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# Regulatory updates for the month of September 2025

13 September 2025

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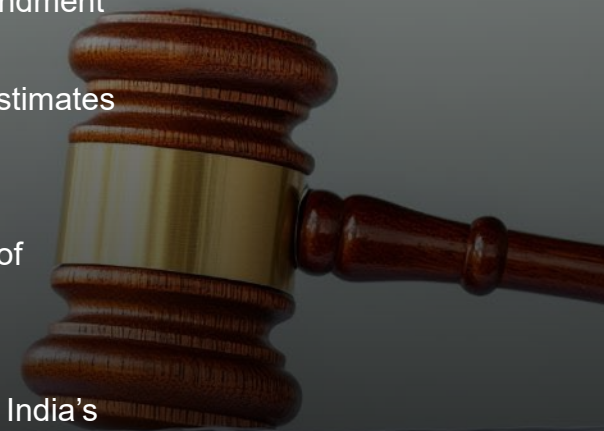


# Introduction

The regulatory updates publication issued by the Foundation for Audit Quality (FAQ) highlights the latest developments in auditing, accounting and regulatory space in India and internationally. This month's edition covers important updates on auditing, accounting and regulatory matters from regulators for the period from 1 September 2025 to 30 September 2025.

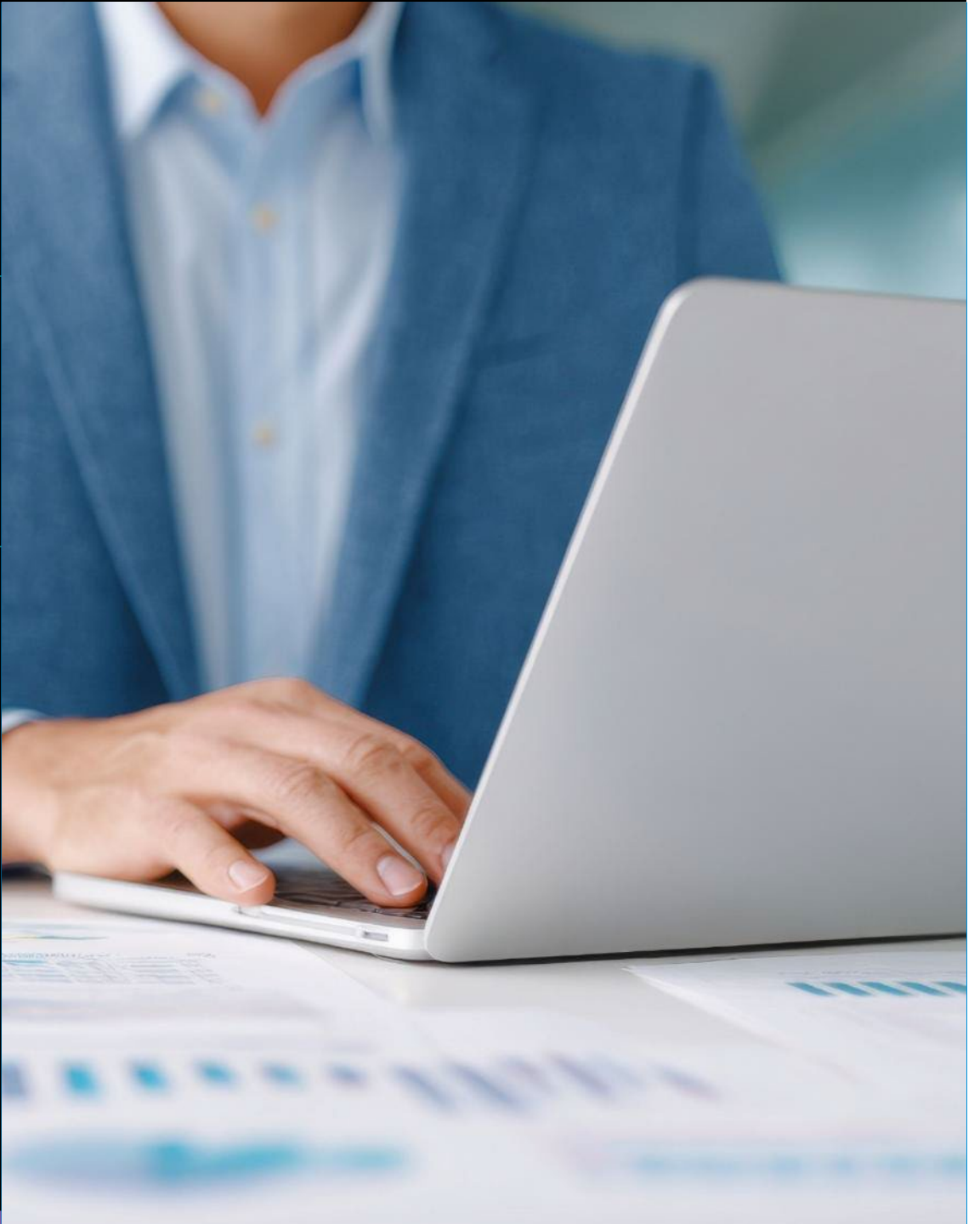
## Some of the key topics covered in this edition include:

- ICAI has published FAQs on Management Representation Letter (MRL).
- MCA has notified significant amendments to the Companies (Indian Accounting Standards) Rules, 2015 and broadened the scope for fast-track mergers by amending the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2016.
- NFRA released the Auditor-Audit Committee Interactions Series 4. This edition focuses on the audit of accounting estimates and judgments, specifically the impairment of non-financial assets under Ind AS 36 and SA 540.
- SEBI introduced LODR third amendment regulations, 2025
- The Securities and Exchange Board of India (SEBI), in its pivotal September 2025 Board meeting, ratified a series of transformative regulatory amendments.
- The Income Tax Act, 2025, will replace the long-standing 1961 Act and will take effect from 1 April 2026.
- The Goods and Service Tax (GST) Council, unveiled a transformative set of recommendations aimed at simplifying India's indirect tax framework.
- The International Auditing and Assurance Standards Board (IAASB) has issued two key resources to assist jurisdictions and stakeholders in the adoption and implementation of International Standard on Sustainability Assurance (ISSA) 5000.
- The International Accounting Standards Board (IASB) has issued amendments to IFRS 19 - *Subsidiaries without Public Accountability—Disclosures*.



**India updates**

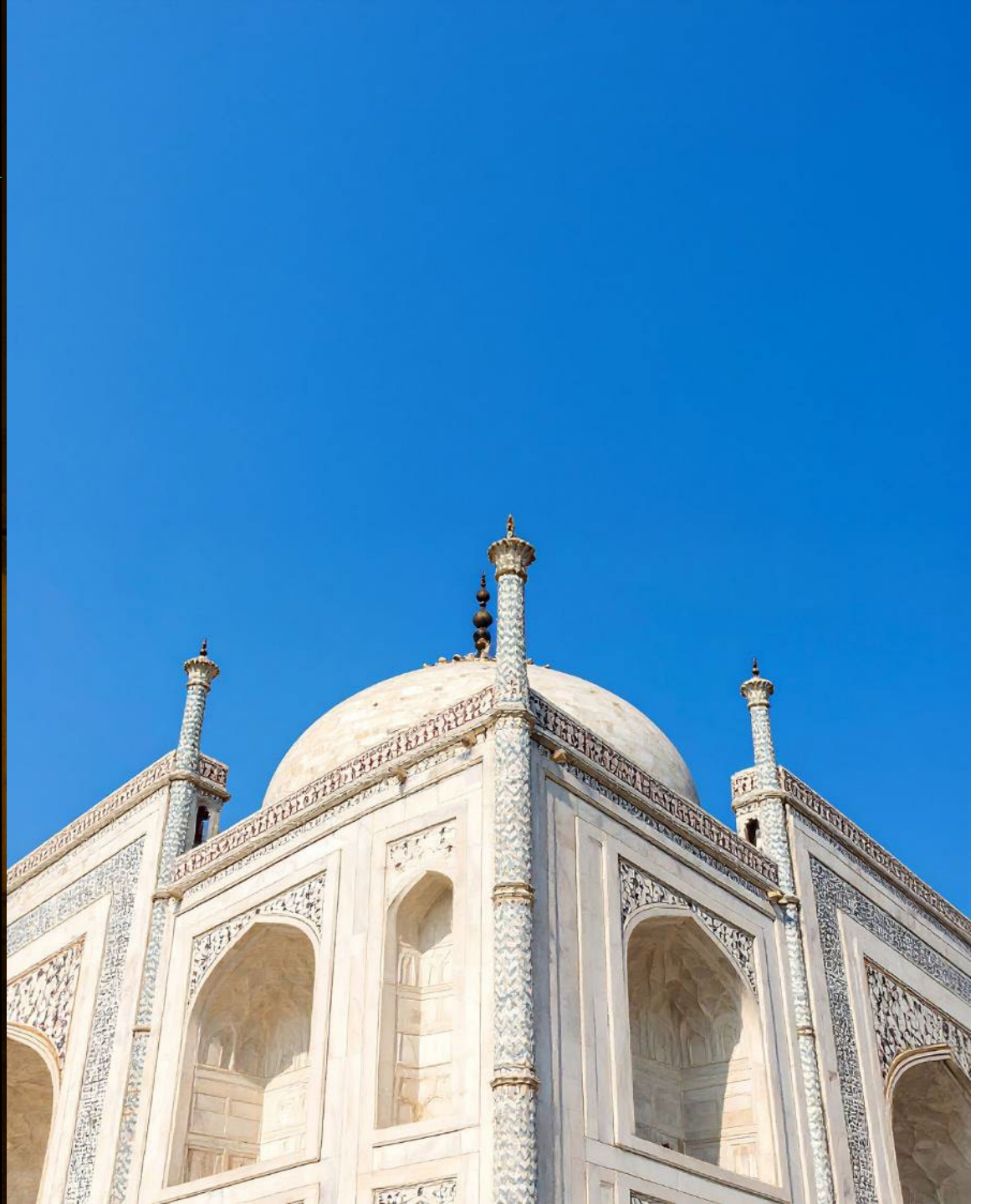
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## Updates from ICAI

### FAQs on Management Representation Letter (MRL)

Management representations are an important source of obtaining additional audit evidence. Auditors also need to obtain management representations to support other audit evidence obtained during the course of audit.

