JURIS PRIME
LAW SERVICES

INSIGHTS @JPLS

October, 2025 | Issue No. 4

Table of Contents

A Word from Our Founder

The second quarter of the Financial Year 2025–26 has been a period of steady progress, despite certain challenges arising from current market conditions in the real estate sector. Through the dedication of our team and the enduring trust of our clients, we have continued to deliver quality outcomes.

I take this opportunity to appreciate the collective spirit demonstrated by our teams—their sense of togetherness, coordination across practice groups, and seamless handling of multi-disciplinary assignments reflect the strength of our organisational culture. We have also received valuable feedback from clients, and we are actively incorporating these inputs to further enhance the quality, responsiveness, and efficiency of our services.

This quarter has witnessed several transformative legal and regulatory developments:

- The Government of India has released the draft amendment bill to the Insolvency and Bankruptcy Code (IBC), referred to the Parliamentary Standing Committee, and is expected to be tabled in the upcoming Winter Session. Once enacted, the amendments are expected to further strengthen the resolution framework for corporate defaults and the CIRP ecosystem.
- With the introduction of new e-Forms, the Ministry of Corporate Affairs (MCA) has relaxed additional filing fees and extended the deadline for annual filings to 31st December 2025. Additionally, a one-month relief has been granted to Directors for filing DIR-3 KYC forms.
- SEBI has notified the Securities and Exchange Board of India (Foreign Portfolio Investors) (Amendment) Regulations, 2025.
- The Reserve Bank of India (RBI) has invited public comments on several draft regulatory proposals, aiming to strengthen financial governance and market stability.
- The deadline for filing certain Audit Reports pertaining to FY 2024–25 has been extended to October 31, 2025.
- The Ministry of Labour & Employment has authorised the Employees' State Insurance Corporation (ESIC) to use Aadhaar-based authentication to establish beneficiary identity and facilitate seamless delivery of social security benefits.

As we move into the next quarter, we remain committed to continuous improvement, disciplined execution, and delivering value-driven legal solutions across our practice areas.

I extend my gratitude to our clients for allowing us to be a part of your journey. Your challenges inspire us to innovate, and your trust strengthens our commitment to excellence. The professionalism, resilience, and tireless work ethic of our team continue to form the foundation of Juris Prime's success. Together, we are not only navigating the evolving legal landscape but also shaping it with integrity and foresight.

The year ahead holds tremendous promise, and I look forward to achieving and celebrating many more milestones with you.

V.V.S.N. Raju,
Founder & Managing Partner

Mr. V.V.S.N. Raju, Founder and Managing Partner of Juris Prime, is an acclaimed lawyer with over 32 years of legal expertise in Banking & Finance, Real Estate, Litigation, Foreign Investments, Debt Recovery, Employment and Corporate Laws.

About Us

Established in 2005 by **Mr. V.V.S.N. Raju**, **Juris Prime Law Services** has grown from a modest team of 6 lawyers to a formidable force of **over 25 lawyers** and **4 Partners**. Based in Hyderabad, Telangana, we are a **full-service** law firm renowned for our expertise, dedication, and client-centric approach. Over the years, we have built a reputation for delivering **solution-oriented** advice and handling complex legal matters with precision and efficiency.

Why Choose Us?

- **Client-Centric Approach**: We prioritize our clients' needs and deliver tailored legal solutions to help them achieve their business goals.
- **Expert Team**: Our team comprises young, diligent, and solution-driven lawyers with a deep understanding of the law.
- **Industry Recognition**: Consistently recognized as a leading law firm in Hyderabad and South India for our expertise in Banking, Finance, Corporate, Technology, Labour, and Real Estate.
- **Time-Bound Solutions**: We pride ourselves on delivering reliable and efficient legal services within stipulated timelines

Core Principles

Reliable & Effective

Clarity and Quality

Client Satisfaction

Integrity

Quick Turn-Around-Time

Our Accolades

- **Legal 500 Asia Pacific Guide 2025**:
  Leading Firm & Leading Partner (City Focus Hyderabad)

- **Chambers and Partners Asia-Pacific 2025:**
  Corporate/Commercial: Hyderabad

- **Legal Era - India's Ranked Lawyers 2024**:
  Leading Lawyer – Dispute Resolution
  Law firm of the year – Hyderabad (2023-2024)

- **Benchmark Litigation**:
  Notable Firm – Insolvency
  Notable Firm - City Focus - Hyderabad

- **Asian Legal Business 2024**:
  Top 15 Firms in South India

PART B: Legal Updates

National Level - Latest Law Updates

Company Law Updates

a. **Relaxation of additional fees and extension of time for filing Financial Statements and Annual Returns under the Companies Act, 2013 - without additional fees up to December 31, 2025.**
As the Ministry of Corporate Affairs **("MCA")** has updated and deployed thirty-eight (38) new e-forms on the MCA-21 Version 3 portal w.e.f July 14, 2025, including Annual Filing forms MGT-7, MGT-7A, AOC-4, AOC-4 CFS, AOC-4 NBFC (Ind AS), AOC-4 CFS NBFC (Ind AS), AOC-4 (XBRL).

Considering the request of the various stakeholders, MCA felt that the companies may require some time to get familarized with the filing process. MCA has issued General Circular No. 06/2025, dated October 17, 2025. MCA has allowed Companies time till December 31, 2025, to file Annual Returns and Financial Statements for the financial year 2024–25 without paying additional fees, owing to the new e-form implementation.

However, the circular does not extend statutory timelines for holding AGMs or for compliance under the Companies Act, 2013. Any filings made after December 31, 2025, will attract normal and additional fees as per the Companies (Registration Offices and Fees) Rules, 2014.

b. **MCA Provides One-Month Relief for Directors to File DIR-3 KYC Forms**
MCA, through **General Circular No. 05/ 2025 dated October 15, 2025**, has extended the deadline for filing **e-form DIR-3 KYC** and **web-form DIR-3 KYC-WEB** without payment of any filing fees up to **October 31, 2025**. This extension continues the relaxation provided under the earlier **General Circular No. 04/ 2025 dated September 29, 2025**, allowing directors additional time to complete their KYC compliance under the Companies Act, 2013.

c. **Companies (Indian Accounting Standards) Second Amendment Rules, 2025**
MCA, vide Notification G.S.R. 549(E) dated August 13, 2025, notified the Companies (Indian Accounting Standards) Second Amendment Rules, 2025, amending the Companies (Indian Accounting Standards) Rules, 2015. The amendments aim to update and harmonize Indian Accounting Standards (Ind AS) with relevant International Financial Reporting Standards (IFRS) while considering the Indian context. Key objectives include clarifying the classification of liabilities as current or non-current, providing guidance on supplier finance arrangements, incorporating transitional provisions for first-time adopters, and addressing disclosures related to international tax reforms under the OECD Pillar Two rules. The purpose of these changes is to enhance transparency, ensure consistency in financial reporting, improve comparability with global standards, and provide clarity for entities on the treatment of complex financial instruments, lease arrangements, and tax obligations.

