THE FORNIGHTLY LEGAL UPDATES !!!

2025

#MUSINGS 17
01st August, 2025

Meet our Minds

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Many Minds , One Mission !!

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MCA: ROC ADJUDICATION ORDERS

I. IN THE MATTER OF M/S LAXMAN KRANTI ALLAGADDA KUMAR, DIRECTOR

Violation of Section 155 of the Companies Act, 2013 read with Rule 11 of the Companies (Appointment of Directors) Rules, 2014:

- In this case, the director **initially** obtained a Director Identification Number (DIN) in the year **2006**.
- **Subsequently, in the year 2024**, he inadvertently applied for and acquired a second DIN, which is in violation of the provisions of the Companies Act.
- Upon realizing the error, the director voluntarily initiated the process to surrender the second DIN and filed a suo motu application for adjudication.
- This act constitutes a contravention of **Section 155** of the Companies Act, 2013, and punished under **Section 159** to an amount of **Rs.1,35,000/-**



MCA: ROC ADJUDICATION ORDERS

2. IN THE MATTER OF M/S. NANDAKA INFORMATION SERVICES PRIVATE LIMITED

Violation of Section 10A of Companies Act, 2013

- The company, **incorporated** in the year **2021** as a company having share capital, failed to file e-Form **INC-20A** within the prescribed period of 180 days from the date of incorporation.
- The default continued until the year **2025**. As a result, the company was penalized to an amount of Rs.50,000/- and each officer in default was penalized up to a maximum of Rs.1,00,000, as per the provisions of the Act.
- Accordingly, the total penalty imposed amounted to **Rs.2,50,000.**



SEBI: CIRCULARS

I. SPECIAL WINDOW FOR RE-LODGE MENT OF TRANSFER REQUEST OF PHYSICAL SHARES

Transfer of Securities in physical mode was discontinued w.e.f April 01, 2019. You can't dematerialize these shares in the name of the **intended transferee** unless the transfer is successfully completed first. **Only the registered holder** (as per the company/RTA records) can dematerialize shares. If a person received physical shares from someone else, but didn't get the transfer recorded, they **can't demat it directly**. First, the shares need to be **transferred in their name** (via re-lodgement if an earlier transfer attempt failed), and then demat.

Thus, in order to facilitate ease of investing for investors and to secure the rights of investors in the securities which were purchased by them, **SEBI through its Circular dated July 02, 2025** has been decided to open a special window only for re-lodgement of transfer deeds, which were lodged prior to the deadline of April 01, 2019 and rejected/returned/not attended to due to deficiency in the documents/process/or otherwise, for a period of **six months from July 07, 2025 till January 06, 2026**.



SEBI: CIRCULARS

If you're holding physical shares and want to transfer them:

What Can Be Done Now (2025)?

Option 1: Get them transferred via re-lodgement within January 06 2026, if the original transfer attempt was made before April 1, 2019 and was rejected.

Option 2: Ask the registered holder to dematerialize the shares first, then transfer them electronically.

Note: During this period, the securities that are re-lodged for transfer (including those requests that are pending with the listed company/RTA, as on date) shall be issued only in demat mode. Due process shall be followed for such transfer-cum-demat requests.

For Further Details: https://www.sebi.gov.in/legal/circulars/jul-2025/ease-of-doing-investment-special-window-for-re-lodgement-of-transfer-requests-of-physical-shares_94973.html



SEBI: CIRCULARS

2.MINIMUM INVESTMENT THRESHOLD UNDER SPECIALIZED INVESTMENT FUNDS (SIF)

Over the years, a gap has emerged between Mutual Funds and Portfolio Management Services in terms of portfolio flexibility, creating an opportunity for a new investment product. To bridge this gap, the SEBI (Mutual Funds) Regulations, 1996 have been amended to introduce the broad regulatory framework for the new investment product –Specialized Investment Fund (SIF).

The amendment notification is available at https://www.sebi.gov.in/legal/regulations/dec-2024/securities-and-exchange-board-of-india-mutual-funds-third-amendment-regulations-2024_89978.html

Earlier, SEBI vide circular dated **February 27, 2025 ('SIF Circular')**, and circulars dated **April 09, 2025 and April 11, 2025** specified regulatory framework for Specialized Investment Funds ('SIFs').



SEBI: CIRCULARS

What is SIF?

A SIF is a mutual fund scheme designed to offer flexible and complex investment strategies (like long-short equity, debt, credit, and thematic strategies) to sophisticated investors, with a minimum investment of ₹10 lakh.