The Institute of Chartered Accountants of India (ICAI), through its Auditing and Assurance Standards Board (AASB), released a comprehensive publication on 14 August 2025 titled '*Frequently Asked Questions (FAQs) on Management Representation Letter*'..

This publication offers detailed responses to commonly asked questions regarding the management representation letter, providing valuable insights and practical guidance. To further support members, it includes four comprehensive appendices featuring:

- Appendix I: Illustrative Representation Letter
- Appendix II: Format for Updating the Management Representation Letter
- Appendix III: Format for Additional Considerations
- Appendix IV: SA 580 Compliance Checklist.

These resources are designed to assist auditors in effectively complying with the requirements of SA 580, *Written Representations*, and in obtaining the necessary management confirmations in a structured and consistent manner.

To access the FAQ on MRL, please [click here](#)





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## Updates from MCA

### Companies (Indian Accounting Standards) Second Amendment Rules, 2025

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

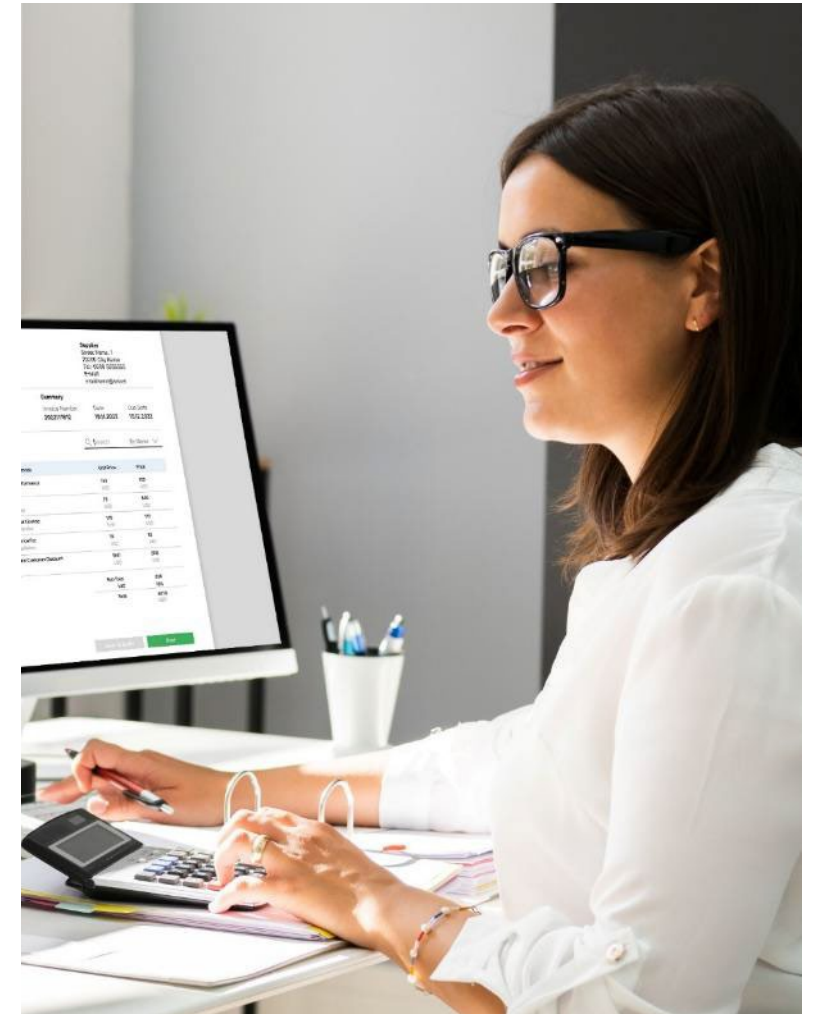
#### 1. Ind AS 107 – Financial Instruments: Disclosures & Ind AS 7 – Statement of Cash Flows

##### Scope of amendments:

- Applicable to supplier finance arrangements with the following characteristics:
  - A finance provider pays amounts owed by a company (buyer) to its suppliers.
  - The company agrees to pay the finance provider on the same or a later date than the supplier is paid.
  - The arrangement results in extended payment terms for the company or early payment terms for suppliers

##### Exclusions:

- These amendments do not apply to financing arrangements for receivables or inventory.



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## Effective rate:

- Applicable for annual reporting periods beginning on or after 1 April 2025.

## Disclosure objectives:

- Ind AS 7: Effects on cash flows.
- Ind AS 107: Effects on liabilities and liquidity risk exposure.

## Required disclosures:

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



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- C. The type and effect of non-cash changes in the carrying amounts of financial liabilities disclosed under b(i). Examples of non-cash changes include the effect of business combinations, exchange differences or other transactions that do not require the use of cash or cash equivalents.

Companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

Supplier finance arrangements are now included as examples under Ind AS 107 for quantitative liquidity risk disclosures.

## Action Points for Auditors

- Determine whether the entity has entered into supplier finance arrangements with the specified characteristics and review disclosures in relation to terms and conditions (e.g., payment extensions, guarantees), payment due date ranges for supplier-financed liabilities vs. comparable trade payables, non-cash changes in financial liabilities etc.
- Evaluate whether supplier finance arrangements are included in liquidity risk disclosures.
- Verify implementation for reporting periods beginning on or after 1 April 2025.





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

### Key revisions:

- Clarification on classification of liabilities as current or non-current, especially regarding loan covenants.
- Removal of the requirement for an 'unconditional' right to defer settlement; now requires that a right to defer settlement must exist at the reporting date and have substance.

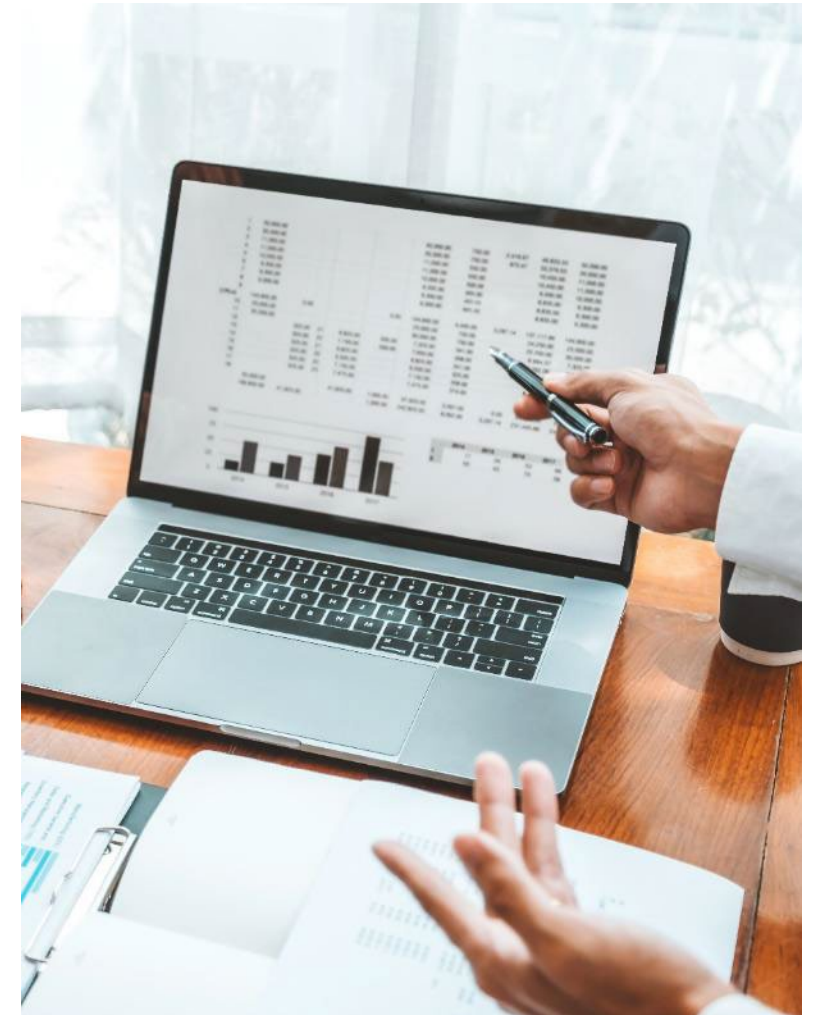
### Convertible debt classification:

- Clarifies treatment of liabilities that may be settled in the company's own shares.

### Covenant breach amendments:

Amendments in relation to breach of covenant are in two phases.

- a) For accounting periods beginning on or after 1 April 2025 – If a breach of a material covenant occurs on or before the reporting date, and the lender agrees not to demand payment after the reporting period but before approval of financial statements, the liability is not classified as current. However, the entity must disclose details of each breach as per Ind AS 107.
- b) For accounting periods beginning on or after 1 April 2026 - If a breach occurs on or before the reporting date and the liability becomes payable on demand, it is classified as current, even if the lender agrees not to demand payment after the reporting period. An entity classifies the liability as current because, at the end of the reporting period, it does not have the right to defer its settlement for at least 12 months after that date. However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least 12 months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.



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## Additional disclosure requirements:

### 1. Classification of Liabilities

- Entities must disclose the basis for classifying liabilities as **current or non-current**, considering the revised guidance in paragraphs 69–76B.
- Clarify whether rights to defer settlement for at least 12 months exist at the reporting date and whether such rights have substance.