Securities and Exchange Board of India Updates

a. The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019

The Securities and Exchange Board of India (SEBI) vide its Notification No. SEBI/LAD-NRO/GN/2025/254 dated August 11, 2025, notified the Securities and Exchange Board of India (Foreign Portfolio Investors) (Amendment) Regulations, 2025. The amendment primarily provides exemptions for Foreign Portfolio Investors (FPIs) who invest exclusively in Government Securities from certain provisions applicable under the SEBI (Foreign Portfolio Investors) Regulations, 2019. The objective of this change is to simplify compliance requirements for FPIs investing solely in Government Securities, thereby encouraging greater participation in government debt markets while maintaining regulatory oversight. By differentiating these investors from others, the amendment aims to promote ease of investment, enhance liquidity in government securities, and streamline regulatory processes without compromising investor protection or market integrity.

b. Securities and Exchange Board of India (Share-Based Employee Benefits and Sweat Equity) Regulations, 2021

The SEBI (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025, notified on September 08, 2025, introduce a new provision—Regulation 9A. This provision allows employees who are identified as "promoters" or part of the "promoter group" in a draft offer document for an IPO, and who were granted options, Stock Appreciation Rights (SAR), or other benefits under any scheme at least one year prior to filing the draft offer document, to continue holding and exercising those benefits. This continuation is subject to the terms of the scheme, compliance with SEBI regulations, and other applicable laws. The amendment came into force on the date of its publication in the Official Gazette.

c. Securities and Exchange Board of India (Employees' Service) Regulations, 2001

The SEBI (Employees' Service) (Amendment) Regulations, 2025, notified on September 08, 2025, amend the 2001 Regulations to update the framework for executive positions at SEBI. The amendments introduce the positions of Executive Director (Law/Litigation) and Executive Director (Information Technology), with clear guidelines on recruitment, age, and qualifications. For these roles, a maximum of three posts can be filled by deputation or contract, while the remaining posts are to be filled through internal promotions from relevant streams. The age for both positions is set between 40 and 55 years. The Executive Director (IT) must have either a Bachelor's degree in Engineering or a Bachelor's degree in any discipline with a postgraduate qualification of at least two years in computer science, computer application, or information technology, along with a minimum of 20 years of post-qualification experience in IT. Deputation for the IT role is permitted from the Government, RBI, banks, or financial institutions with the required qualifications and experience. These amendments are deemed effective from 18th June 2025.

d. Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

The Securities and Exchange Board of India (SEBI), through Notification F. No. SEBI/LAD-NRO/GN/2025/264 dated September 08, 2025, has issued the SEBI (Issue of Capital and

Disclosure Requirements) (Second Amendment) Regulations, 2025, amending the 2018 Regulations. The amendment introduces new definitions and clarifications for accredited investors, including those investing in angel funds. It updates provisions for dematerialization of securities, outlines specific conditions for sales of shares arising from court- or government-approved schemes, and expands categories of entities whose holdings must be dematerialized. The amendment also revises disclosure requirements in placement documents, including risk factors, capitalization statements, financial summaries, business and industry descriptions, board and senior management details, and material litigation. Additional clauses allow issuers to provide supplementary information at their discretion. These changes aim to enhance transparency, standardize disclosures, and protect investors in capital market offerings.

Reserve Bank of India Updates

a. RBI invites public comments on the draft "Reserve Bank of India (Asset Reconstruction Companies – Treatment of Wilful Defaulters and Large Defaulters) Directions, 2025"

Reserve Bank of India (RBI) has issued the draft Reserve Bank of India (Asset Reconstruction Companies – Treatment of Wilful Defaulters and Large Defaulters) Directions, 2025, under Section 12 of the *Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002* and Section 11 of the *Credit Information Companies (Regulation) Act, 2005*. These Directions aim to establish a uniform and transparent framework for reporting and monitoring wilful defaulters and large defaulters by Asset Reconstruction Companies (ARCs). The core objective is to ensure dissemination of accurate credit information to all lenders and Credit Information Companies (CICs) to prevent further institutional finance being extended to such entities.

Key Provisions

ARCs are mandated to submit monthly information to all CICs regarding (i) large defaulters—defined as borrowers with outstanding amounts of ₹ 1 crore and above (including unapplied interest), and (ii) wilful defaulters, both for **suit-filed and non-suit-filed accounts**. The reporting structure is detailed in Annex I and II, covering borrower details, promoters, guarantors, and suit status. Names of wilful defaulters can be removed only after full payment under compromise settlements, and not merely upon partial recovery. Further, ARCs acquiring defaulted loans must continue to report such accounts until recovery or write-off reduces exposure below ₹ 25 lakh. In cases resolved under the **Insolvency and Bankruptcy Code (IBC)** or RBI's resolution frameworks, names of defaulters and related management personnel must be removed after a change in control or management is implemented.

Compliance and Oversight

The draft Directions impose strict responsibility on ARCs to ensure **accuracy and correctness of reported information**, particularly borrower and director details, which must be verified through official registries. Guarantors who fail to honour invoked guarantees are to be similarly reported as defaulters. The Directions also repeal all earlier RBI instructions on treatment of wilful and large defaulters applicable to ARCs, consolidating them under this single regulatory framework. These provisions are intended to enhance accountability, improve transparency in the credit ecosystem, and align the ARC sector with broader RBI efforts to strengthen financial discipline and the integrity of India's credit information infrastructure.

b. Facilitation of External Trade and Payments – Amendment to Regulations:
RBI issued amendments to its foreign-exchange regulations to further ease cross-border trade and payment systems. The Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015, now allow exporters to hold export proceeds in foreign-currency accounts maintained in International Financial Services Centres (IFSCs) for up to three months before repatriation, instead of the prior one-month limit.