Key Points:

- **Minimum investment:** ₹10 lakh
- **Eligible for:** High-net-worth & institutional investors
- **Offers:** Advanced strategies not allowed in regular MFs

The Asset Management Company (AMC) shall monitor compliance with the **Minimum Investment Threshold** on a daily basis and ensure that there are no active breaches.

SEBI vide its Circular dated **29th July 2025**, specified Monitoring of Minimum Investment Threshold under SIF.



SEBI: CIRCULARS

The AMC shall ensure that the investor's total investment value does not fall below the Minimum Investment Threshold due to redemption transactions initiated by the investor. In case of active breach,

- All units of such investor held across investment strategies of the concerned SIF shall be frozen for debit
- A notice of **30 calendar days** shall be given to such investor to rebalance the investments in order to comply with the Minimum Investment Threshold
- In case the investor rebalanced within 30 calendar days-->The Units of SIF of such investor shall be **unfrozen** and no further action shall be taken
- In case the investor **fails to rebalanced** within 30 calendar days--> the frozen units shall be **automatically redeemed by AMC**, at the applicable NAV of the next immediate business day after the 30th calendar day of the notice period.

For further details:

https://www.sebi.gov.in/legal/circulars/jul-2025/monitoring-of-minimum-investment-threshold-under-specialized-investment-funds-sif-_95676.html

An illustration at the top of the page shows two stylized human figures standing on stacks of gold coins. The figure on the left is smaller and stands on a shorter stack, while the figure on the right is taller and stands on a much taller stack. The background is a purple and blue world map with a grid overlay.

INCOME TAX

ENHANCING TAX TRANSPARENCY ON FOREIGN ASSETS & INCOME: UNDERSTANDING CRS & FATCA

A. Purpose of CRS and FATCA

In today's global economy, tax transparency is vital. The **Common Reporting Standard (CRS)**, an OECD initiative, and the **Foreign Account Tax Compliance Act (FATCA)**, enacted by the U.S., are global frameworks aimed at curbing tax evasion through automatic exchange of financial account information across countries.

- CRS requires financial institutions to report accounts held by foreign residents to their local tax authorities, who share the information globally.
- FATCA mandates foreign financial institutions to report accounts held by U.S. taxpayers to the IRS.

B. Information Received by India

Under CRS and FATCA, India receives financial data of its residents holding foreign accounts. The data includes:

- Name, address, and Tax Identification Number (TIN)
- Account number and balances
- Income details like interest, dividends, and other proceeds

This enables the Income Tax Department to detect undisclosed foreign income and assets.



C. Disclosure Requirements under Indian Law

The **Income-tax Act, 1961** mandates residents to disclose their global income and foreign assets via:

- **Schedule FA** (Foreign Assets)
- **Schedule FSI** (Foreign Source Income)
- **Schedule TR** (Tax Relief) along with **Form 67** for claiming foreign tax credit

Non-disclosure may lead to severe penalties and prosecution under the **Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015**.

D. Benefits of Transparency in Tax Returns

1. **Compliance & Good Governance** – Reinforces taxpayer integrity and reduces audit risk
2. **Legal Security** – Avoids penalties and ensures peace of mind
3. **Claim Tax Reliefs** – Prevents double taxation through accurate reporting
4. **Nation-Building** – Supports public spending and infrastructure through fair tax contribution



E. Reporting Foreign Assets and Income in Returns

Filing Schedule FA and FSI ensures:

- Accurate disclosure of foreign income and assets
- Eligibility for tax relief under DTAA
- Protection from penal consequences

F. Conclusion

The Income Tax Department urges all taxpayers to fully disclose foreign assets and income received under CRS and FATCA. Transparency in tax returns promotes legal compliance, safeguards against penalties, and contributes to national development.