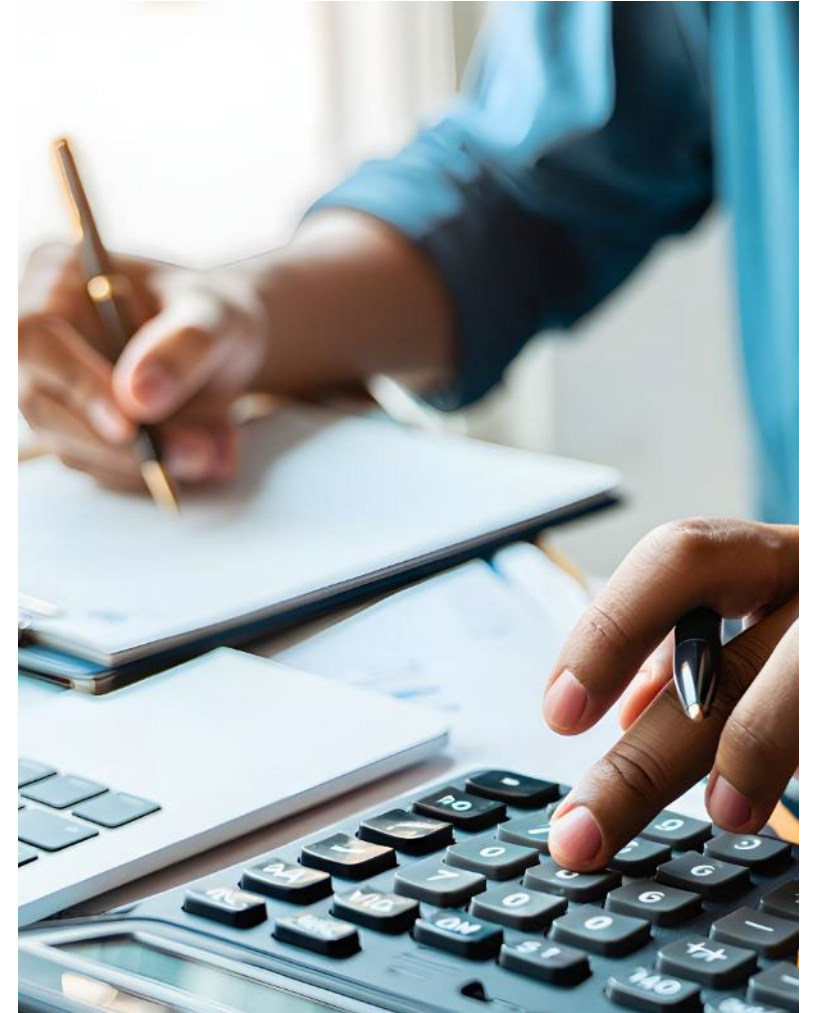
### 2. Loan Covenants and Compliance

Disclose details of covenants linked to long-term loan arrangements, including:

- Nature of covenants and compliance timelines.
- Carrying amount of related liabilities.
- Facts or circumstances indicating potential difficulty in compliance.

### 3. Breaches and Grace Periods

- If a material covenant breach occurred on or before the reporting date, disclose:
  - I. Whether the liability became payable on demand.
  - II. Any lender agreement after the reporting period to waive or provide a grace period.



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## 4. Management Intent vs. Classification

- Disclose timing of settlement if management intends or expects to settle within 12 months, even when liability is classified as non-current.

### Effective dates:

- I. Ind AS 1 amendments will apply retrospectively for annual reporting periods beginning on or after 1 April 2025.
- II. For covenant breach classification, retrospective application for annual reporting periods beginning on or after 1 April 2026, in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

### Action Points for Auditors

- Assess whether the entity has a substantive right to defer settlement at the reporting date.
- Verify if there is any breach of covenant and evaluate presentation of the financial liability accordingly.
- Check for disclosures of future covenant conditions that may impact the classification.
- Confirm retrospective application of amendments in line with Ind AS 8.





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## 3. Ind AS 12 – *Income Taxes*

### Purpose:

- The amendments introduce provisions to address Organisation for Economic Co-operation and Development (OECD) Pillar Two model rules.

### Key requirements:

- Mandatory exemption from recognising deferred tax assets/liabilities related to Pillar Two taxes.
- Entities must disclose application of the exemption.
- Further, the standard has introduced new disclosures, that entities are required to provide in their financial statements for annual reporting periods beginning on or after 1 April 2025. No disclosures are required in interim periods ending on or before 31 March 2026.

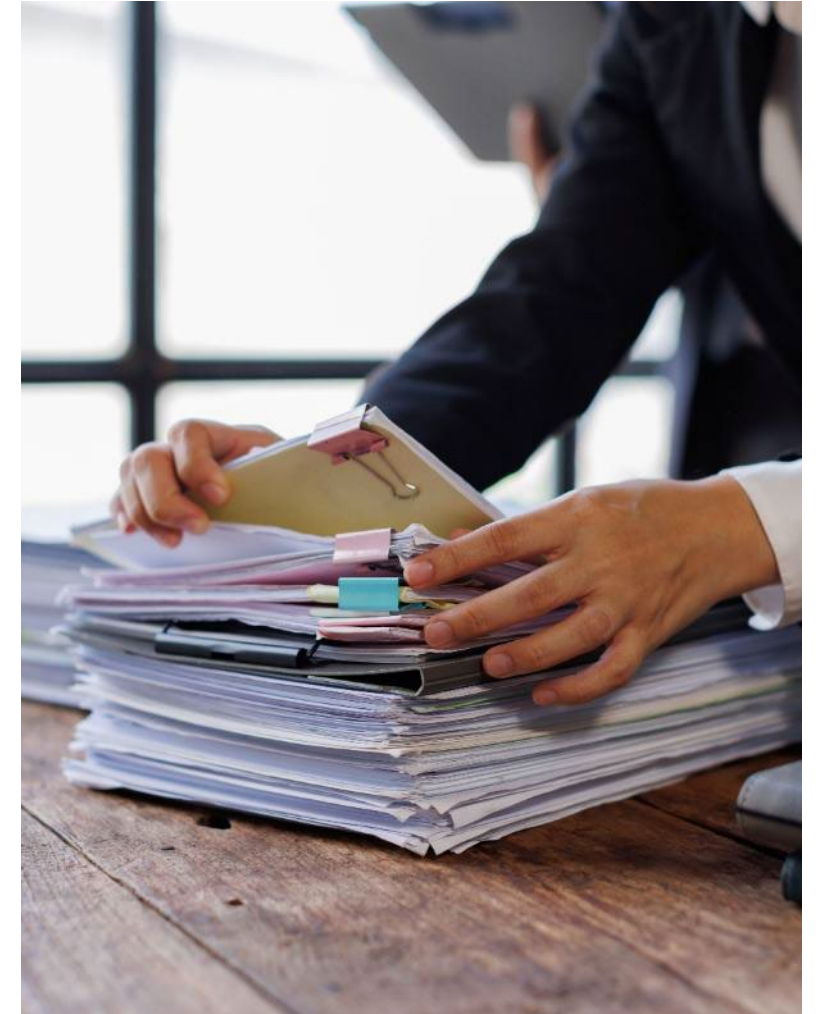
### Disclosure requirements:

#### A. Before top-up tax is effective:

- Disclose reasonably estimable information about exposure to Pillar Two taxes.
- Indicative ranges and qualitative/quantitative data are acceptable.

#### B. After top-up tax is effective:

- Disclose current tax expense related to top-up tax.



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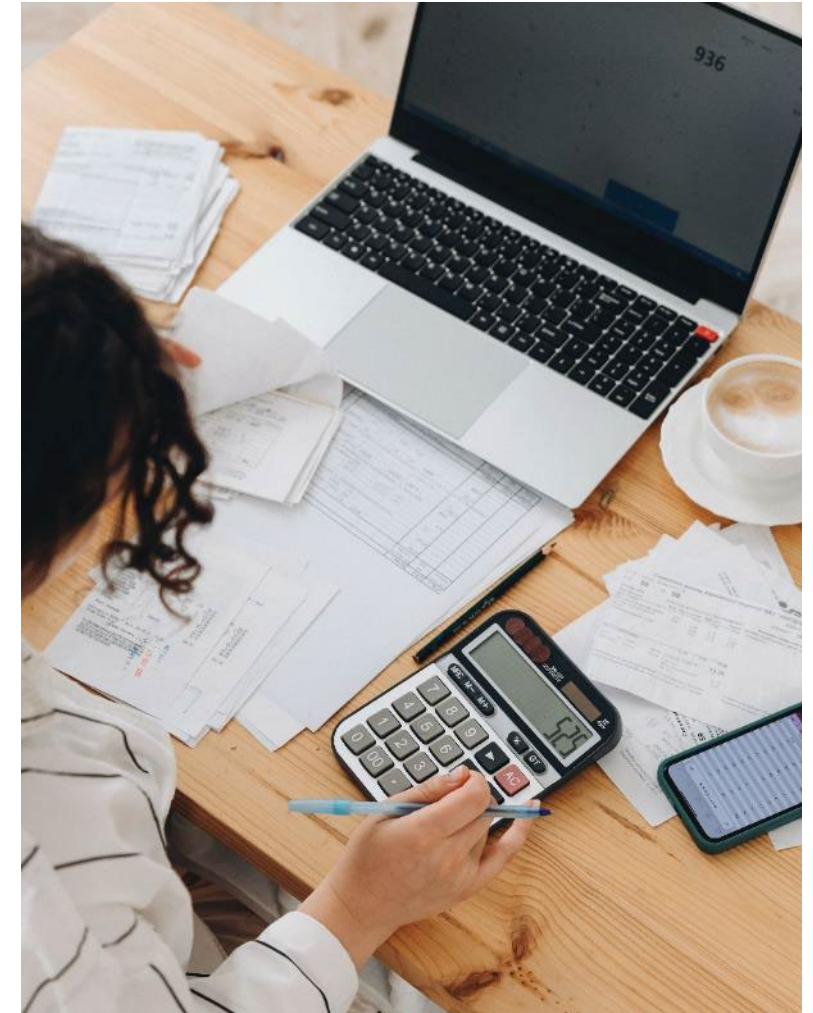
## C. Effective date:

- Apply paragraphs 4A and 88A immediately upon the issue of these amendments and retrospectively in accordance with Ind AS 8.
- apply paragraphs 88B–88D for annual reporting periods beginning on or after 1 April 2025. An entity is not required to disclose the information required by these paragraphs for any interim period ending on or before 31 March 2026 .