The Foreign Exchange Management (Borrowing & Lending) Regulations, 2018 have been amended to permit AD (Authorised Dealer) banks in India and their overseas branches to lend in Indian Rupees to residents and banking entities of neighbouring countries (specifically Bhutan, Nepal and Sri Lanka) to facilitate trade settlement.

c. Reserve Bank of India (RBI) Monetary Policy for 2025:
The Reserve Bank of India (RBI) announced its monetary policy decision on October 01, 2025. The RBI's Monetary Policy Committee (MPC) made a significant move by cutting the policy repo rate by 50 basis points to 5.50 %. The committee also reduced the Cash Reserve Ratio (CRR) by 100 basis points, signalling an effort to boost liquidity and stimulate credit growth. The stance of monetary policy was shifted from "accommodative" to "neutral", reflecting a shift from outright easing towards a more data-dependent approach.

Despite the rate cuts, the RBI maintained a balanced view of the economy: it revised inflation projections downward (to as low as 2.6-3.7% for FY 2025-26), suggesting that inflation is well under control. At the same time, it raised its growth forecast for India's GDP to 6.8% for FY 2025-26 on the back of strong domestic consumption, investment and a favourable external environment.

Tax & GST Law Updates

a. October 31, 2025, is the extended Timeline for Filing of Various Reports of Audit for Financial Year 2024–25 (for A.Y. 2025–26) CBDT - Circular No.: 14/2025, dt 05.09.2025
In exercise of the powers conferred under **Section 119 of the Income-tax Act, 1961**, the **Central Board of Direct Taxes (CBDT)** has extended the **'specified date'** for furnishing the **report of audit** under any provisions of the Act for the **Financial Year 2024–25** (relevant to **Assessment Year 2025–26**). The due date for filing such audit reports, which was earlier **September 30, 2025**, and now is **extended upto October 31, 2025**. This extension applies to those **required to get their accounts audited** under the provisions of the Act or under any other law.

b. Guidebook on Mapping of Harmonized System of Nomenclature (HSN) Codes
The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry, has released a Guidebook on Mapping of Harmonized System of Nomenclature (HSN) Codes as part of its ongoing efforts to strengthen India's domestic manufacturing ecosystem, enhance ease of doing business, and support sectoral development. This initiative is a step towards unlocking new opportunities for industrial growth and trade facilitation.

The **Harmonized System of Nomenclature (HSN)** is an internationally standardized system of names and numbers developed by the **World Customs Organization (WCO)** to classify traded products. The primary objective of HSN is to ensure uniform classification of goods in international trade, thereby facilitating accurate taxation, data collection, and global trade analysis. India adopted the HSN structure for both **Customs Tariff** and **Goods and Services Tax (GST)** to maintain consistency in product categorization, avoid ambiguity, and promote ease of doing business.

Mapping of HSN codes refers to the process of linking products or services with their appropriate HSN codes based on their characteristics, composition, and usage. Under the GST regime, the government mandates businesses to report the correct HSN codes while filing invoices and returns. This mapping helps in identifying the applicable tax rates, ensuring uniformity across industries, and avoiding classification disputes. Accurate mapping also assists in maintaining compliance and enhances the transparency of trade-related data for both domestic and international transactions.

The **Central Board of Indirect Taxes and Customs (CBIC)** regularly updates and aligns India's HSN code list with the global WCO updates to accommodate emerging products and technologies. For instance, new commodities like electric vehicles, renewable energy equipment, and digital goods are being categorized with appropriate HSN codes to reflect changing trade patterns. The integration of HSN codes into the **GSTN (Goods and Services Tax Network)** system further allows automated validation and efficient data analytics by tax authorities, improving accuracy in classification and compliance monitoring.

In conclusion, the mapping of HSN codes plays a crucial role in ensuring **standardization, tax consistency, and trade facilitation** across sectors. It bridges the gap between domestic tax systems and international trade standards, enabling businesses to classify their goods correctly and comply with regulatory requirements. Proper HSN mapping not only minimizes disputes and errors in taxation but also strengthens India's integration into the global supply chain by harmonizing its trade classification practices with international norms.

c. **Invoice-wise Reporting in Form GSTR-7, a new Functionality**
Vide Notification No. 09/2025 – Central Tax dated February 11, 2025, the Government amended Form GSTR-7 to enable invoice-wise reporting of Tax Deducted at Source (TDS). In this regard, the functionality for invoice-wise reporting in Form GSTR-7 has now been made operational on the GSTN portal. Accordingly, from the September 2025 tax period onwards, all TDS deductors are required to furnish invoice-level details for which TDS has been deducted while filing Form GSTR-7. The due date for filing Form GSTR-7 for the September 2025 tax period is 10th October 2025. All TDS deductors are, therefore, advised to prepare and validate data accordingly to ensure accurate and timely compliance.

d. File Pending GST Returns before Expiry of Three (3) Years
As per the provisions of the Finance Act, 2023, dated March 31, 2023, implemented with effect from October 01, 2023, vide Notification No. 28/2023 – Central Tax dated July 31, 2023, taxpayers will not be allowed to file GST returns after the expiry of three (3) years from the due date of

furnishing the said return. This restriction applies to returns filed under the following sections of the CGST Act, 2017:

- Section 37: Outward Supplies (GSTR-1, GSTR-1A)
- Section 39: Payment of Liability (GSTR-3B, GSTR-4, GSTR-5, GSTR-5A, GSTR-6)
- Section 44: Annual Return (GSTR-9, GSTR-9C)
- Section 52: Tax Collected at Source (GSTR-7, GSTR-8)

Key Advisory

1. Returns cannot be filed after three (3) years from their original due date.
2. This restriction will be implemented on the GST Portal from the October 2025 tax period.
3. Consequently, any return whose due date has crossed three years and remains unfiled as of the October 2025 tax period will be barred from filing.

Taxpayers are therefore advised to file all pending returns immediately, before the restriction comes into effect, to avoid compliance issues and penalties.

Employment & Labour Law Updates

a. Ministry of Labour & Employment Signs MoU with Zomato to Boost Gig Economy Opportunities

The Ministry of Labour & Employment (MoLE) has signed a Memorandum of Understanding (MoU) with Zomato on October 14, 2025, to enhance access to flexible, technology-enabled livelihood opportunities through the National Career Service (NCS) Portal. The MoU aims to strengthen the gig and platform economy by connecting job seekers, especially youth and women, with dignified employment avenues.

Under this MoU, Zomato will list around 2.5 lakh flexible livelihood opportunities annually on the NCS portal, thereby creating structured access to real-time income opportunities for gig workers and delivery partners. The collaboration supports the government's broader vision under the Pradhan Mantri Viksit Bharat Rozgar Yojana (PM-VBRY) and Viksit Bharat 2047, focusing on the formalization and social security of all workers. The Ministry highlighted that India's social security coverage has increased significantly—from 19% in 2015 to 64.3% in 2025, covering over 94 crore citizens—showcasing the nation's commitment to inclusive growth and worker welfare.

