



LEGAL MUSINGS

THE FORNIGHTLY LEGAL UPDATES !!!

2025

#MUSINGS 18

15th August, 2025



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Meet our Minds

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Many Minds , One Mission !!

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MCA: ROC ADJUDICATION ORDERS

I. IN THE MATTER OF HARSH GATHANI ENTERPRISE PRIVATE LIMITED NON-COMPLIANCE OF SECTION 118 OF THE COMPANIES ACT, 2013

The date of entry in Minutes book specifically need to be mentioned in every Minutes book. During the course of inspection, it was observed that, the date of entry entered in the Minutes book was not as per SS-1. Therefore, the Minutes have not been recorded in a proper manner. Accordingly the Company has violated section 118 of Companies Act, 2013 read with SS-1. Thus, ROC Ahmedabad imposed penalty on the Company amounting to Rs.25,000/- and to its Officers in Default amounting to Rs. 5,000/- each.

Takeaway:

- Compliance to the Companies Act and the Secretarial Standards is Mandatory.
- Improper Recording is a non-compliance.
- Even minor lapses in Statutory Records can lead to penalties.

Action Point:

Companies should ensure that Minutes Book is maintained strictly as per Secretarial Standards including Date of Meeting, Date of Signing and Date of Entry.



MCA: ROC ADJUDICATION ORDERS

2. IN THE MATTER OF M/S. BI MINING PRIVATE LIMITED FOR VIOLATION UNDER SECTION 134(3)(H) OF COMPANIES ACT, 2013

- According to the provisions of **Section 134(3)(h)** of the Companies Act 2013, there shall be attached to statements laid before a company in General Meeting, a report by its Board of Directors, which shall include, particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form.
- During inspection, it was observed that even though the company has entered into a contract or arrangement with a related party (Associate Company) in respect of availing or rendering of any services, the same was not reflected in the Board's Report for the F.Y. Companies should ensure that Minutes Book is maintained strictly as per Secretarial Standards including Date of Meeting, Date of Signing and Date of Entry.

Takeaway:

- Board's Report are not mere formalities; they are statutory disclosures.
- Any Related Party Contract or arrangement must be transparently disclosed in Compliance with the Act and prescribed forms to avoid penal consequences.

Action Point:

- Even if the transaction is genuine and duly executed, Disclosure of Related Party Transactions in the Board's Report is mandatory. Omission of such disclosure can attract penalty.



SEBI: CIRCULARS

SEBI - PROPOSED AMENDMENTS TO REGULATION 23 – RELATED PARTY TRANSACTIONS (RPTS) UNDER SEBI LODR

- The Securities and Exchange Board of India (SEBI) has proposed significant amendments to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR). These changes aim to streamline RPT approvals, introduce scale-based materiality thresholds, and reduce compliance burdens for large listed entities.

Public comments and suggestions are invited until August 25, 2025.

1. Scale-based Materiality Thresholds

- **Current Rule:** RPTs are considered material if the value exceeds 1000 Crore rupees or ten percent of consolidated turnover, whichever is lower.
- The provision requiring shareholder approval for RPTs exceeding Rs. 1,000 Crore or 10% of consolidated turnover of the listed entity, whichever is lower, becomes onerous for listed entities with high turnover.

Proposed Change – Schedule XII (Turnover-based Slabs):

- Upto 20,000 crore rupees turnover → 10% of turnover.
- Between 20,001 crore rupees and 40,000 crore rupees → 2,000 crore rupees plus 5% of turnover above 20,000 crore rupees.
- Above 40,000 crore rupees → 3,000 crore rupees plus 2.5% percent of turnover above 40,000 crore rupees, capped at 5,000 crore rupees.



SEBI: CIRCULARS

Subsidiary RPT Approvals

- **Current Rule:** Approval is required if the transaction exceeds 10% of the subsidiary's standalone turnover.
- **Proposed Rule:** For transactions with a value more than 1,000 crore rupees, Audit Committee approval will be required if the value exceeds the lower of:
 - a. 10% of the subsidiary's standalone turnover; or
 - b. The listed entity's materiality threshold as per Schedule XII.
- For subsidiaries with less than one year of audited financials → the threshold will be 10% of net worth (or paid-up capital plus securities premium if net worth is negative), certified by a Chartered Accountant.