## Action Points for Auditors

- Verify that deferred tax assets/liabilities related to Pillar Two taxes are not recognised.
- Ensure disclosure of exemption usage.
- Ensure that the amendments and disclosures are given in the financial statements based on effective date;

To access the Companies (Ind AS) Rules, 2025 update, please [click here](#)



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## Broadened scope of fast track mergers

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

### Expanded fast-track merger scope

Mergers between unlisted companies (excluding Section 8 companies) with outstanding loans, debentures or deposits

- $\leq$  INR200 crore and
- No default

on a day, not more than 30 days before the date of notice under Section 233 and on the date of filing of scheme. Auditor to certify (Form No. CAA-10A) that the company meets the conditions referred above.

### New merger combinations allowed

- I. Mergers between Holding company and its subsidiary companies (if transferor is unlisted).
- II. Mergers between subsidiaries of the same holding company (if transferor is unlisted).
- III. Merger of foreign holding company with its wholly owned Indian subsidiary.





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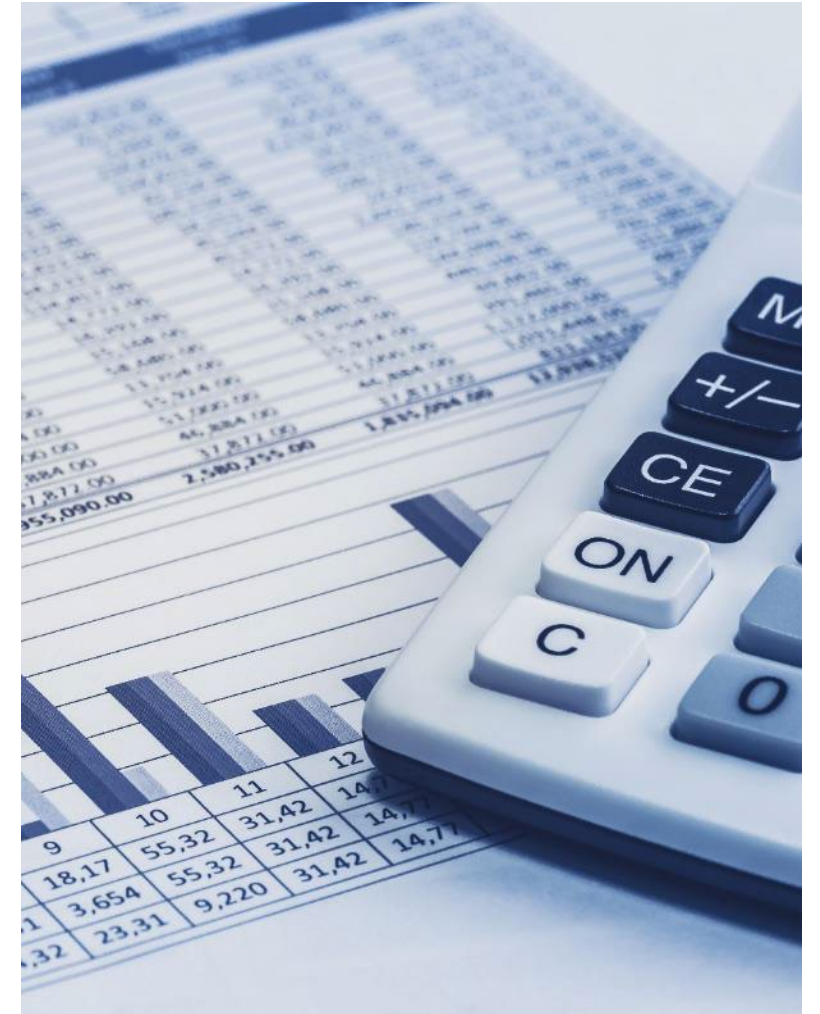
## Revised forms

Updated versions of Forms CAA-9, CAA-10, CAA-11, and CAA-12

### Action Points for Auditors

- Verify corporate structure and shareholding to confirm holding–subsidiary relationship.
- Confirm listing status of both entities and ensure the transferor is unlisted.
- Review board resolutions and scheme of merger for compliance with Section 233.
- Examine financial statements and ledgers to verify outstanding liabilities.
- Review repayment history to confirm absence of defaults.
- Issue and file Form CAA-10A, certifying compliance with financial thresholds and repayment status.

To access update on fast track mergers, please [click here](#)



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## Updates from NFRA

In course of NFRA's enforcement, review and monitoring activities, auditor's communication with Those Charged with Governance (TCWG) (including the Audit Committees) has been variously highlighted.

A need has been felt through these activities towards reinforcing the ways and means of communication between the Statutory Auditors and the Audit Committees in particular drawing upon the requirements in the Companies Act 2013, the two relevant Standards on Auditing (SA 260 (R) and 265), other related SAs and the Standard on Quality Control (SQC 1).

Therefore, in accordance with NFRA's obligations to suggest measures for improvement in overall audit quality and to promote awareness and significance of accounting and auditing standards, auditor's responsibilities, audit quality, and keeping in view NFRA's objectives of protecting public interest and investor protection, NFRA has commenced with this series of Auditor-Audit Committee Interactions, which will be issued on significant areas of accounting and auditing, from time to time.

### Series 1: Accounting estimates and judgements

- Part 1 deals with accounting estimates and judgements related to Expected Credit Loss (ECL)
- Part 2 deals with accounting estimates and judgements pertaining to the audit of Income taxes.

### Series 2- Audit strategy and audit plan

Series 2 highlights key themes for interaction between auditor and TCWG/ Audit Committee.

### Series 3 – Dealing with audit of related parties

### Series 4: Impairment of non-financial assets

On 30 September 2025, NFRA released the Auditor-Audit Committee Interactions Series 4. This edition focuses on the audit of accounting estimates and judgments, specifically the impairment of non-financial assets under Ind AS 36 and SA 540.

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Impairment assessments are critical to ensuring that assets are not overstated on financial statements. Unlike depreciation, which is a systematic allocation of cost, impairment reflects a sudden drop in an asset's recoverable value. NFRA's guidance helps auditors and audit committees navigate this complex terrain with clarity and accountability.

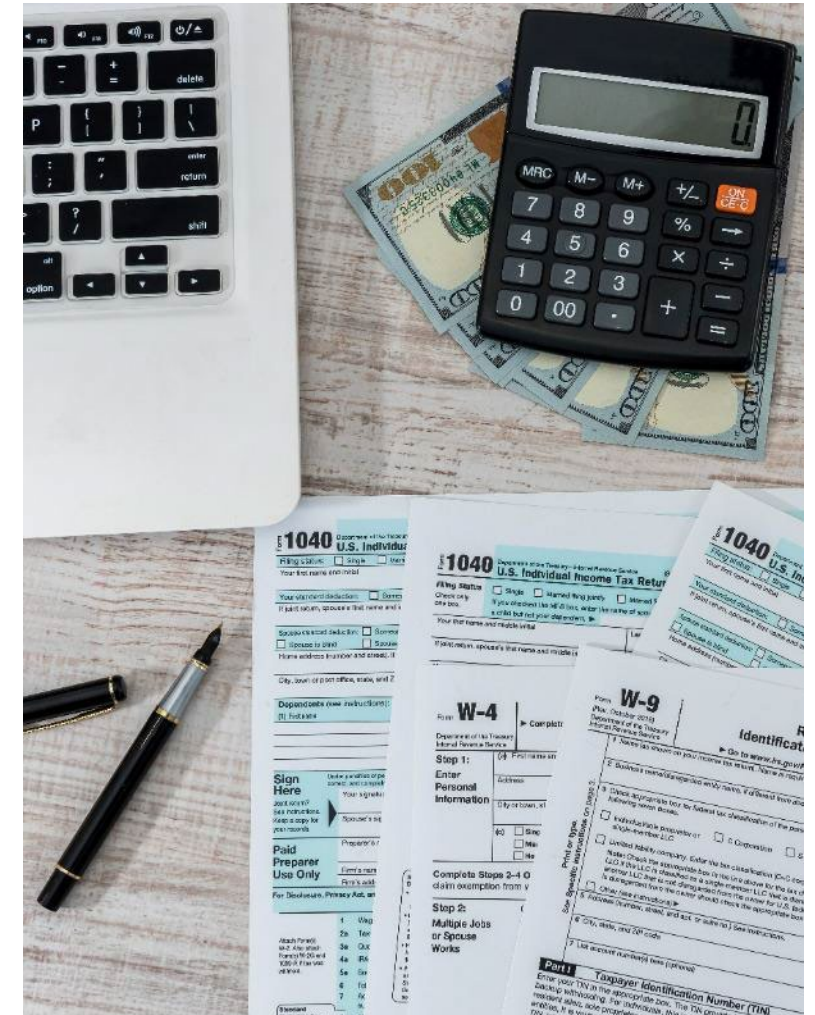
SEBI LODR specifically mandates the Audit Committee to review major accounting entries involving estimates based on the exercise of judgement by management.

Preparation and presentation (including disclosures) of financial statements requires the management to make estimates and judgements in the recognition/measurement of assets, liabilities, income and expenses.

## Action Point for auditors

- Evaluate impairment assessments under Ind AS 36 and SA 540 to ensure recoverable values of non-financial assets are accurately determined and disclosed.
- Review management's key estimates and judgments impacting major accounting entries, in line with SEBI LODR requirements for Audit Committee oversight.