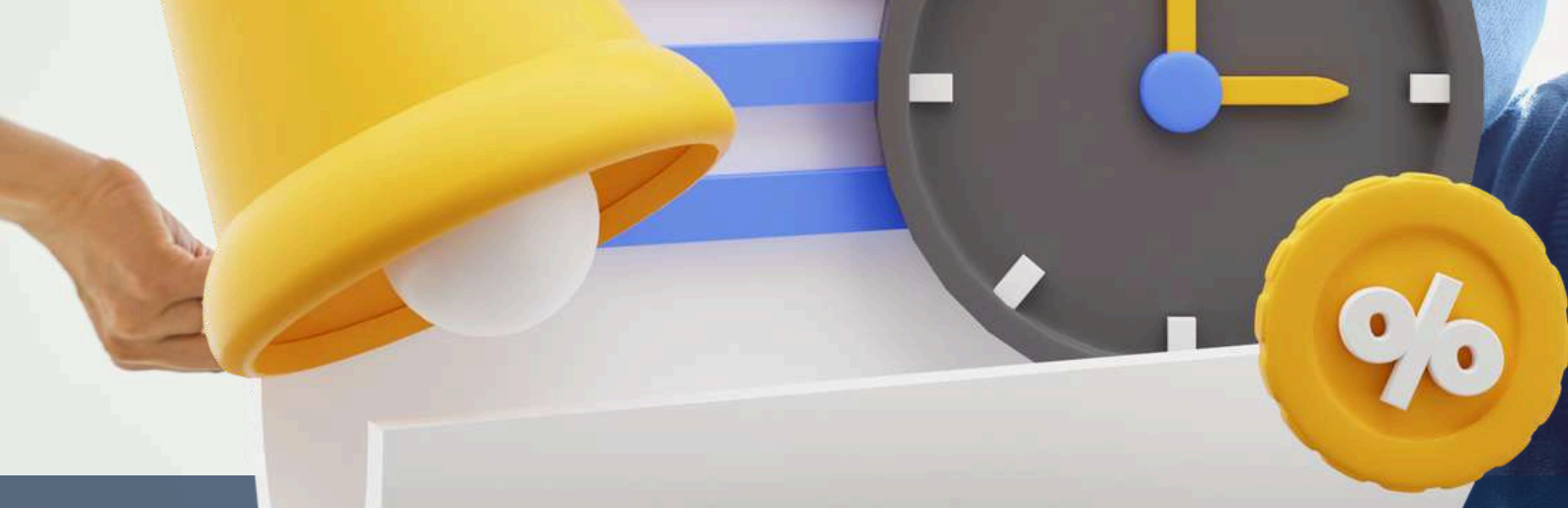


GOODS AND SERVICES TAX

Regarding GSTR-3A Notices issued for non-filing of form GSTR 4 to cancelled Composition Taxpayers

As per the provisions of **Section 39(2)** of the Central Goods and Services Tax (CGST) Act, 2017, read with **Rule 68** of the CGST Rules, 2017, notices in Form **GSTR-3A** are required to be issued in cases of non-filing of Form **GSTR-4**. Due to a system-related glitch, such notices have been inadvertently issued in certain cases where they were not applicable — including instances involving taxpayers whose registrations had been cancelled prior to the Financial Year 2024–25.

It is now informed by the Department that the issue is currently under active examination, and the technical team is implementing appropriate corrective measures to ensure that such instances do not recur. In the meantime, taxpayers who have either duly filed the relevant return or whose registrations were cancelled prior to the Financial Year 2024–25 are advised to ignore these notices, as no further action is required on their part in such cases.



GOODS AND SERVICES TAX

GST Portal is now enabled to file appeal against waiver order (SPL 07).

Taxpayers who have filed waiver applications in Forms SPL 01/SPL 02 are receiving orders from the jurisdictional authorities:

- 1. Acceptance Order in SPL 05**
- 2. Rejection Order in SPL-07.**

GST Portal, has now been enabled to allow taxpayers to file **Appeal applications (APL 01) against SPL 07 (Rejection) Order**. If once filed the appeal application under the waiver scheme, there is no option for withdraw that filing appeal applications is not available in the GST Portal. Taxpayers are advised to exercise due caution while filing such appeals.

Also, if any taxpayer does not want to file appeal against “waiver application rejection order” but want to restore the appeal application (filed against original demand order) which was withdrawn for filing waiver application can do so by filing undertaking. The option for filing of undertaking is available under “**Orders**” section in “**Waiver Application**” case folder.



GOODS AND SERVICES TAX

Advisory on reporting values in Table 3.2 of GSTR-3B:

The advisory on table 3.2 of GSTR-3B, issued on **11th April 2025**, wherein it was informed that, from April 2025 tax period, inter-State supplies auto-populated in Table 3.2 of **GSTR-3B** on the GST portal would be made non-editable and GSTR-3B must be filed with system-generated values only.

Due to several representations received from taxpayers citing difficulties in filing GSTR-3B, the implementation of this functionality was deferred earlier and table 3.2 was made editable in the interest of taxpayer's convenience and smooth filing of GSTR-3B. It may be noted that the changes mentioned in para 1, making the auto populated liabilities in table 3.2 non-editable shall be re-introduced on the GST portal from July 2025 tax period. In case any modification/amendment After filing must now be made through GSTR – 1A, not directly in GSTR-3B.