This partnership marks a key milestone in the Ministry's efforts to bridge the gap between job seekers and employers while fostering innovation and sustainability within the gig economy. The MoLE has previously signed similar MoUs with major organizations such as Amazon, Swiggy, Rapido, Zepto, and TeamLease, collectively creating over five lakh job opportunities in the last year. The addition of Zomato to this network reinforces the Ministry's mission to empower India's workforce through digital platforms, enhancing employment accessibility and promoting equitable economic growth across sectors.

b. Employees' Deposit-Linked Insurance (Amendment) Scheme, 2025

The Ministry of Labour and Employment vide its notification No. G.S.R. 476(E) dated July 18, 2025, notified the Employees' Deposit-Linked Insurance (Amendment) Scheme, 2025, to strengthen the social security protection available to employees and their families in the event of the employee's death during service. The changes aim to ensure that employees with lower provident fund balances or those with short or interrupted employment histories are not deprived of minimum assurance benefits. By introducing a guaranteed minimum benefit of ₹50,000, allowing a gap of up to sixty (60) days between employments to be treated as continuous service, and extending coverage to members of exempted provident funds who die within six months of their last contribution, the amendment enhances inclusivity and fairness in benefit distribution. Overall, the objective is to provide broader and more equitable insurance coverage, ensuring timely financial support to the dependents of deceased employees.

c. Employees' State Insurance Corporation (ESIC)

The Ministry of Labour and Employment, through Notification S.O. 3792(E) dated August 19, 2025, has authorized the Employees' State Insurance Corporation (ESIC) to use Aadhaar for the authentication of beneficiaries to establish their identity for the delivery of social security benefits. The purpose of this amendment is to leverage Aadhaar to simplify identity verification, reduce the need for multiple documents, promote transparency, and ensure efficient and effective governance of social welfare schemes. Aadhaar authentication is voluntary, and ESIC is required to obtain consent from beneficiaries while also providing alternative identification options such as a passport, PAN card, or driving license. This change aims to strengthen good governance, prevent misuse of benefits, and facilitate seamless access to social security services for eligible individuals.

Information Technology Law Updates

a. Information Technology Act, 2000

The Ministry of Electronics and Information Technology (MeitY) vide its Notification No. S.O. 3607(E) dated August 05, 2025, declared the computer resources related to the Government e-Marketplace (GeM) Platform, along with its associated dependencies, as "protected systems" under Section 70 of the Information Technology Act, 2000. The declaration aims to safeguard the critical information infrastructure of the GeM platform, recognizing its importance in ensuring secure, transparent, and efficient public procurement. The notification authorizes specific categories of personnel—including designated GeM employees, authorized service providers, and approved officials or auditors—to access the protected systems. The objective of this change is to enhance cybersecurity, prevent unauthorized access, and protect sensitive government procurement data from potential threats or misuse.

Telangana State

Latest Updates

a. Drone-Based Land Survey Pilot Project in Telangana

The Telangana Revenue Department has launched a **pilot project for drone-based land surveys** in five villages — **Salarnagar, Kommanapalli, Mulugumadu, Nuguru (G), and Shahednagar** — with the objective of modernizing and digitizing the state's land records system. This initiative marks a major step towards implementing advanced geospatial technologies under the Bhu Bharathi land management programme, aimed at achieving precision mapping, real-time boundary verification, and transparent land ownership documentation.

The pilot phase will enable the government to evaluate the accuracy, cost-effectiveness, and efficiency of drone mapping in comparison with traditional survey methods. The collected aerial imagery and GIS data will help in creating high-resolution cadastral maps, which will later be integrated with revenue, registration, and municipal databases to ensure uniformity and eliminate discrepancies in land titles.

Based on the success of this pilot, the government plans a statewide rollout of drone-based surveys across all districts. This project aligns with Telangana's vision of end-to-end digital land governance, ensuring faster mutation, reduced land disputes, and seamless public access to accurate land information. Once completed, it is expected to form the backbone of the state's future Land Titling and Property Registration System under the Bhu Bharathi framework.

b. Telangana RERA Tightens Financial Disclosure Norms for Developers

The Telangana Real Estate Regulatory Authority (TG RERA) issued a circular No. 3806/TG RERA/2025 (dated October 22, 2025) to address recurring delays in real-estate project execution caused by liquidity shortfalls, poor financial planning, and lack of contingency provisions among promoters. Exercising powers under Section 37 of the Real Estate (Regulation and Development) Act, 2016, read with Rule 14 of the Telangana RERA Rules, 2017, the Authority has made it mandatory for developers and chartered accountants to prepare and certify '*Report on Means of Finance' (RMoF)* in the revised Form 3. This aims to ensure that every project has a realistic, verifiable, and sustainable financial plan before registration and throughout its implementation.

Core Requirements

The circular explains that the RMoF is the financial backbone of every registered project, detailing estimated cash inflows and outflows. It must include clear projections for land cost, development expenses, borrowing plans, marketing costs, and repayment schedules. Promoters are required to demonstrate adequate liquidity, show proof of capital contribution, and furnish authenticated records of institutional loans and other borrowings. Importantly, the RMoF must remain cash-positive each quarter, incorporating contingency buffers for statutory dues and construction obligations. Chartered Accountants must certify these details under the revised Form 3, ensuring strict compliance with the *ICAI Guidance Note on Real Estate Transactions*. Any misrepresentation or false certification will invite penalties under Sections 61 and 63 of the RERA Act.

Compliance and Implementation
TG RERA has directed that all new project registrations must include a certified RMoF, while ongoing or already-registered projects must update and realign their existing RMoFs quarterly under Section 11 of the Act. The circular underscores that a properly certified and realistic Means of Finance is not just a statutory disclosure, but also a *risk-mitigation mechanism* to safeguard homebuyers and ensure timely completion. Promoters are urged to maintain disciplined fund utilization, as per Section 4(2)(l)(D), ensuring that project funds are used exclusively for the project's land and construction. The Authority has made this circular effective immediately, reiterating that financial transparency and disciplined reporting are central to protecting allottees and strengthening public trust in Telangana's real-estate ecosystem.

c. ***Enhancement of Life Tax in Transport and Non-Transport Vehicles* by the Transport Department of Telangana w.e.f. August 14, 2025**
The Government of Telangana, through G.O.Ms.No. 53, Transport, Roads & Buildings (Tr.I) Department, dated August 13, 2025, announced an enhancement of Life Tax on both *transport and non-transport vehicles*, effective from August 14, 2025. This amendment modifies the Third, Sixth, and Seventh Schedules of the Telangana Motor Vehicles Taxation Act, 1963, revising the one-time lifetime tax levied at the time of vehicle registration. The decision was taken to augment revenue for improving road infrastructure, safety systems, and enforcement mechanisms within the state.