Relaxed Information Requirements for Small RPTs

- **Current Rule:** Transactions with a value less than or equal to 1,000 crore rupees are exempt from detailed disclosures under the RPT Industry Standards.
- **Proposed Rule:** Simplified disclosure will be permitted if the transaction value is less than or equal to 1% of consolidated turnover or 10 crore rupees, whichever is lower.



SEBI: CIRCULARS

- The absolute exemption for transactions less than or equal to one crore rupees will continue.

Omnibus Shareholder Approval Validity

- **Proposed Inclusion in LODR:**
 - Omnibus approvals granted at the Annual General Meeting will be valid until the next Annual General Meeting or for a maximum of fifteen months, whichever is earlier.
 - Omnibus approvals granted at other general meetings will be valid for one year.

**For full details, refer to the SEBI Consultation Paper:
Consultation Paper – Amendments to Provisions Relating to
Related Party Transactions under SEBI LODR Regulations, 2015
and Circulars Thereunder**



The image features the words 'INCOME TAX' in large, colorful 3D block letters. The letters are arranged in two rows: 'INCOME' on top and 'TAX' below it. The colors of the letters are blue, orange, red, yellow, and blue. To the right of the letters, there are several Indian Rupee coins of different denominations, including 100, 200, and 500 Rupee coins. The background is a light gray textured surface.

INCOME TAX

IIN THE MATTER OF ERNST & YOUNG U.S. LLP C/O AUTHORIZED REPRESENTATIVE, ERNST & YOUNG LLP US ACIT, CIRCLE, INTERNATIONAL TAX-1 (2), NEW DELHI, ITAT DELHI DECIDED ON THE TAXABILITY OF REIMBURSEMENT OF SALARY EXPENSES VIS-A-VIS SECONDMENT EMPLOYEES DEPLOYED IN INDIA.

Facts of the Case:

- The assessee is a limited liability partnership (LLP) firm and tax resident of United States of America (USA). It has filed its return of income for Assessment Year 2018-19 on 31.03.2019 u/s 139(4). During the course of assessment proceedings, the Ld. Assessing Officer observed that exemption claimed by assessee vis-à-vis reimbursement of costs with respect to secondment employees is not correct. Similarly, the Assessing Officer observed that the professional services rendered by the assessee are not in the nature of professional services and accordingly not covered by the provisions of Article-15 of India USA DTAA.

ITAT Observation:

- The term 'professional services' as defined in Article 15(2) of the DTAA are supported by the definitions in the Explanation (a) to section 194J which specifically refers to "engineering profession" and also to "profession of technical, consultancy or interior decoration or advertising or such other profession as is notified by the Board for the purposes of section 44AA or section 194J.



INCOME TAX

- These activities are thus regarded by the statute as professions though they have no governing professional body. We also find that the ITAT drew assistance from the notification dated 12/01/1977 5.0 18(E) and also the notification no 385(E) dated 4/5/2001 which include in the description of "professionals" all kinds of film personalities such as actors, directors, editors and singers etc., and all persons in the profession of information technology including persons practicing data entry and rendering all kinds of computer software and hardware services. Further, the notification dated 21/8/2008 includes in the term "professionals all sports persons such as coaches, referees, commentators and sports columnists. This Hon'ble Tribunal has thus treated all these persons as "professionals" though none of them belong to any governing professional body.

Judgement:

In view of the discussion above, we are inclined to agree with the assessee that "professional services" as defined in Article 15(2) of the DTAA cannot be circumscribed by putting them as belonging to any governing professional body. We are therefore of the considered view that the assessee falls within the meaning of 12(5) (e) of the DTAA and hence benefit of Article 15 of the DTAA cannot be denied to it. Accordingly, we direct the AO to delete the addition on this count.



RESERVE BANK OF INDIA

RBI has issued NFB Credit Facilities Directions, in August 2025, with a view to harmonise and consolidate the regulatory framework governing Non-Fund Based credit facilities across its regulated entities and to broaden the funding sources for infrastructure financing.