To access NFRA update, please [click here](#)





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## Updates from SEBI

### SEBI LODR third amendment regulations, 2025

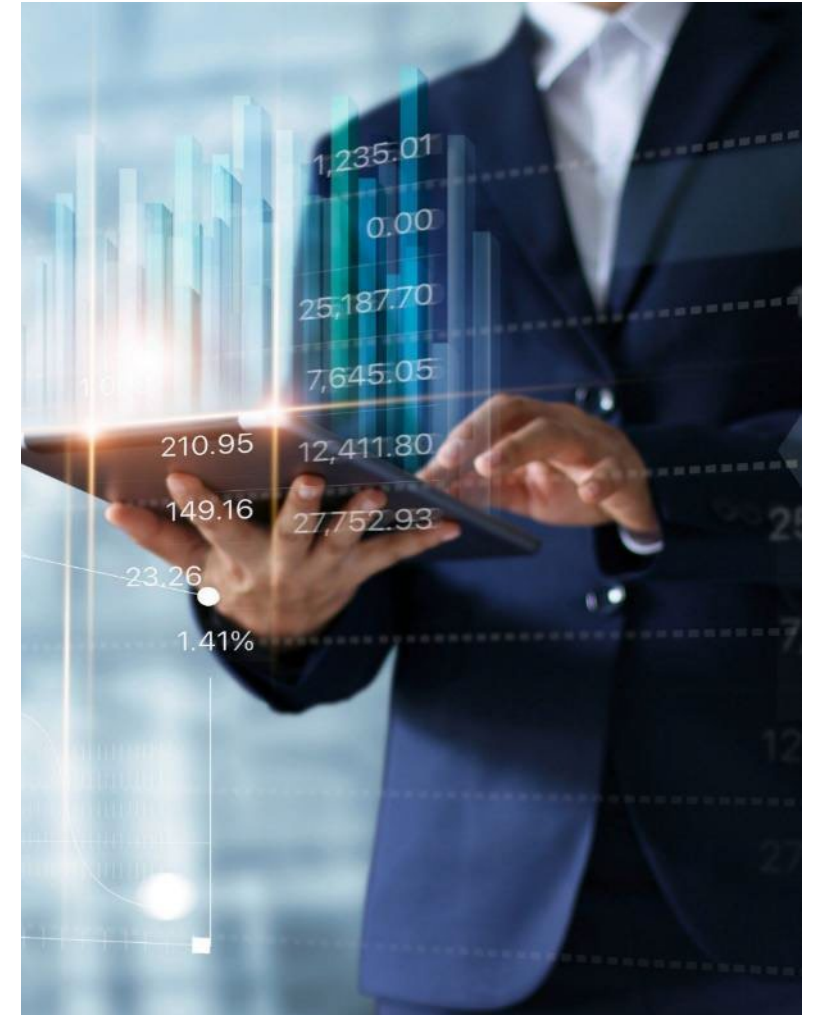
On 8 September 2025, the Securities and Exchange Board of India (SEBI) introduced the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2025, modifying the original SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Key changes include:

#### 1. Compulsory dematerialisation of securities (Regulation 39(2A))

A new sub regulation 2A mandates that any issuance of securities, whether through schemes of arrangement, subdivision, split, or consolidation, must be executed exclusively in dematerialised form. Additionally, investors without a demat account must open a separate account to receive such securities.

#### Action Points for Auditors

- Ensure compliance checks include demat account verification for all corporate actions involving securities.
- Update investor communication templates to reflect demat account requirements.



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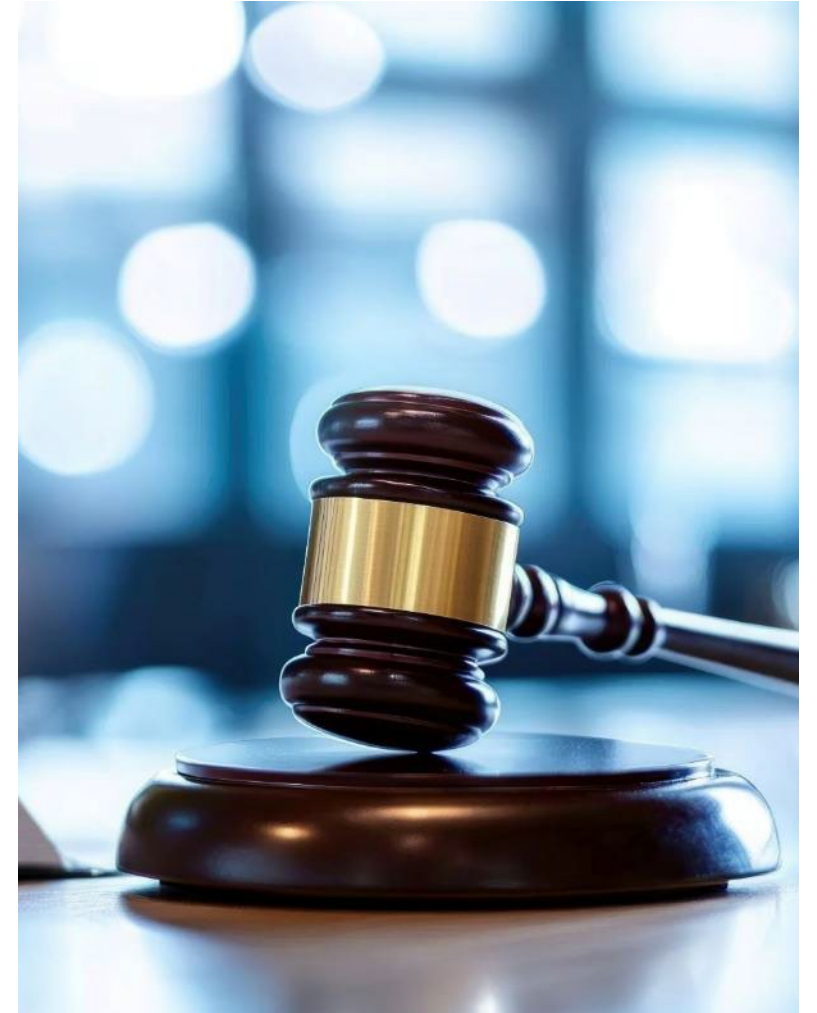
## 2. Annual disclosure requirements for Not-for-Profit Organisations (NPOs) (Regulation 91C)

NPOs listed or registered on Social Stock Exchanges (SSEs) were previously required to submit annual disclosures within 60 days of the financial year's end. The amendment now clarifies the annual disclosure deadlines as follows:

- **Financial disclosures:** Due by 31 October annually or by the income tax return filing deadline, whichever is later.
- **Non-financial disclosures:** Must be submitted within 60 days from the end of the financial year.

### Action Points for Auditors

- Align internal calendars and workflows with the revised disclosure deadlines.
- Coordinate with NPO clients to ensure timely submission of both financial and non-financial data.



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## 3. Impact reporting for Social Enterprises (Regulation 91E)

Earlier, all social enterprises, whether Social Stock Exchanges (SSE)-registered or Social Stock Exchanges (SSE)-funded—had to submit annual impact reports evaluated by Social Impact Assessors (SIAs) from designated firms. The updated regulations introduce the following revisions:

- The term 'firm' has been replaced with 'organisation' expanding eligibility to include Non Governmental Organization (NGOs) and other authorised entities.
- Only **listed projects** now require assessment by SIAs; **non-listed projects** may be self-certified.
- Impact reports must now cover **at least 67 per cent** of program expenditure from the previous financial year.
- A new sub-regulation (2A) stipulates that social enterprises registered on SSE but not raising funds through it, must submit **self-certified annual impact reports**. Furthermore, NPOs registered on SSE are allowed a two-year window to raise funds; failure to do so may result in cancellation of their registration.

### Action Points for Auditors

- Impact reporting should reflect the 67 per cent expenditure coverage rule.
- Review client portfolios to identify SSE-registered entities approaching the two-year fundraising deadline

To access SEBI LODR update, please [click here](#)





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## SEBI Board Meeting – September 2025: A comprehensive overview of key regulatory reforms

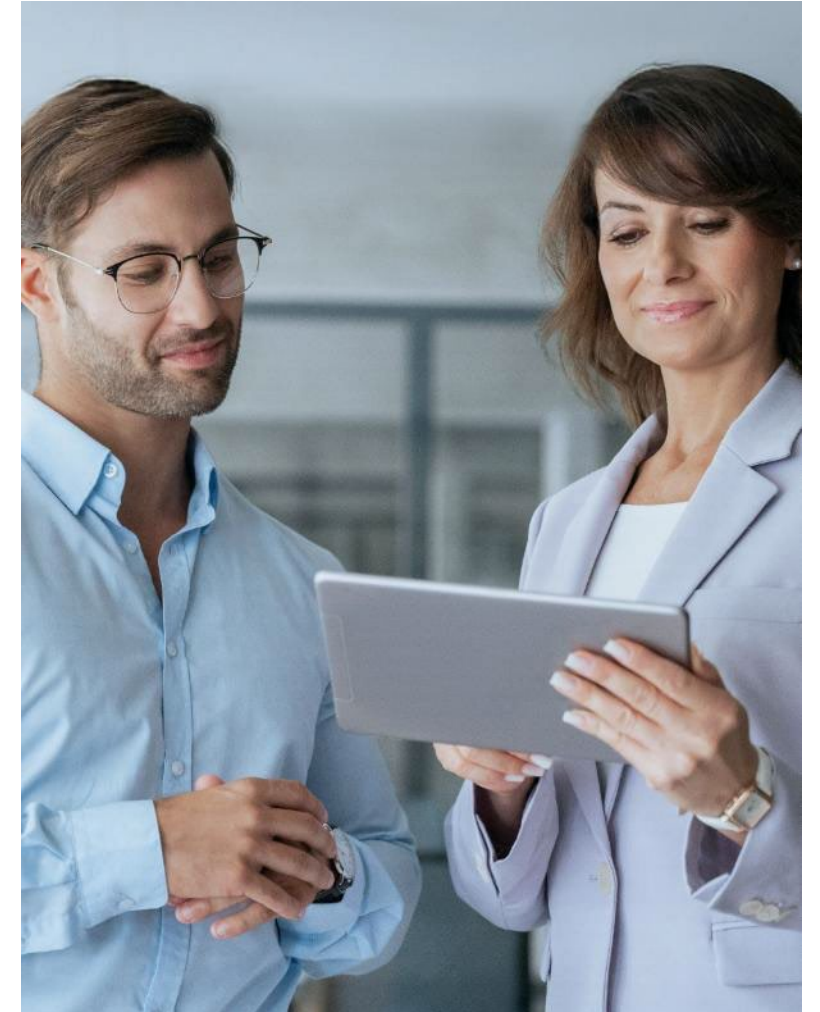
The Securities and Exchange Board of India (SEBI), in its pivotal September 2025 Board meeting, ratified a series of transformative regulatory amendments aimed at fortifying corporate governance, enhancing investor protection, and streamlining operational efficiency across India's capital markets. Below is a detailed exposition of the most consequential developments:

### 1. Overhaul of Related Party Transactions (RPT) Under LODR Regulations

SEBI has sanctioned sweeping revisions to the RPT framework within the Listing Obligations and Disclosure Requirements (LODR) Regulations, following extensive stakeholders' consultation. These recalibrations are designed to balance regulatory rigor with pragmatic business facilitation, particularly safeguarding the interests of minority shareholders.