Under the revised structure, the life tax rates have been increased across all vehicle categories. For two-wheelers, the new rates range approximately from 9% to 18% depending on the cost of the vehicle, while for non-transport four-wheelers, such as cars and jeeps, the rates vary between 13% and 21% for first-time personal ownership. In cases where the vehicle is owned by a company or registered as a second vehicle under the same owner, the life tax now falls within 15% to 25%, thereby imposing a higher financial burden on institutional and multiple-vehicle owners.

The revision is expected to impact vehicle buyers and dealers across Telangana, increasing the upfront cost of new registrations. Automobile dealers must update their quotations and registration estimates immediately to align with the revised slabs. The government has clarified that the enhanced rates apply strictly from August 14, 2025, onwards, meaning registrations completed before this date continue under the earlier rates. While the move is aimed at strengthening state transport infrastructure, it may temporarily slow vehicle sales and increase costs for individual and corporate buyers alike.

Part C: Recent Judgments & Legal Insights

SARFAESI Case Updates

1. **<u>Priority of Secured Creditors over state tax dues - Indian Overseas [In the matter of IOB Bank V. State of Gujarat and ORS (2025) ibclaw.in 2023HC]</u>**

<u>FACTS</u>
Indian Overseas Bank had granted credit facilities to Patel Woods Products Limited ("Borrower"), which were secured by creating an equitable mortgage over a large parcel of land.

When the Borrower defaulted and the account turned into a Non-Performing Asset (NPA), the Bank took symbolic possession of the property and conducted a public e-auction under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act). The successful bidder paid the full consideration and was issued a sale certificate. However, before the sale certificate could be registered, the Assistant State Tax Commissioner recorded a charge over the same property for recovery of the Borrower's outstanding tax dues under the Gujarat VAT Act. Due to this charge, the Sub-Registrar refused to register the sale certificate. Aggrieved, the Bank filed a writ petition challenging the tax authority's charge and asserting that, as a secured creditor under the SARFAESI Act, it had priority over state tax dues.

JUDGEMENT

The Hon'ble High Court examined the interplay between Section 26E of the SARFAESI Act, Section 31B of the Recovery of Debts and Bankruptcy (RDB) Act, and Section 48 of the Gujarat Value Added Tax Act. The Hon'ble Court held that the SARFAESI Act gives secured creditors statutory priority over government or state tax dues. Accordingly, the Bank's mortgage rights and the auction sale certificate took precedence over the subsequent tax charge. The Court quashed the tax authority's charge and directed the Sub-Registrar to register the sale certificate in favor of the auction purchaser. However, it clarified that the State Tax Department could still recover its dues from the Borrower's other unencumbered properties.

REASONING

The Court struck a balance between protecting public revenue and safeguarding the rights of secured creditors. It reaffirmed that once a security interest is created and enforced under the SARFAESI Act, state tax authorities cannot override or attach the same property for recovery of tax dues. This ruling reinforces the legislative intent behind Sections 26E (SARFAESI Act) and 31B (RDB Act), ensuring speedy debt recovery and maintaining financial discipline in lending transactions. The judgment also clarifies the limited powers of state tax authorities to record charges over already mortgaged or auctioned properties, thus preventing conflicting claims and ensuring smooth registration and mutation processes.

2. **MSME revival framework not an automatic shield against SARFAESI [Shri Swami Samarth Construction & Finance Solution & Anr. v. NKGSB Co-op. Bank Ltd. & Ors., (2025) ibclaw.in 244 drat]**

FACTS

Shri Swami Samarth Construction & Finance Solution, an MSME Borrower, had availed a loan from **NKGSB Co-operative Bank Ltd. (NKGSB)** and later defaulted, leading to the account being classified as a **Non-Performing Asset (NPA)**. The Bank then issued a **Demand Notice under Section 13(2) of the SARFAESI Act, 2002**, calling upon the borrower to clear the dues within 60 days.

The NKGSB argued that the Bank's action violated the **2015 Government Notification on the Framework for Revival and Rehabilitation of MSMEs**, which mandates certain pre-recovery procedures such as the formation of a committee and examination of the enterprise's viability.

However, the borrower had neither invoked the framework nor submitted the necessary documents to activate the Bank's obligations under it. The Borrower then approached the **Supreme Court** under **Article 32**, seeking to restrain the Bank from proceeding under the SARFAESI Act.

JUDGMENT

The Supreme Court dismissed the petition, holding that the **revival framework protections for MSMEs are not automatic**. The Court clarified that both parties, the Bank and the MSME, have specific duties. The Bank's obligation to initiate revival measures arises only when the MSME **formally claims the benefit of the framework** and provides valid documentation to support its claim. Since the petitioner had not done so, it could not claim protection under the MSME revival guidelines. The Court left the petitioner free to seek remedies before the **Debt Recovery Tribunal (DRT)** under **Section 17 of the SARFAESI Act**.

REASONING

The Supreme Court reaffirmed that **MSME protections are conditional, not presumptive.** It emphasized that MSMEs must take proactive steps and cannot rely on general claims to halt recovery actions. Banks, in turn, are not expected to independently verify every borrower's MSME status before enforcing their rights under the SARFAESI Act.

By referring to its earlier ruling in the *Pro Knits* case, the Court underscored that **mutual responsibility**, MSMEs must cooperate and follow due procedure, while banks must act fairly once a valid claim is made. The ruling discourages **last-minute defences and misuse of MSME status** to delay enforcement.

Overall, the decision promotes **a balanced and practical approach**, ensuring that while genuine MSMEs can access revival measures, the credit enforcement process under SARFAESI remains efficient and free from unnecessary litigation delays.

3. **Procedural compliance in SARFAESI Auctions, [In the matter of Bank of India V. Supreme Engineering Ltd. & Ors., (2025)]**

FACTS

Bank of India filed an appeal under **Section 18 of** the **SARFAESI Act** challenging the order of the Debt Recovery Tribunal (DRT), Mumbai, which had set aside the auction sale of a secured asset due to procedural lapses. The Respondents (Borrowers) had questioned the validity of the **Section 13(2) Demand Notice**, **Section 13(4) Possession Notice**, and the subsequent **Sale Notice**, alleging that the Bank had failed to give a clear thirty (30) days' notice period before publishing the sale notice, as required under **Rules 8(6)** and **9(1)** of the *Security Interest (Enforcement) Rules, 2002*. They also pointed out inconsistencies in the Earnest Money Deposit (EMD) amounts mentioned in different sale notices, which could confuse or mislead potential bidders.