As there is no cut-off date for filing Form GSTR-1A before GSTR-3B which means **Form GSTR-1A** can be filed after filing Form GSTR-1 and till the time of filing Form **GSTR-3B**. Hence, any amendment required in auto-populated values of table 3.2, same can be carried out through Form GSTR-1A till the moment of filing GSTR-3B.



TEAM'S CORNER

NRI Banking: What Happens to Your Bank Accounts in India, When You Move Abroad

When Do You Officially Become an NRI?

According to the Foreign Exchange Management Act (FEMA) 1999, you are considered an NRI when you reside outside India (excluding Nepal and Bhutan) for more than 182 days in a financial year. This isn't just a technicality – it triggers immediate legal obligations regarding your Indian bank accounts. The moment you cross this 182-day threshold, your status changes, and so must your banking arrangements.

The Mandatory Account Conversion Rule

Here's what many people don't realize: Once you become an NRI, you cannot legally continue operating your regular resident savings or current accounts. Under FEMA regulations, these accounts must be immediately converted to NRI-specific account types or closed entirely. There is no grace period – the conversion is required from the day your NRI status takes effect.

Understanding Your NRI Banking Options

As an NRI, you have **three main types of accounts** to choose from, each designed for different financial needs:



TEAM'S CORNER

Non-Resident External (NRE) Account:

This account is your gateway for bringing foreign earnings to India. Maintained in Indian rupees, it can only be funded with income earned abroad. The biggest advantage? Both your principal amount and interest earned are fully repatriable, meaning you can freely transfer them back to your overseas accounts. Additionally, the interest you earn is completely tax-free in India.

Non-Resident Ordinary (NRO) Account:

Think of this as your account for Indian income sources. Whether it's rental income from property, dividends from investments, pension payments, or even foreign funds you want to park in India, the NRO account handles it all. However, there are restrictions on how much principal you can repatriate annually, and the interest earned is subject to Tax Deducted at Source (TDS).

Foreign Currency Non-Resident (FCNR) Account:

This is essentially a term deposit account maintained in foreign currencies like US dollars, British pounds, euros, Australian dollars, or Canadian dollars. It's perfect if you want to protect yourself from currency fluctuation risks. Like the NRE account, both principal and interest are fully repatriable and completely tax-exempt in India.



TEAM'S CORNER

The Cost of Non-Compliance

Ignoring these regulations isn't just inadvisable – it's expensive. Under Section 13 of the FEMA Act 1999, banks are empowered to impose significant penalties on NRIs who continue operating resident accounts after their status change.

The penalties are substantial: fines up to three times your account balance, or ₹2,00,000 if the amount cannot be determined, plus an additional ₹5,000 for every day you remain non-compliant. These charges accumulate from the very first day your account remains unconverted after becoming an NRI.

The Reality on the Ground

While the law is clear, the practical reality is more nuanced. Many NRIs continue operating their old resident savings accounts without immediate consequences because banks don't actively monitor compliance. For smaller transaction volumes – typically under ₹30 lakhs annually – this practice often goes unnoticed.

However, this approach carries significant risks. If you're planning to transfer larger amounts, particularly sums approaching or exceeding ₹1 crore annually over multiple years, maintaining non-compliant accounts will likely trigger regulatory scrutiny. Banks may freeze your accounts, impose penalties retroactively, or report the violations to regulatory authorities.



TEAM'S CORNER

Making the Smart Choice

The safest and most prudent approach is to proactively convert your accounts as soon as you attain NRI status. This not only ensures legal compliance but also provides you with account types specifically designed for your new financial situation. NRI accounts offer better features for managing cross-border finances, including favourable repatriation rules, tax benefits, and protection against regulatory issues. The conversion process, while requiring some paperwork, is straightforward and can typically be completed through your bank's NRI services team.

Taking Action

If you're already an NRI operating resident accounts, don't wait for problems to arise. Contact your bank immediately to begin the conversion process. If you're planning to move abroad, discuss your options with your bank before your departure to ensure a smooth transition. Remember, compliance with FEMA regulations isn't just about avoiding penalties – it's about establishing a solid financial foundation for your life as an NRI. The right banking setup will serve you well whether you're sending money home to family, investing in Indian markets, or planning your eventual return to India.

Your financial journey as an NRI begins with getting your banking right. Make sure you start on the right foot.