#### A. Scale-based materiality thresholds

To replace the erstwhile uniform threshold of INR1,000 crore or 10 per cent of annual consolidated turnover (whichever is lower), which was considered to be material and required shareholders' approval, SEBI has instituted a nuanced, tiered structure for computing the materiality threshold for RPTs of a listed entity:



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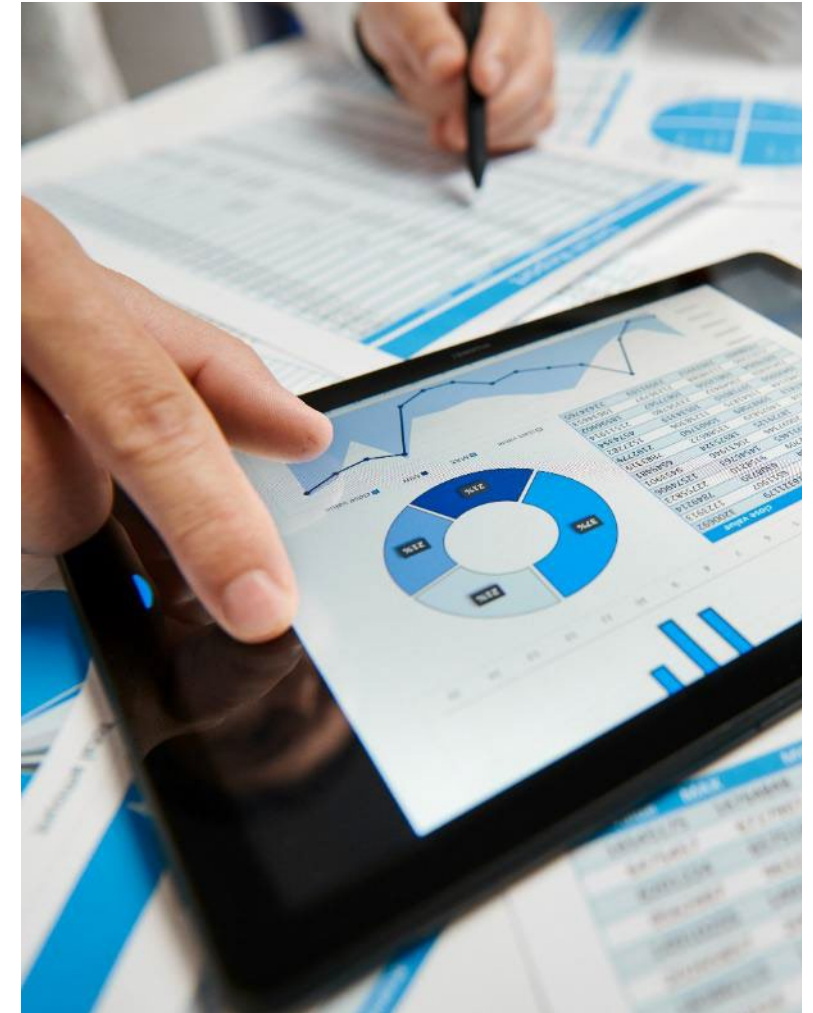


Annual consolidated turnover	Revised materiality threshold
Up to INR 20,000 crore	10% of annual consolidated turnover of the listed entity
INR20,001–INR40,000 crore	INR 2,000 crore + 5 per cent of annual consolidated turnover of the listed entity above INR20,000 crore
Above INR40,000 crore	INR3,000 crore + 2.5 per cent of annual consolidated turnover of the listed entity above INR40,000 crore or INR5,000 crore, whichever is lower

This stratified approach ensures proportional scrutiny aligned with the scale of operations.

## Action Points for Auditors

- Update audit checklists to incorporate the new tiered thresholds for material RPTs based on consolidated turnover.
- Verify correct computation of materiality thresholds by listed entities using the revised scale.
- Ensure shareholders' approvals are obtained for RPTs breaching the new thresholds.



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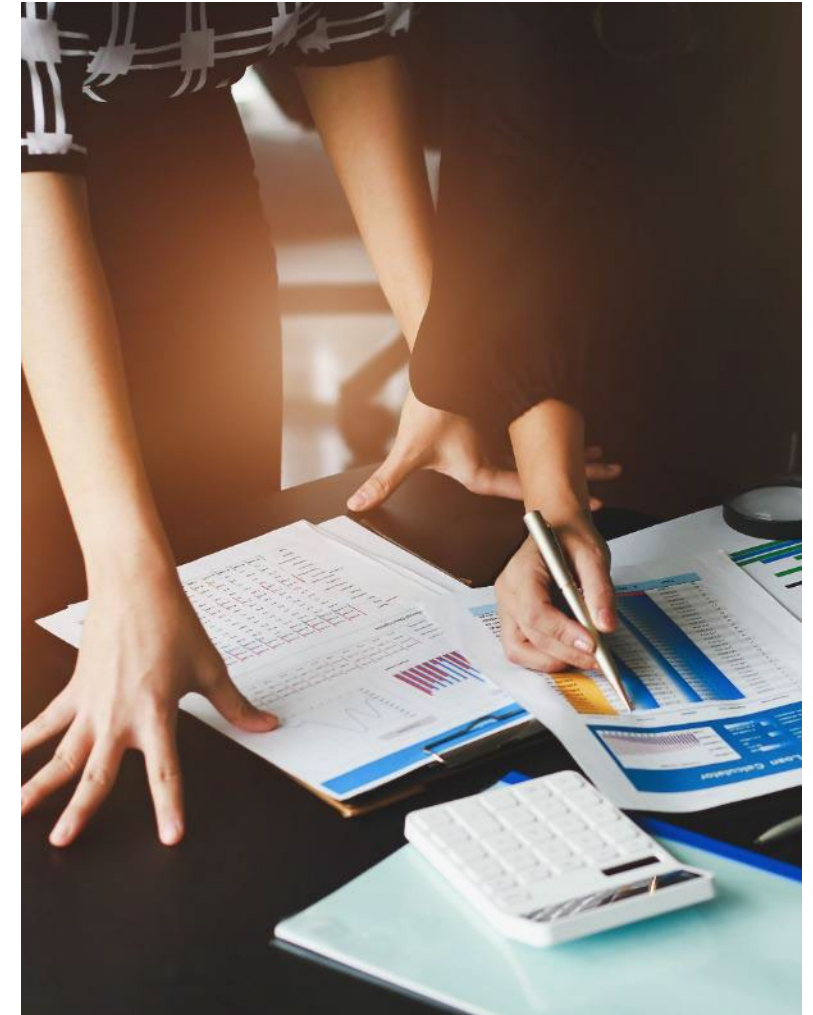


**B. Revised thresholds for approval by Audit Committee, for RPTs undertaken by subsidiaries:** SEBI has now harmonised the approval requirements for RPTs undertaken by subsidiaries of listed entities as follows:

- **For subsidiaries with audited financials:** Transactions exceeding INR1 crore and to which the subsidiary of a listed entity is a party require prior audit committee approval of a listed entity if the value of such transaction, whether entered into individually or taken together with previous transactions exceeds the lower of:
  - I. 10 per cent of the subsidiary's standalone turnover, or
  - II. The listed entity's materiality threshold (as per the table above).
- **For subsidiaries without audited financials (minimum one year):** Approval is mandated if the value of such transaction, whether entered into individually or taken together with previous transactions exceeds the lower of:
  - I. 10 per cent of the aggregate paid-up capital and securities premium of the subsidiary, or
  - II. The listed entity's materiality threshold.

## Action Points for Auditors

- Assess availability and reliability of audited financials for subsidiaries.
- Review audit committee minutes to confirm prior approvals for RPTs exceeding thresholds.
- Validate transaction values against both subsidiary turnover and listed entity thresholds to ensure compliance.





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## C. Streamlined disclosures for minor RPTs

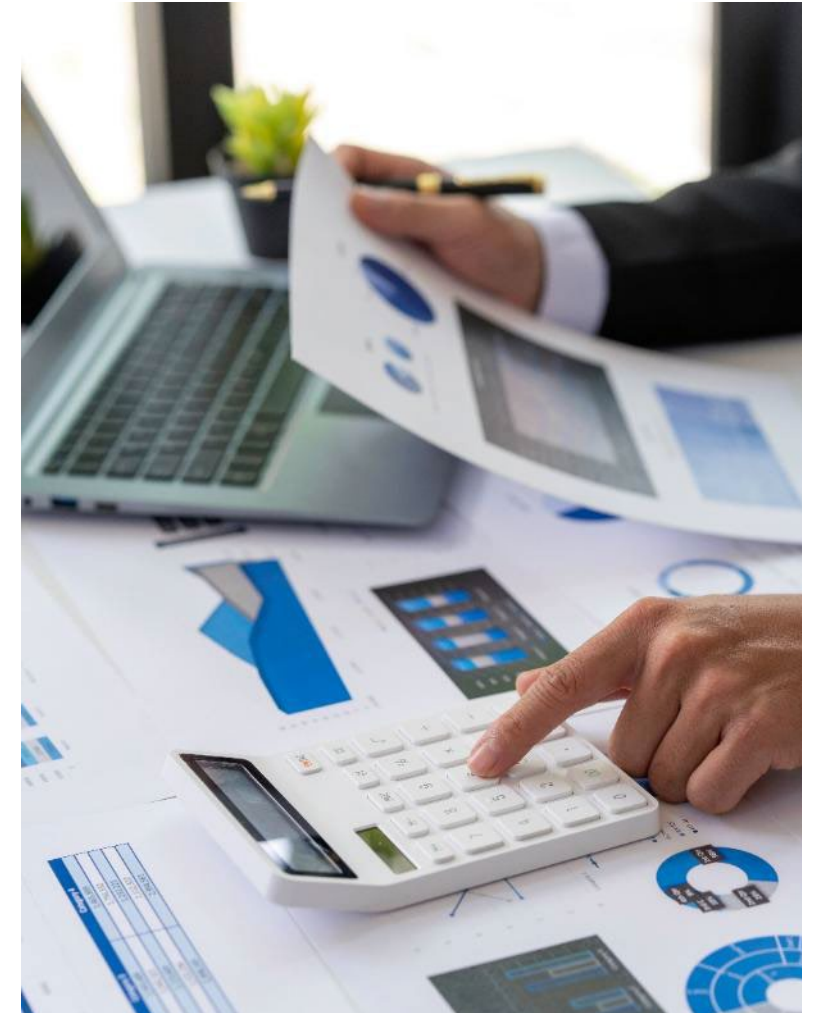
To alleviate compliance burdens for smaller transactions, SEBI will issue a circular delineating minimal disclosure requirements for RPTs not exceeding the lower of:

- 1 per cent of annual consolidated turnover, or
- INR10 crore (inclusive of ratified transactions).