JUDGMENT

The Hon'ble DRT found merit in the borrower's contentions and invalidated the sale process for non-compliance with the required notice period and for discrepancies in the EMD details. The

Bank appealed, arguing that there is **no legal requirement for a thirty (30) day gap between the issuance of notices** under Rules 8(6) and 9(1); rather, the only requirement is that there must be a *minimum of thirty (30) days between the date of publication of the sale notice and the date of auction.*

The Appellate Tribunal agreed with the Bank's interpretation regarding the notice period, clarifying that **concurrent issuance of borrower and public notices is legally valid** as long as the thirty (30) days pre-sale requirement is satisfied. However, it upheld the DRT's finding that **the discrepancies in the EMD amounts** constituted a serious procedural defect that could mislead bidders and undermine the fairness of the auction. Consequently, the appeal was dismissed, though the Bank was permitted to initiate fresh sale proceedings in compliance with the prescribed rules.

REASONING
The Supreme Court's decision reinforces the importance of both **procedural compliance and transparency** in the enforcement of security interests under the SARFAESI Act. The Court clarified that the purpose of the Rules is not to create rigid technical barriers but to ensure that borrowers and potential bidders receive fair notice and accurate information. While procedural flexibility is allowed to expedite recovery, **accuracy and consistency in sale notices,** especially regarding key details like EMD amounts, are essential to protect bidder confidence and uphold the integrity of the auction process.

The Court further observed that **minor procedural irregularities may not vitiate a sale**, but fundamental lapses that affect bidder participation or transparency will render the sale invalid. This decision thus strikes a balance between **efficient debt recovery** and **fair procedural standards**, providing clear guidance to banks, DRTs, and auction purchasers on maintaining credibility and legal validity in SARFAESI sale proceedings.

INCOME TAX Case Updates

1. **Mandatory Reporting of High-Value Cash Transactions under the Income Tax Act, 1961**

The Supreme Court recently reinforced the scope and enforcement of Sections 269ST and 271DA of the Income Tax Act, 1961, which prohibit any person from receiving ₹2,00,000 or more in cash — either in a single transaction, in aggregate from a person in one day, or for a single event or occasion — except through an account payee cheque, bank draft, or electronic mode. The Court emphasized that the legislative intent behind these provisions is to discourage cash-based transactions, promote digital payments, and curb the circulation of black money. Any violation of Section 269ST attracts a penalty under Section 271DA, which empowers the Income Tax Department to impose a penalty equal to the amount received in contravention of the law.

The Court, while examining a property dispute involving a charitable trust in possession since 1929, noted that the respondents' alleged sale agreement of 2018 — claiming ₹75,00,000 in cash — was prima facie in violation of Section 269ST. The Supreme Court set aside the High Court's order, dismissed the respondents' suit as speculative and defective, and held that such high-value cash transactions must be reported to the jurisdictional Income Tax Authorities for verification of compliance. The judgment made it clear that Courts are duty-bound to report any suit or proceeding disclosing receipt of ₹2,00,000 or more in cash, and Sub-Registrars must report all documents presented for registration that indicate such payments.

In a significant administrative direction, the Supreme Court instructed the Registrar (Judicial) to circulate a copy of the judgment to all High Court Registrar Generals, Chief Secretaries of States and Union Territories, and the Principal Chief Commissioner of Income Tax for strict compliance. It further directed that disciplinary action be initiated by the Chief Secretary against any official — including court staff or Sub-Registrars — who fails to report such transactions. This decision thus strengthens the enforcement mechanism for monitoring high-value cash dealings, ensures inter-departmental accountability, and upholds the integrity of the Income Tax law by mandating proactive reporting of violations.

2. **Reassessment Based Solely on Audit Objection Constitutes Mere Change of Opinion: ITAT Quashes Reopening in Income Tax Case**

The Income Tax Appellate Tribunal (ITAT), Delhi Bench, recently held that reopening an assessment solely on the basis of an audit objection without any new tangible material constitutes a mere change of opinion and is therefore invalid under Section 147 of the Income Tax Act, 1961. The ruling came in the case of *Samtel India Ltd. v. DCIT*, concerning Assessment Year 2007–08, where the assessee's original scrutiny assessment had been completed under Section 143(3). Later, the Assessing Officer (AO) reopened the case to disallow a claim of bad debts amounting to ₹3.69 crore, citing an audit party's observation as the reason for belief that income had escaped assessment.

The Tribunal noted that the reasons recorded for reopening merely reproduced the audit objection verbatim, and no new material, information, or external input was brought on record by the AO to justify the reopening. The ITAT emphasized that an audit objection is not "information" as contemplated under Section 147 and cannot independently form the basis of a valid reassessment. The AO must have its own independent "reason to believe" based on tangible material not previously considered during the original assessment. Where all primary facts were already before the AO and examined during scrutiny, reopening amounts to reviewing one's earlier decision, which the law prohibits.

In reaching its conclusion, the ITAT relied on the landmark Supreme Court judgment in *CIT v. Kelvinator of India Ltd.* [(2010) 320 ITR 561 (SC)], which established that mere change of opinion cannot justify reopening of an assessment. The Tribunal also referred to decisions such as *Indian and Eastern Newspaper Society v. CIT* [(1979) 119 ITR 996 (SC)] and *Usha International Ltd. v. CIT* [(2012) 348 ITR 485 (Del.) (FB)] to reinforce that audit objections do not constitute new information. The Tribunal, therefore, quashed the reassessment notice and order, holding the reopening invalid and contrary to settled principles of reassessment jurisprudence.

Key Takeaways and Practice Implications

1. **Audit objection ≠ tangible material:** An audit party's note pointing out an alleged error in law or fact cannot be the sole basis for reopening; the AO must form an independent opinion.
2. **"Reason to believe" requires new material:** Reopening after a full scrutiny assessment is justified only when new, credible, and tangible information emerges post-assessment.

3. **Prevention of administrative overreach:** The ruling safeguards taxpayers from arbitrary reassessments triggered by internal audit objections, ensuring that reassessment does not become a disguised review mechanism.

4. **Compliance checklist for AOs:**
   - Record independent satisfaction with supporting material.
   - Avoid mechanical reproduction of audit notes.
   - Ensure reasons are based on new facts not previously considered.