Non-fund based (NFB) facilities like guarantees, letters of credit, co-acceptances etc. facilitate effective credit intermediation and smooth business transactions.

These Directions shall apply to the following entities, hereinafter collectively referred to as Regulated Entities:

- Commercial Banks (including Regional Rural Banks and Local Area Banks);
- Co-operative Banks
- All India Financial Institutions (AIFIs);
- Non-Banking Financial Companies (NBFCs) including Housing Finance Companies (HFCs) in Middle Layer and above, only for the issuance of Partial Credit Enhancement, as permitted under Chapter IV of these Directions.

These Directions shall come into force from April 1, 2026, or from any earlier date as decided by a RE as per its internal policy (“effective date”).

For further details, visit:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12889&Mode=0>



TEAM'S CORNER

Understanding Charges Under Section 77 of the Companies Act, 2013

What is a Charge?

A charge is essentially a form of security interest over the company's assets, created to secure the repayment of a debt or performance of an obligation. In simple terms, it's the lender's legal right over certain assets of the company until the loan is repaid.

Charges can be:

1. **Fixed Charge** – Attached to specific, identifiable assets (e.g., land, machinery).
2. **Floating Charge** – Covering a class of assets that change over time (e.g., stock-in-trade, receivables).

Section 77 – The Legal Requirement

Under Section 77 of the Companies Act, 2013, a company that creates a charge whether fixed or floating on its assets is required to register the charge with the Registrar of Companies (RoC) within:

- **30 days** from the date of creation of the charge.

A close-up photograph of two hands holding two black interlocking gears. The hands are positioned at the top of the frame, with fingers gripping the teeth of the gears. The background is a soft, out-of-focus light blue. Below the photograph is a solid blue horizontal band containing the text 'TEAM'S CORNER' in white, bold, sans-serif capital letters.

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The registration must be done in the prescribed form (currently Form CHG-1 or CHG-9 for debentures), along with the required documents and fees. Extensions are possible under certain conditions, but non-compliance carries severe consequences.

Purpose and Significance of Charge Registration

- **Public Notice & Transparency:** Registration serves as a public notice to all interested parties creditors, investors, and potential business partners that the company's assets are encumbered. This prevents disputes and protects future lenders from unknowingly advancing funds against already charged assets.
- **Protection of Creditors:** It secures the lender's rights by creating a legally enforceable claim over the charged asset. In the event of default or liquidation, registered charges have priority over unsecured creditors.
- **Avoidance of Fraudulent Practices:** Without a registration requirement, companies could theoretically use the same asset as collateral with multiple lenders, creating legal chaos. Section 77's registration mandate significantly reduces this risk.
- **Facilitates Due Diligence:** Investors, acquirers, and financial institutions rely on the RoC's records to assess a company's financial commitments before entering into major transactions.



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Historical Context – How and Why They Came About

- The concept of charge registration traces back to English company law principles and has been part of Indian company legislation since the Companies Act, 1913. Over time, fraudulent lending practices and hidden liabilities made it clear that a **public, centralised record of corporate charges** was essential.
- The Companies Act, 1956 continued this mandate, and the Companies Act, 2013 modernised it introducing **digital registration, e-filing, and stricter timelines** to make the process more efficient and enforceable. The intent has always been the same: to ensure **transparency, creditor protection, and systemic trust in corporate lending**.

Consequences of Non-Compliance

- **Charge Void Against Liquidator/Creditors:** If a charge is not registered within the prescribed time, it becomes void against the liquidator and other creditors. This means the lender loses security rights and becomes an unsecured creditor.
- **Penalties on the Company and Officers:** Both the company and every officer in default can face monetary penalties.



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- **Operational & Financial Risk:** Non-registration can hinder the company's ability to raise future loans, as lenders often refuse to extend credit without proper registration history.

Why You Should Care – The Public Education Imperative

Many business owners especially small and medium enterprises—see charge registration as just “another compliance burden.” This perception is both dangerous and costly.

Conclusion

Charges under Section 77 are more than a statutory requirement—they are an **integral part of corporate governance and financial discipline**. They uphold transparency, protect creditors, and foster investor confidence. Ignoring them can erode trust, invite penalties, and jeopardise a company's financial health.