ACT: BANKING LAWS (AMENDMENT) ACT, 2025

COME INTO EFFECT FROM: 1ST AUGUST, 2025

Objective:

- To Enhance Bank Governance
- To Safeguard Depositors
- To Improve PSB audits
- To align Co-operative Banks with Constitutional norms

Total No. of Amendments: 19

No. of Legislations get amended: 5

- 1.The Reserve Bank of India Act, 1934
- 2.Banking Regulation Act, 1949
- 3.State Bank of India Act, 1955
- 4.Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980

The Central Government notified **1st August 2025** as the date on which the provisions of **sections 3, 4, 5, 15, 16, 17, 18, 19, and 20** of the Banking Laws (Amendment) Act, 2025 shall come into force, as notified through **Gazette Notification S.O. 3494(E) dated 29th July 2025**.



BANKING LAWS

The Above mentioned provisions aim to redefine,

PARTICULARS	BEFORE	AFTER
THRESHOLD OF 'SUBSTANTIAL INTEREST'	RS. 5 LAKH	RS. 2 CRORE
TENURE OF DIRECTOR (OTHER THAN CHAIRPERSON AND WHOLE-TIME DIRECTOR)	8 YEARS	10 YEARS

Note:

1. Public Sector Banks (PSBs) will now be permitted to transfer unclaimed shares, interest, and bond redemption amounts to the Investor Education and Protection Fund (IEPF), bringing them in line with practices followed by companies under the Companies Act.
2. The amendments also empower PSBs to offer remuneration to statutory auditors, facilitating the engagement of high-quality audit professionals and enhancing audit standards



NEGOTIABLE INSTRUMENTS ACT, 1881

**In the matter of Dhanasingh Prabhu (Appellant) Vs.
Chandrasekar & Another (Respondents) Supreme Court of India**

Arising out of **Special Leave Petition (Criminal) No.5706 of 2024**),
Hon'ble Supreme Court held that,

Jurisprudentially partners and the partnership firm are one and the same. Complaint Under Negotiable Instrument Act is Maintainable Against Partners Even though Partnership Firm is Not Named as Accused.

The Hon'ble Apex Court inter alia observed that jurisprudentially speaking, the partners of a partnership firm constitute the firm and **a firm is a compendious term for the partners of a firm**. This is opposed to the position of a director in a company which is a body corporate stricto sensu and such a company is a separate juristic entity vis-à-vis the directors. On the other hand, a partnership firm has no legal recognition in the absence of its partners. If a partnership firm is liable for the **offence under Section 138** of the Act, it would imply that the liability would automatically extend to the partners of the partnership firm jointly and severally. This underlying distinction between a partnership firm and a company which is a body corporate has to be borne in mind while dealing with an offence committed by a company or a partnership firm, as the case may be, within the meaning of Section 138 read with Section 141 of the Act. **To reiterate, in the case of a partnership firm, there is no concept of vicarious liability of the partners as such.**



The liability is joint and several because a partnership firm is the business of partners and one cannot proceed against only the firm without the partners being made liable. Therefore, even in the absence of partnership firm being named as an accused, if the partners of the partnership firm are proceeded against, they being jointly and severally liable along with the partnership firm as well as inter-se the partners of the firm, the complaint is still maintainable. The accused in such a case would in substance be the partners of the partnership firm along with the firm itself.

Since the liability is joint and several, even in the absence of a partnership firm being proceeded against by the complainant by **issuance of legal notice as mandated under Section 138 of the Act or being made an accused specifically in a complaint filed under Section 200 of CrPC, (equivalent to Section 223 of the BNSS), such a complaint is maintainable.** Supreme Court said that when it is a case of an offence committed by a company which is a body corporate stricto sensu, the vicarious liability on the categories of persons mentioned in sub-section (1) and sub-section (2) of Section 141 of the Act accordingly would be proceeded against and liable for the offence under Section 138 of the Act. In the case of a partnership firm on the other hand, when the offence has been proved against a partnership firm, the firm per se would not be liable, but liability would inevitably extend to the partners of the firm inasmuch as they would be personally, jointly and severally liable with the firm even when the offence is committed in the name of the partnership firm.



LEGAL MAXIM

DE MINIMIS NON CURAT LEX

Meaning: “The law does not concern itself with trifles.”

Explanation:

This maxim conveys the idea that the law does not bother with minor or insignificant matters. It helps prioritize legal resources and attention on more significant issues. Historically, judges applied the de minimis principle, especially when the breach or harm was minimal and did not warrant legal redress.

Section 95 of IPC and Act causing slight harm:

"Nothing is an offence by reason that it causes, or that it is intended to cause, or that it is known to be likely to cause, any harm, if that harm is so slight that no person of ordinary sense and temper would complain of such harm."