This decision reaffirms the judicial stance that **finality of assessment must be respected**, and reopening cannot be resorted to for rectifying audit-based disagreements or reinterpretations of law already considered during the original assessment.

INSOLVENCY AND BANKRUPTCY Case Updates

1. **Property Tax vs. Insolvency Law: municipal authority can enforce the Property tax (statutory charge) independently, i.e., outside the IBC liquidation waterfall.**
Under Section 232 of the Kolkata Municipality Corporation Act, the outstanding property tax on lands and buildings becomes a **statutory first charge** on the land or building belonging to the person liable. The tax liability attaches to the property itself rather than merely being a personal claim against the owner. The Calcutta High Court held that in an auction sale of assets of a corporate debtor under the IBC liquidation process, Kolkata Municipality Corporation (KMC) is entitled to insist on payment of pre-sale tax arrears before effecting mutation of the property.
The court further observed that when a statutory charge such as that under Section 232 exists, the municipal authority may enforce the charge **independently**, i.e., outside the IBC liquidation waterfall, and that in such a scenario, there is **no inconsistency** between the IBC regime and the KMC Act's statutory charge framework. Accordingly, the override provision of Section 238 of the IBC (which generally provides that the IBC overrides any inconsistent law) was held **not to be attracted** in the facts of the case. The court emphasised that the "as-is where-is" nature of the sale, coupled with clear disclaimers in the sale notice, placed burden of due diligence on the buyer/auction-purchaser.

The practical takeaway: for purchasers acquiring property (especially via IBC-led liquidation auctions) within KMC jurisdiction, the risk of **pre-existing property-tax arrears** attaches to the asset if Section 232 applies. Purchasers cannot assume that the IBC process automatically cleanses such liability. On the municipal side, KMC's power to refuse mutation or withhold registration/transfers until arrears (including those of a predecessor-in-interest) are cleared draws strength from both Section 183(5) (as amended) and Section 232 of the KMC Act. The decision reinforces the need for auction purchasers to conduct thorough due-diligence on tax/encumbrance status and for liquidators to prominently disclose such liabilities in the sale documentation.

2. **Can a Financial Creditor correct or amend the date of Default in an Insolvency Application?**
In the case of Indian Bank vs. Nipun Verma, the NCLT Mumbai Bench clarified that *no fresh cause of action arises* merely because a financial creditor corrects or amends the date of default in its insolvency application under the Insolvency and Bankruptcy Code (IBC). The Bench observed

that such a correction is procedural in nature and does not amount to introducing a new or distinct claim.
The underlying debt and default already exist; therefore, stating the accurate date only serves to reflect the true facts of the case rather than creating a new legal basis for action.

The Tribunal further held that allowing the amendment of the date of default does not revive or validate a time-barred claim but ensures that the application accurately represents the chronology of default for proper adjudication. This judgment emphasizes the importance of substance over technicality in insolvency proceedings — where genuine corrections intended to present the correct factual matrix should not be treated as introducing a new cause of action. It thus reinforces a pragmatic approach, ensuring that procedural rectifications do not obstruct the course of justice under the IBC framework.

3. **Application filed under the IBC on Pro-forma or draft invoices cannot form the basis of initiation of insolvency proceedings. [**In Kalpana Construction Company vs. Corrtech Energy Ltd. - NCLT– Ahmedabad Bench]:
The Tribunal held that **pro-forma invoices** issued by the financial creditor did *not* amount to a binding obligation or constitute a valid "debt" for the purposes of initiating an insolvency application under the Insolvency & Bankruptcy Code, 2016 (IBC). The reasoning was that since the pro-forma invoices were not accepted or converted into enforceable invoices, and the debtor did not record a corresponding liability, the alleged default could not be legitimately proved.
Accordingly, the Tribunal found that the application filed under the IBC was defective and liable to be dismissed at the threshold because the creditor failed to demonstrate a proper "debt + default" as required. This underscores the principle that for an insolvency petition to proceed, the claim must rest on a legally enforceable obligation rather than mere illustrative or preliminary documents such as draft or pro-forma invoices.

ARBITRATION Case Updates

1. **Arbitral Tribunal Cannot Override Contractual Venue Agreed by Parties: Telangana High Court.**

The Telangana High Court, comprising Justice M.S. Ramachandra Rao and Justice G. Pullaiah, dealt with a writ petition No. 30363 of 2025 filed under Articles 226 and 227 of the Constitution of India challenging a procedural order passed by an ICC Arbitral Tribunal in I.C.C. Case No. 27426/HTG. The arbitral tribunal had decided to shift the venue of the "closing hearing" from New Delhi, India, to the International Dispute Resolution Centre (IDRC) in London. The petitioner, who was the respondent in the arbitration, argued that this decision was perverse, lacked jurisdiction, and violated the arbitration agreement, which explicitly fixed Hyderabad, India, as the venue under Clause 9.3.5 and Clause 41 of the contract.

The Court observed that under Section 20 of the Arbitration and Conciliation Act, 1996 and Article 18 of the ICC Rules, the "place" or "venue" of arbitration must respect the parties' agreement and the convenience of both sides, not merely that of the arbitral tribunal. It noted that the tribunal ignored the petitioner's email suggesting Hyderabad as an alternate venue and instead relied on cost comparisons to justify the London shift. The judges found this reasoning flawed, especially since four out of the five parties were based in India. The Court held that such a unilateral change of venue violated the contractual terms, was perverse and lacking in inherent jurisdiction, and ran contrary to both the Arbitration Act and the ICC Rules.

Finding the petitioner's case exceptional, the High Court invoked its limited constitutional jurisdiction to prevent a potential injustice. It directed the arbitral tribunal not to proceed with bookings or arrangements at IDRC, London, while allowing the arbitration itself to continue. The Court clarified that the parties could mutually explore Hyderabad or New Delhi as suitable alternative venues and kept the issue of maintainability open for later consideration. The matter was listed for further hearing on 23 October 2025.

2. **Demurrage Claim Not an Actionable Debt: AP High Court Denies Interim Attachment for Undetermined Liquidated Damages under Section 9 of the Arbitration Act, 1996 - Andhra Pradeesh High Court {*Zion Shipping Ltd. v. Sarala Foods Pvt. Ltd. & Ors.*,** *International Commercial Arbitration O.A. No. 5 of 2024*}

An application is filed by *Zion Shipping Ltd.*, a Hong Kong-based company, under **Section 9 of the Arbitration and Conciliation Act, 1996**, seeking interim protection in the form of attachment of 1,600 metric tons of rice loaded at the Kakinada Port and a direction to the respondents, *Sarala Foods Pvt. Ltd.* and others, to furnish security of **USD 296,326.74** pending arbitration proceedings in Singapore. The claim arose out of a **fixture note (charter-party agreement)** dated 12 March 2021 for the carriage of rice from Kakinada to Ho Chi Minh City, Vietnam. Zion Shipping claimed demurrage for the delay in unloading the cargo and alleged non-payment of the amount due under the contract.