In an economy striving for higher credit flow and investor participation, public awareness of charge registration is not optional—it is essential. The more informed the ecosystem, the more resilient and trustworthy our corporate sector becomes.



LEGAL MAXIM

EX DOLO MALO NON ORITUR ACTIO

The Latin Legal maxim **ex dolo malo non oritur actio**, meaning “**no right of action arises from fraud**,” reflects a long-standing legal principle that a person cannot base a legal claim on their own fraudulent, illegal, or immoral conduct. Rooted in public policy, it ensures that the courts do not reward or assist those whose claims are founded on wrongdoing, thereby preserving the integrity of the legal system.

In practice, if the cause of action is directly connected to deceit or illegality, the claim is likely to be dismissed. This doctrine continues to guide modern jurisprudence, reinforcing the message that the law will not serve as a tool to legitimise or profit from misconduct.





WISDOM CORNER

A TRYST WITH DESTINY - JAWAHARLAL NEHRU – DELIVERED ON THE MID-NIGHT OF AUGUST 14, 1947

Long years ago we made a tryst with destiny, and now the time comes when we shall redeem our pledge, not wholly or in full measure, but very substantially. At the stroke of the midnight hour, when the world sleeps, **India will awake to life and freedom.**

A moment comes, which comes but rarely in history, when we step out from the old to the new, when an age ends, and when the soul of a nation, long suppressed, finds utterance.

It is fitting that at this solemn moment, we take the pledge of dedication to the service of India and her people and to the still larger cause of humanity. Through good and ill fortune alike, she has never lost sight of that quest, forgotten the ideals which gave her strength. The achievement we **celebrate today** is but a step, an opening of opportunity to the greater triumphs and achievements that await us.

Are we brave enough and wise enough to grasp this opportunity and accept the challenge of the future? Freedom and power bring responsibility. The responsibility rests upon this Assembly, a sovereign body representing the **sovereign people of India**. Before the birth of freedom, we have endured all the pains of labour and our hearts are heavy with the memory of this sorrow. Some of those pains continue even now. Nevertheless, the past is over and it is the future that beckons us now.



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The ambition of the greatest men of our generation has been to wipe every tear from every eye. That may be beyond us, but as long as there are tears and suffering, so long our work will not be over.

To the people of India, whose representatives we are, we make an appeal to join us with faith and confidence in this great adventure. This is no time for petty and destructive criticism, no time for illwill or blaming others. We have to build the noble mansion of free India where all her children may dwell. The appointed day has come -the day appointed by destiny- and India stands forth again, after long slumber and struggle, awake, vital, free and independent.

It is a fateful moment for us in India, for all Asia and for the world. A new star rises, the star of freedom in the East, a new hope comes into being, a vision long cherished materializes. May the star never set and that hope never be betrayed! We rejoice in that freedom. But freedom brings responsibilities and burdens and we have to face them in the spirit of a free and disciplined people.

All of us, to whatever religion we may belong, are **equally the children of India with equal rights, privileges and obligations**. We cannot encourage communalism or narrow-mindedness, for no nation can be great whose people are narrow in thought or in action. And to India, our much-loved motherland, the ancient, the eternal and the ever-new, we pay our reverent homage and we bind ourselves afresh to her service.