LEGAL MAXIM

Makhan Lal And Anr. vs Suraj Prasad (1922)

The Allahabad High Court applied the de minimis doctrine in this case, where a small margin of error in a financial sum of Rs. 8,000 was dismissed as insignificant. The court ruled that the old maxim of de minimis non curat lex applied, protecting the defendant from liability.

State (Delhi Administration) v. Purnan Mal (1985)

This case involved the adulteration of food articles. The Supreme Court refused to apply the de minimis doctrine, stating that food unfit for human consumption could not be covered by this rule. The court emphasised that even a small violation in matters concerning public health could have severe consequences, and thus the doctrine could not be invoked.



WISDOM CORNER

CAN YOU CHANGE YOUR DESTINY ? – OSHO

“If you just sit silently and listen to your mind, you will find so many voices. You will be surprised, you can recognize those voices very well. Some voice is from your grandfather, some voice is from your grandmother, some voice is from your father, some voice is from your mother. Some voice is from the priest, from the teacher, from the neighbors, from your friends, from your enemies. All these voices are jumbled up in a crowd within you, and if you want to find your own voice it is almost impossible; the crowd is too thick.

“You were taught **obedience**, you were taught to say **yes** to everything your elders were saying to you. You were taught that you have to follow whatever your teachers or your priests are doing. Nobody ever told you to search for your own voice – ‘**Have you got any voice of your own or not?**’

“So your voice has remained very subdued and other voices are very loud, very commanding, because they were orders and you had followed them – in spite of yourself. “You had no intention to follow, you could see that this is not right. But one has to be obedient to be respected, to be acceptable, to be loved.

Naturally only one voice is missing in you, only one person is missing in you, and that is you; otherwise there is a whole crowd.



WISDOM CORNER

“And that crowd is constantly driving you mad, because one voice says, ‘**Do this,**’ another voice says, ‘**Never do that!** Don’t listen to that voice!’ And you are torn apart.

“This whole crowd has to be withdrawn. This whole crowd has to be told, ‘Now please leave me alone!’ The people who have gone to the mountains or to secluded forests were really not going away from society; they were trying to find a place where they could disperse their crowd inside. And those people who have made a place within you are obviously reluctant to leave.

“But if you want to become an individual in your own right, if you want to get rid of this continuous conflict and this mess within you, then you have to say goodbye to them – even when they belong to your respected father, your mother, your grandfather. **It does not matter to whom they belong. One thing is certain: they are not your voices.** They are the voices of people who have lived in their time, and they had no idea what the future was going to be. They have loaded their children with their own experience; their experience is not going to match with the unknown future.

“They are thinking, they are helping their children to be knowledgeable, to be wise, so their lives can be easier and more comfortable, but they are doing just the wrong thing.



WISDOM CORNER

Be silent, and find your own self. Unless you find your own self, it is very difficult to disperse the crowd, because all those in the crowd are pretending, **‘I am your self.’** And you have no way to agree or disagree.

“So don’t create any fight with the crowd. Let them fight amongst themselves – they are quite efficient in fighting amongst themselves. You, meanwhile, try to find yourself. And once you know who you are, you can just order them to get out of the house – it is actually that simple! But first you have to find yourself. **“Once you are there, the master is there.** The owner of the house is there, and all these people, who have been pretending to be masters themselves, start dispersing. A man who is not a crowd is truly the “superman”.

The man who is himself, unburdened of the past, discontinuous with the past, original, strong as a lion and innocent as a child... he can reach to the stars, or even beyond the stars; his future is golden.

“Up to now people have always been talking about the golden past. But people have to learn the language of the golden future. There is no need for you to change the whole world; just change yourself and you have started changing the whole world, because you are part of the world. If even a single human being changes, his change will radiate to thousands and thousands of others. He will become a triggering point for a revolution which can give birth to the superman.”

Osho – The Language of the Golden Future



ORDER ANALYSIS

Limitation Clock Reset by Balance Sheet: IL&FS's Revival Marks Legal Turning Point

Ruling of the Supreme Court

The Hon'ble Supreme Court of India vide order [2025 INSC 911](#) dated July 29th, 2025 for an appeal filed by IL and FS Financial Services Limited (IL&FS) has set aside the order passed by NCLT and NCLAT and has allowed revival of the Insolvency Petition filed by the (IL&FS) against Adhunik Meghalaya Steels Private Limited under Section 7 of the Insolvency and Bankruptcy Code, 2016.