This initiative exempts such RPTs from the stringent industry standards prescribed in SEBI's June 2026 circular.

### Action Points for Auditors

- Confirm adequacy of disclosures made to Audit Committees and shareholders for RPTs below the simplified threshold.
- Document rationale for applying relaxed standards to qualifying RPTs.



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## D. Validity of omnibus shareholders' approvals

Regulation 23(4) of the SEBI LODR has been realigned with the Para (C)11 of Section III of the Master circular on LODR, stipulating that omnibus RPT approvals granted in Annual General Meetings (AGMs) shall remain valid until the next AGM or for a maximum of 15 months whichever is earlier. Approvals from other general meetings will be valid for up to one year.

### Action Points for Auditors

- Track validity periods of omnibus approvals granted in AGMs and other general meetings.
- Ensure re-approval timelines are adhered to, especially for RPTs continuing beyond the validity window.
- Review AGM resolutions to confirm alignment with amended Regulation 23(4).

## E. Clarifications on RPT applicability

- Retail purchases: Transactions involving directors, KMPs, or their relatives purchasing goods from the listed entity or its subsidiaries, without establishing a business relationship and on terms uniformly applicable or offered to employees are exempt from RPT classification.
- Subsidiary transactions: Exemptions for dealings between a holding company and its wholly owned subsidiary apply solely when the holding company is itself listed.

### Action Points for Auditors

- Scrutinize retail purchases by directors/KMPs to confirm exemption criteria are met (no business relationship, uniform terms).
- Verify exemption eligibility for transactions between holding companies and wholly owned subsidiaries - ensure the holding company is listed.
- Update internal guidance notes to reflect clarified exemptions and avoid misclassification.

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## 2. Augmented Mutual Fund Access to REITs and InvITs

In a strategic move to invigorate capital flows and diversify mutual fund portfolios, SEBI has reclassified:

- REITs as 'equity' instruments, acknowledging their liquidity and equity-like characteristics
- InvITs retain their 'hybrid' status due to their private placement nature and stable cash flows.

This reclassification enables REITs to be included in equity indices, thereby enhancing visibility and attracting institutional capital. Moreover, the erstwhile joint investment cap for REITs and InvITs now applies exclusively to InvITs, unlocking greater headroom for fund inflows into infrastructure assets.

### Action Points for Auditors

- Review fund classification policies to ensure REITs are treated as equity instruments and InvITs as hybrid.
- Assess portfolio compliance with revised investment caps—ensure REITs and InvITs are segregated appropriately.
- Evaluate disclosures in fund documents to reflect reclassification and its implications for investors.
- Monitor inclusion of REITs in equity indices and assess impact on valuation and liquidity.

## 3. Compliance relief for entities with listed Non-Convertible Securities (NCS)

SEBI has approved amendments to Regulation 58(1)(b) of the LODR Regulations, offering pragmatic relief to issuers of listed NCS:

- Entities may now dispatch a letter containing a web link (and optionally a QR code) to access the annual report, in lieu of physical copies, for holders without registered email addresses.





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- This aligns with the Ministry of Corporate Affairs' relaxation under Section 136 of the Companies Act, 2013, and ensures compliance without penalisation, provided the financial documents are publicly accessible via advertisements under Regulation 52(8).
- This digitised approach reflects SEBI's commitment to sustainable and efficient disclosure practices.

## Action Points for Auditors

- Verify compliance with MCA Circular No. 09/2024 and SEBI's June 2025 circular for entities availing relaxation.

To access SEBI Board Meeting update, please [click here](#)



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## ESOP relief for promoter employees in an IPO

In a progressive move aimed at alleviating unintended hardships for senior employees during the Initial Public Offering (IPO) process, the Securities and Exchange Board of India (SEBI), in its June 2025 Board meeting, approved a proposal to extend relief under the employee benefit framework to individuals classified as promoters at the time of filing the Draft Red Herring Prospectus (DRHP).

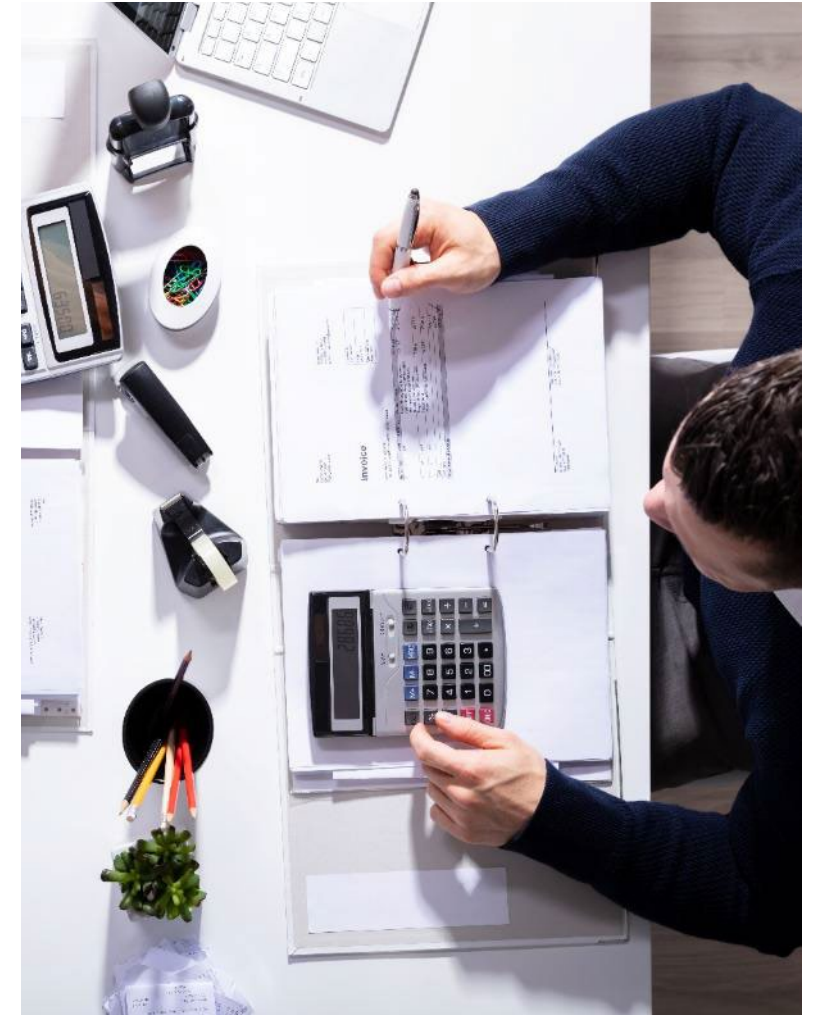
Subsequently, on 8 September 2025, SEBI notified the SEBI (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025, introducing a pivotal provision - Regulation 9A.

### Key highlights of Regulation 9A

- Eligibility extension: Employees who are designated as promoters or form part of the promoter group in the DRHP for an IPO are now permitted to retain and exercise stock-based benefits - such as Employee Stock Options (ESOPs), Stock Appreciation Rights (SARs), or other share-based entitlements.
- Temporal condition: This relief is applicable only if such benefits were granted at least one year prior to the filing of the DRHP with SEBI.

Legal compliance: The exercise of these benefits remains subject to the terms of the scheme and applicable statutory provisions.

To access update on ESOP relief by SEBI, please [click here](#)



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## ICDR Amendment Regulations 2025

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

### 1. Mandatory Demat Holding for Key Persons

- Expanded requirement for dematerialisation of shares before filing DRHP.
- Applies to promoters, selling shareholders, KMPs, senior management, QIBs, directors, employees, and others.
- Previously, only promoters were required to hold shares in demat form.

### 2. Holding Period for OFS Eligibility

- Only fully paid-up equity shares held  $\geq 1$  year before draft filing are eligible for OFS.
- Exemption extended to shares from conversion of CCS under approved schemes.
- Holding period includes pre- and post-conversion durations.

### 3. Flexibility in Minimum Promoters' Contribution (MPC)

- Securities acquired below IPO price in the past year are generally ineligible for MPC.
- Exemption now extended to entities like AIFs, FVCIs, banks, insurers, etc., if acquired under approved schemes.