MUSINGS IN THE MAZE

GUESS

TRUE



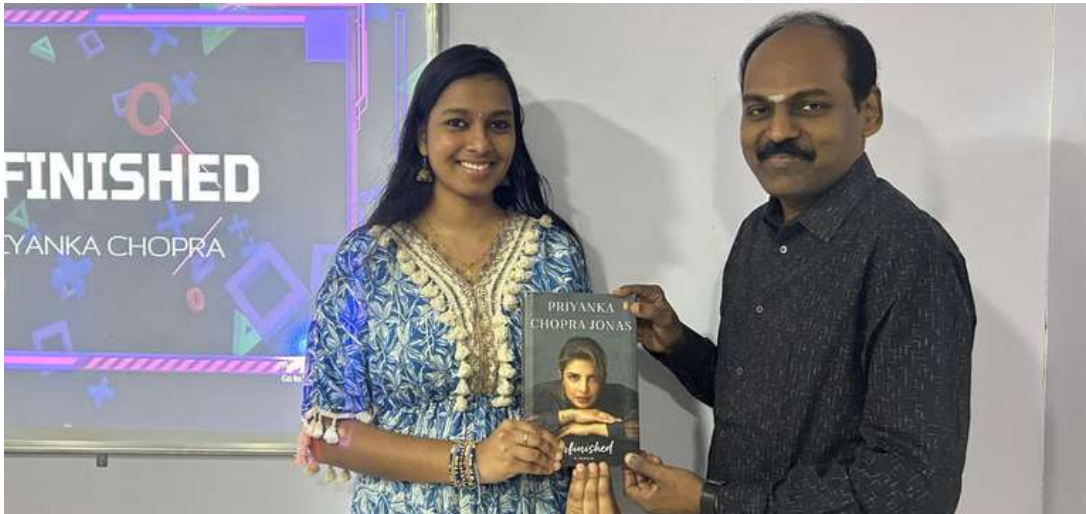
FALSE

- An OPC can have more than one shareholder.
- Every public company must have a minimum of three directors.
- A public company has 2 directors for the last 4 months due to one resignation. They plan to appoint the third director only at the AGM. Is this legally okay?
- Can a company have a paid-up share capital of ₹1 but authorised capital of ₹1 crore?
- A private company with 180 members (including 10 employee-members) and 25 former employees who still hold shares — has it breached the Companies Act's member limit?

**Answers for
Musings: 17**

- Pledge
- Management
- Subsidiary
- Surety

LITERARY REVIEW



Literary Review – Unfinished: An Autobiography by Priyanka Chopra

In a recent literary session, Ms. M. Veronika presented a thoughtful review of *Unfinished*, the memoir by global icon Priyanka Chopra. The review offered insights into Chopra's formative years, her deeply rooted value system, and the personal experiences that helped shape her confidence, independence, and resilience.

A particularly striking philosophy shared in the book — and highlighted in the review — is Chopra's belief in being “**flexible like water.**”

Just as water adapts to the shape of its container, she emphasizes the importance of adjusting to life's challenges with grace and strength.

From growing up in a small town to winning the title of Miss World and later establishing herself as a successful actress and humanitarian, Priyanka Chopra's journey exemplifies her conviction that:

“**You don't have to be born into greatness — you can achieve it with hard work, courage, and refusing to settle.**”

Unfinished serves as a powerful reminder that no life journey is ever truly complete. It encourages readers to embrace their imperfections, stay open to growth, and continue writing their own stories with honesty and courage.

COMPLIANCE CALENDER

Due Date	Forms to be filed	Description
20.08.2025	GSTR-3B	Monthly Return to be filed.
20.08.2025	GSTR-5A	Monthly return filed by OIDARs service providers to other registered persons.
25.08.2025	GST PMT-06	Challan for depositing GST by taxpayers who have opted for the quarterly filing of GSTR-3B under the QRMP Scheme.
28.08.2025	GSTR-11	Return under GST filed by persons with UIN to claim refunds on inward supplies.
30.08.2025	Form 26QB/26QC/26QD	TDS on Property/Rent/Contracts.
30.08.2025	Challan	Furnishing of Challan cum Statement in respect of tax deducted under section 194-IA, 194-IB, 194M, 194S in the month of July 2025s

MOMENTS WE CHERISH



We're delighted to share that our team participated in the Independence Day Rangoli Competition hosted by Al-Shifa Cupping Clinic in Temple Tower premises, and secured the Runners-up position!

Here the snap from the event!

As we celebrate our nation's freedom and unity, let's take a moment to appreciate the sacrifices of our heroes who fought for our independence. May we continue to strive for a brighter future, filled with hope, progress, and harmony.

Wishing you all a very Happy Independence Day!

"Jai Hind! Let's celebrate the spirit of freedom and unity that binds us all."





GENICON CORPORATE
SOLUTIONS WISHES YOU ALL A

HAPPY INDEPENDENCE DAY



Let's salute the sacrifices
that made our freedom
possible.

15TH AUGUST



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Vision:

To be recognized as an excellent service provider in the field of Corporate Laws.

Mission:

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



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