Brief History of the Case

IL&FS had filed a civil appeal on 16-04-2025 in the Hon'ble Supreme Court of India to consider if the decision of the National Company Law Tribunal and National Company Law Appellate Tribunal were justified in holding that the Section 7 application under the IBC filed by the appellant on 15.01.2024 was barred by time?

Questions considered and analysed in the Order

1) Does the entry in the Balance Sheet of a Company constitute a valid acknowledgement of debt by the Corporate Debtor under Section 18 of the Limitation Act, 1963?

2) If the answer to the above question is in the affirmative, will Para 5(I) or 5(III) of the order dated 10.01.2022 passed by the Hon'ble Supreme Court in *Suo Moto Writ Petition No. 3 of 2020* for extension of Limitation period govern the situation?



ORDER ANALYSIS

Analysis of the Order

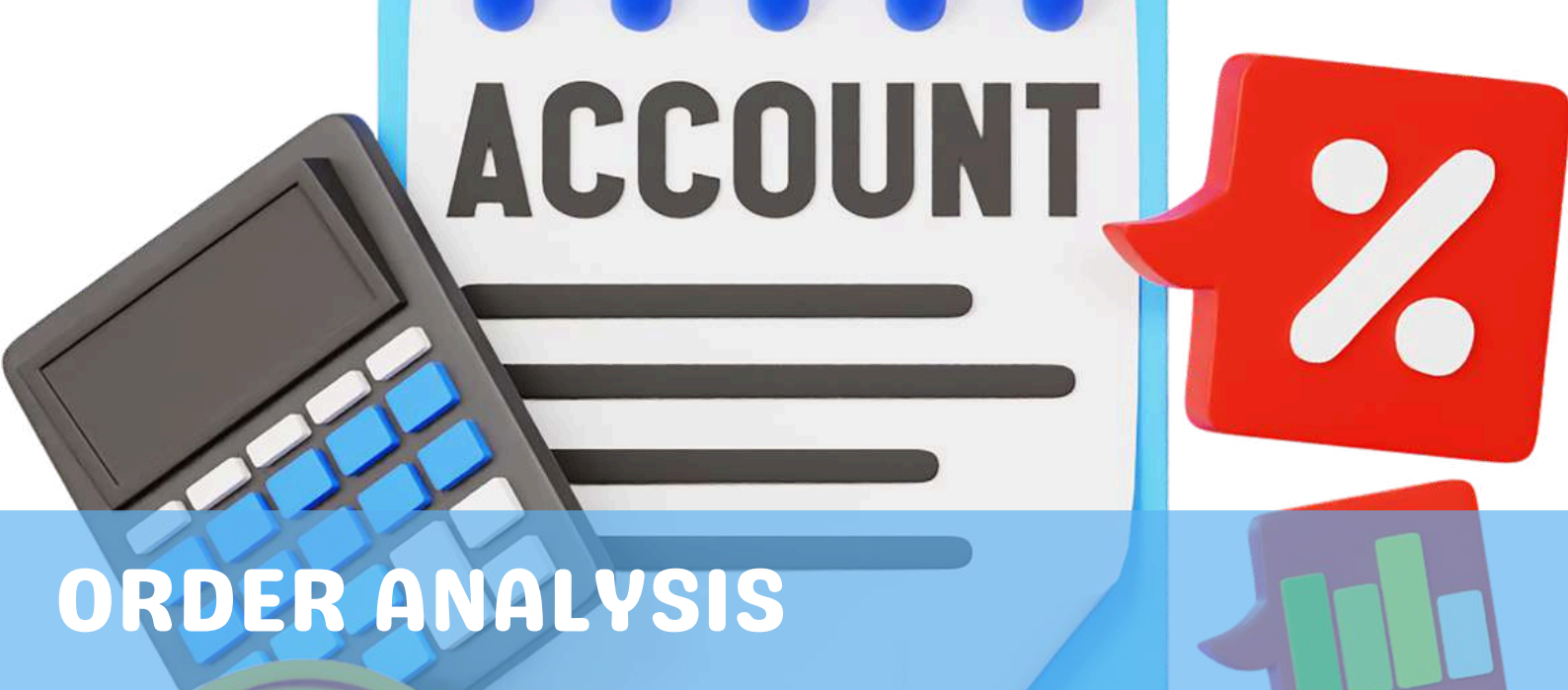
The Hon'ble Supreme Court had analysed multiple precedents to arrive at the following conclusion.