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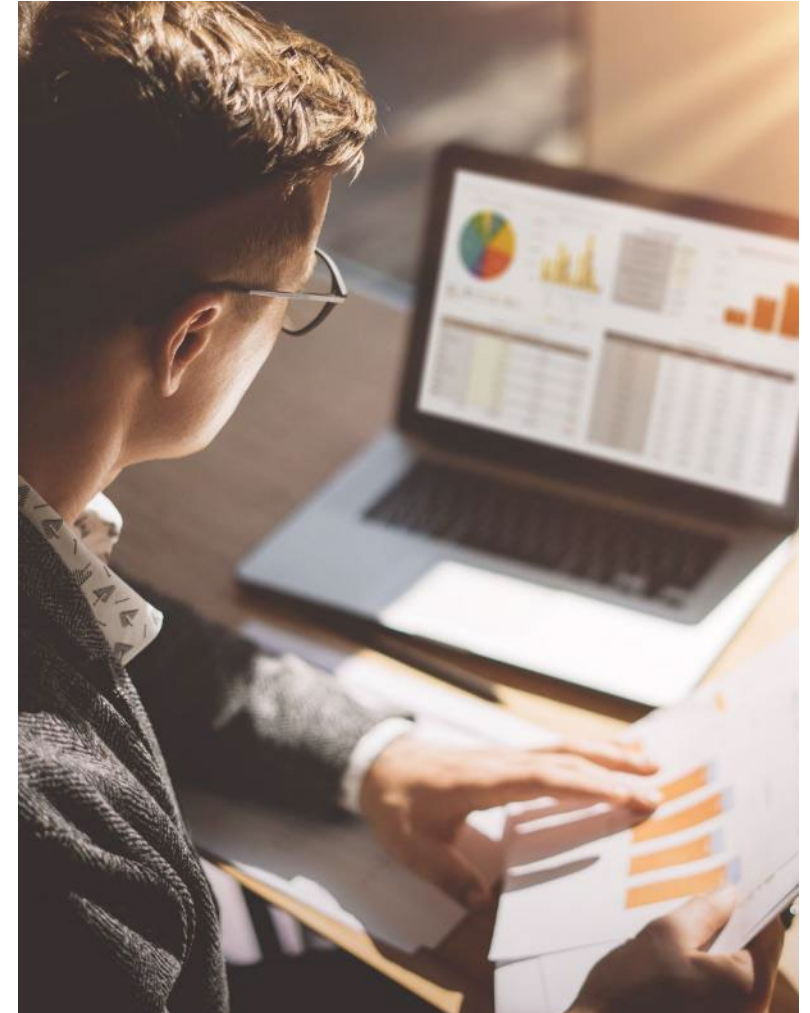
## 4. Enhancements to Social Stock Exchange (SSE) Framework

- **Expanded NPO Definition:** Includes registered trusts, societies, and Section 25 companies.
- **SIAO Introduction:** Replaces social impact firms; must employ qualified assessors.
- **Broader Fundraising Scope:** Aligned with CSR activities under Schedule VII of Companies Act 2013.
- **Fundraising Deadline:** Social enterprises must raise funds within 2 years of SSE registration.
- **Relaxed Eligibility:** NPOs exempt from sector-specific activity thresholds.

## 5. Simplified Placement Document Disclosures

- Focus on material risks and public issue objectives.
- Financial summaries replace full statements.
- Specific disclosures on legal proceedings and key personnel.
- Aims to reduce redundancy and improve investor clarity.

To access update on ICDR Amendment Regulations 2025, please [click here](#)



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## FAQ on applicability of the RPT Industry Standards

On 26 June 2025, SEBI introduced the *Industry Standards on Minimum Information for Review by the Audit Committee and Shareholders for Approval of Related Party Transactions (RPT Industry Standards)*. Effective from 1 September 2025, these standards mandate a consistent set of disclosures to enhance transparency and informed decision-making in related party transactions.

To support implementation, the National Stock Exchange of India (NSE) issued a comprehensive **Frequently Asked Questions** FAQ document on 4 September 2025. These FAQs offer interpretative guidance and practical clarity on the scope, applicability, and procedural expectations under the new framework. Together, these initiatives aim to strengthen corporate governance and align listed entities with SEBI's enhanced disclosure norms in India's capital markets.

To access update on FAQ on RPT, please [click here](#)

## The Income Tax Act 2025

The Income Tax Act, 2025, which received Presidential assent on 21 August 2025, replaces the long-standing 1961 Act and will take effect from 1 April 2026. It aims to modernise and simplify India's direct tax framework through the following key changes:

- **Simplified compliance:** A tech-enabled, structured system to ease tax filing and administration.
- **Unified tax year:** Replaces the dual Financial and Assessment Year with a single 'tax year' starting 1 April annually.
- **Expanded definition of Virtual Digital Assets (VDAs):** Now includes crypto-assets, non-fungible tokens (NFTs), and other notified digital assets.
- **VDAs as undisclosed income:** VDAs are explicitly classified under undisclosed income to enhance regulatory oversight.
- **Modernised recovery and appeals:** Streamlined procedures for tax recovery and dispute resolution.
- **Concise structure:** Reduced volume, clearer language, and illustrative tools for better interpretation and navigation.

To access update on Income Tax Act, please [click here](#)

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## GST 2.0 – Accounting and reporting considerations

The Goods and Service Tax (GST) Council, in its 56th meeting held on 3 September 2025, unveiled a transformative set of recommendations aimed at simplifying India's indirect tax framework and enhancing its inclusivity, transparency, and economic responsiveness. Some of the key changes are:

- Rationalisation of the current 4-tiered tax rate structure into a citizen-friendly 'simple tax' - a two rate structure
- Standard rate is 18 per cent and a merit rate of 5 per cent
- De-merit rate of 40 per cent for a few select goods and services

Focused on improved compliance, dispute resolution and simplified registration schemes for small businesses and e-commerce suppliers.

To access update on GST 2.0, please [click here](#)

## Action Points for Auditors

### 1. Assess Impact of rate rationalisation

- Validate classification of goods/services under the new two-tier structure (18% standard, 5% merit, and 40% de-merit rates).
- Review client pricing and invoicing systems for compliance with revised rates.

### 2. Verify compliance adjustments

- Check updates in tax computation engines and ERP systems for accuracy.
- Ensure transitional provisions for contracts and purchase orders are correctly applied.

### 3. Strengthen internal controls

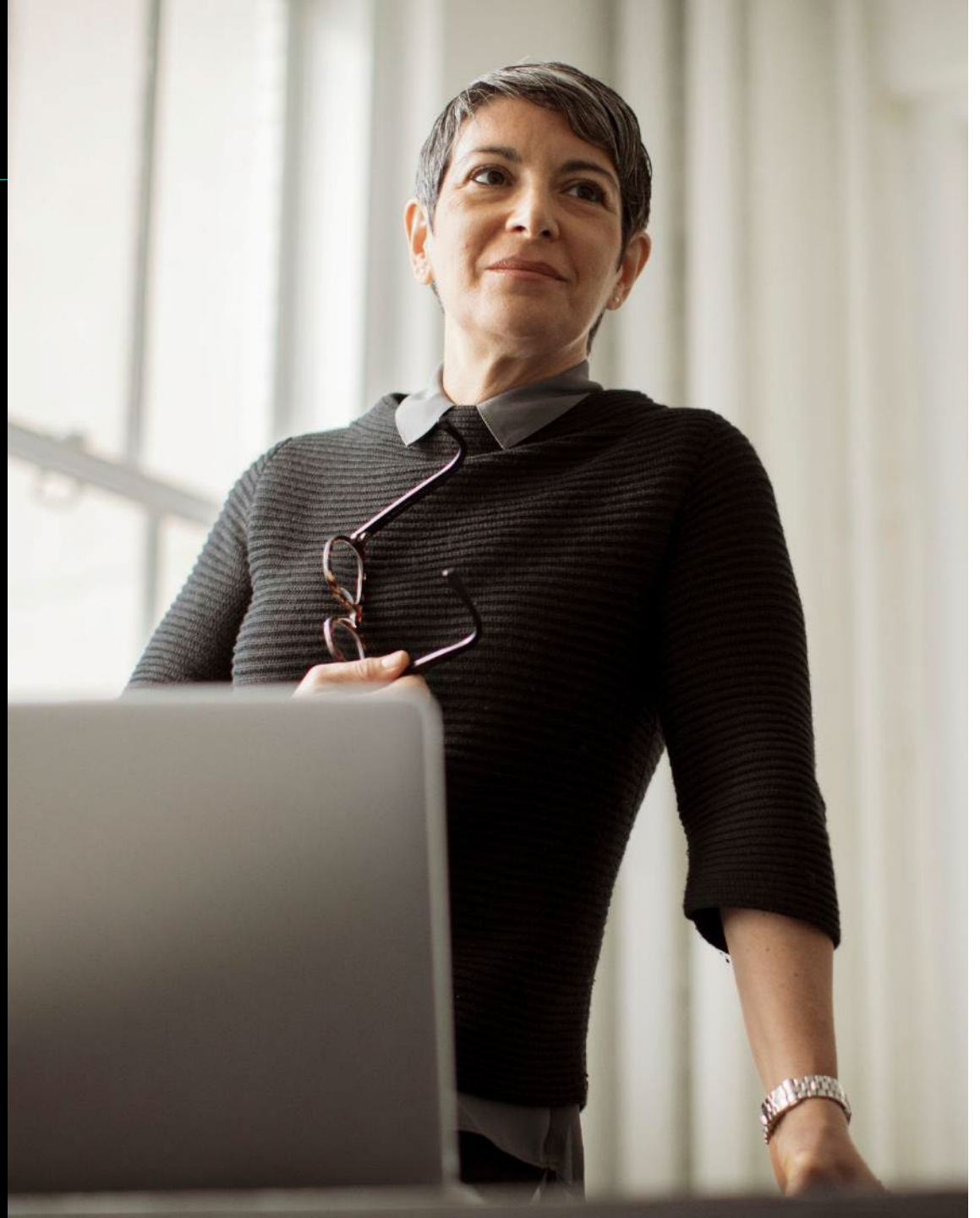
- Recommend periodic GST health checks to prevent misclassification and rate errors.
- Ensure audit trails reflect changes for transparency and accountability.



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## Updates from IAASB

### New resources to support ISSA 5000 adoption and implementation

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

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

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

To access the IAASB update please [click here](#)



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## IASB issues amendments to IFRS 19

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

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

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

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

To access IFRS update please [click here](#)

## Practice aid: accounting and auditing of digital assets

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

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

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

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

To access the update please [click here](#)







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