The Hon'ble Supreme Court acknowledged the specific facts and circumstances of this case considered by the Adjudicating Authority as well as the National Company Law Appellate Tribunal which had **concurrently held that the entries in the balance-sheets amount to clear acknowledgment of debt.**

In furtherance to the above, the Hon'ble Supreme Court also cited on a note appended to the balance-sheet of the Corporate Debtor, which mentions that the company has made certain defaults in the repayment of term loans and interest and also mentions of a continuing default of long-term borrowings and decided that, the conclusions of the National Company Law Tribunal and National Company Law Appellate Tribunal **that there is acknowledgment of debt are unimpeachable.**

By establishing reasoning for using various precedents to analyse the existing case, the Hon'ble Supreme Court based on the following principles had analysed the existing case.

- Surrounding circumstances could be considered and that a liberal construction should be favoured, though the process of reasoning should not be involved or far-fetched.



ORDER ANALYSIS

- Case-to-case examination should be made with regard to entries made in Balance sheets to decide the question of acknowledgment.
- Proceedings under the IBC, Section 18 of the Limitation Act cannot be construed with pedantic rigidity.

The Hon'ble Supreme Court has held that the Balance Sheet of the Corporate Debtor, viewed in the background of the other admitted documents, including the financial statements of the previous years, clearly constitutes a valid acknowledgment of a subsisting liability and indicates the existence of a jural relationship and an admission as to the existence of such relationship based on the following analysis in this case.

- An analysis of the general context of the Balance Sheet for the Year 2019-20, disclosing existence of a long term borrowing read with surrounding circumstances arising from the Balance Sheets of the previous years constitutes a valid acknowledgement and pertains to the same borrowing.
- The Cash Flow appended to the Balance Sheet as per the requirements of (IND AS) 7 shows the addition of proceeds from borrowings to arrive at the final value, thereby showing increase in Long Term Borrowings in the Financial Year 2018-19. Additionally, it was also established that no part of cash flow proceeds was utilised in the repayment of existing borrowings as the amount under the head "cash flows from (used in) financial activities" for the Financial Year 2019-20 was "NIL".



ORDER ANALYSIS

- The date of signing the Balance Sheet by the director was considered as an acknowledgement and the limitation period was proportionately extended to 3 years from date of acknowledgement rather than from the beginning of the Financial Year to which the Balance Sheet corresponds to.
- As the date of Acknowledgement was during the excluded period for computing Limitation which was extended by the Hon'ble Supreme Court through suo moto writ petition (civil) no. 3 of 2020, the revised limitation period was considered as 3 years from the beginning of March 01, 2022 (First day after the end of the excluded period as per suo moto writ petition (civil) no. 3 of 2020).

Key Takeaways to be noted from this case

- Acknowledgement of debt through Balance Sheet will be analysed based on a case to case basis.
- The surrounding circumstances shall be taken into consideration along with general context of the Balance Sheet when the default occurred.
- Period of limitation shall begin from the **first day after the end of the excluded period** as per suo moto writ petition (civil) no. 3 of 2020), in case any debt is acknowledged between 15.03.2020 till 28.02.2022.

By
Saarang Gopal
Team GeniconCS



COMPLIANCE CALENDAR

Due Date

Forms

Description

07 August 2025

Deposit of TDS/TCS

Deposit of TDS/TCS for transactions made in July 2025.

10 August 2025

GSTR-7 & GSTR-8 Filing

Filing of TDS (GSTR-7) and TCS (GSTR-8) returns for July 2025.

11 August 2025

GSTR-I Filing (Monthly)

GSTR-I filing for July 2025 due for taxpayers with turnover > ₹5 crore or monthly filers.

15 August 2025

PF & ESI Payment

Deposit of PF and ESI contributions for the month of July 2025.

MUSINGS IN THE MAZE

Connexions

Using the pictures as clues, find out the word!

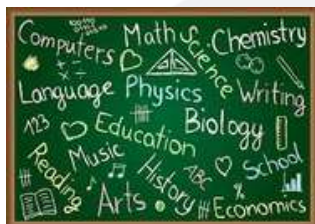
1



2



3



4



ANSWERS FOR LEGAL MUSINGS#16

Profession of Mr. A is **Chef**

Answer for the Questions:

1. Company Secretary
2. Hypothecation
3. Entrenchment
4. Fiduciary



Happy Birthday

Team Genicon CS extends warm
Birthday Wishes to
Ms. Sandhya and Mr. Maharaja





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Mission:

To provide pragmatic and proactive solutions to our clients and to enhance the value of every stakeholder at Genicon.



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