Sarala Foods Pvt. Ltd. & Ors opposed the petition, arguing that the claim was for **liquidated damages**, not an existing debt, and that liability had yet to be adjudicated by the arbitral tribunal. They contended that under **Order 38 Rule 5 CPC**, attachment before judgment could not be granted unless the applicant proved that the respondents were attempting to dispose of their property to defeat a potential award. The respondents further argued that the petitioner had slept on the claim for nearly three years and failed to demonstrate urgency or any specific material showing that the respondents intended to dissipate their assets.

After examining the record and referring extensively to precedents, including *Essar House Pvt Ltd v. Arcelor Mittal Nippon Steel India Ltd.* (2022 SCC Online SC 1219), *Sanghi Industries Ltd v. Ravin Cables Ltd.* (2022 SCC Online SC 1329), and *Raman Tech & Process Engg. Co. v. Solanki Traders* (2008 2 SCC 302), the Hon'ble Andhra Pradesh High Court reiterated that an order of attachment is a **drastic and extraordinary remedy**. It should be exercised sparingly and only when the applicant establishes a strong *prima facie* case, a balance of convenience, reasonable expedition, and proof of an intent by the opposite party to frustrate execution of an award. The Court observed that although Zion Shipping may have a contractual claim, its failure to act promptly since 2021 and the absence of concrete evidence regarding dissipation of assets disentitled it from interim relief.

Consequently, the High Court **vacated the earlier ex parte order of attachment** dated 23 April 2024 and directed the **return of the security amount of USD 296,326.74** deposited by the first respondent. It held that liquidated damages for demurrage could not be treated as an actionable debt until the arbitral tribunal determined liability and quantified damages. The decision underscores judicial restraint in granting pre-award attachments and reaffirms that Section 9 applications must satisfy the substantive preconditions of **Order 38 Rule 5 CPC**, ensuring that interim relief is not misused to convert an unsecured contractual claim into a secured one.

PROPERTY LAW - TENANCY Case Updates

1. Tenant Cannot Dispute Landlord's Title During Tenancy Despite Alleged Forged Will

[Delhi High Court in **Naseem Ahmed v. Deepak Singh** (2025)]

In this case, the respondent-landlord (Deepak Singh) sued the appellant-tenant (Naseem Ahmed) for possession of a shop premises measuring 7½ × 14½ ft in Karawal Nagar, Delhi, seeking arrears of rent, mesne profits and injunction. The tenancy was admittedly inducted by the landlord's mother, and the premises did not fall under the protection of the Delhi Rent Control Act, 1958 (DRC Act). The Commercial Court granted a summary decree under Order XII Rule 6 of the Code of Civil Procedure, 1908 (CPC), holding that the three conditions for relief under that rule were satisfied: an admitted landlord-tenant relationship, notice of termination, and non-application of the DRC Act. The tenant appealed, challenging both the pecuniary jurisdiction of the court and the landlord's title, alleging it to be a forged Will.

The Delhi High Court took up two key issues: (i) whether the Commercial Court had the required pecuniary jurisdiction given the valuation adopted by the landlord, and (ii) whether the tenant could contest the landlord's title while continuing in possession. On jurisdiction, the Court upheld the valuation, noting that courts may take judicial notice of escalation in market rents in metropolitan areas and that the plaintiff was dominus litis entitled to value the suit unless shown mala fide. On the title issue, the Court reaffirmed the doctrine of **tenant-estoppel**: once a tenant is inducted into possession and the landlord's title is neither challenged by other legal heirs nor contested with cogent evidence, the tenant cannot later dispute the landlord's ownership, even on a plea of alleged forgery.

In its reasoning, the Bench led by Justices Prathiba M. Singh and Shail Jain emphasised that a tenant's right is derived from access and occupation under the landlord's title; to allow the tenant to turn around and dispute that title would subvert the contractual and possessory relationship. The Court further observed that vague or evasive denials in a written statement, in the absence of specific pleadings and supporting evidence, may be treated as admissions under Order VIII CPC. The result was that the decree under Order XII Rule 6 CPC was held to be correctly passed, given the admitted facts and lack of a triable issue.

As a result, the High Court dismissed the tenant's appeal, upheld the Commercial Court's decree, and directed the tenant to hand over vacant and peaceful possession of the premises within three months. The case thus reaffirms key principles in landlord-tenant law: tenants cannot challenge a landlord's title during the tenancy without compelling evidence, valuations for court fees and jurisdiction must reflect market realities (subject to legitimacy), and summary disposal under Order XII Rule 6 is appropriate where admissions are clear and undisputed. The judgment will provide significant guidance in commercial tenancy litigation across Delhi.

Telangana State

Latest Case Updates

1. **Telangana Real Estate Regulatory Authority (TG-RERA) imposed a penalty of ₹ 18.5 lakh on Jubilee Hills Co-operative House Building Society Ltd for marketing and collecting pre-launch funds from investors**.

   It is observed that a member of the Society and advocate, K Jyothi Prasad Kosaraju, submitted a representation alleging that the Society had launched a major residential venture titled "Jubilee Hills Phase IV" (in Manchirevula village, Gandipet Mandal, Ranga Reddy district) without complying with the registration requirements under the Real Estate (Regulation & Development) Act, 2016 (RERA) and without necessary approvals from the Hyderabad Metropolitan Development Authority (HMDA). TG-RERA took up suo motu proceedings under Section 35 of the RERA Act, despite the Society's objection that the representation was informal, not filed in the prescribed form, and that the complainant was not an "aggrieved person." TG-RERA held that it had the power to initiate proceedings under its regulatory mandate even without the standard complaint format because the issue involved a large-scale potential violation of project registration, fundraising and buyer interests.

   After investigation, TG-RERA found that the Society had advertised, marketed, booked, offered for sale or invited persons to purchase units in the project "Jubilee Hills Phase IV" without registering the real-estate project under RERA, in contravention of Section 3(1) of the RERA Act. Advance sums were collected from prospective buyers in the expectation of flats in the unapproved project, which lacked HMDA building permission and RERA registration. The promotional and membership linkage practices indicated irregularities—membership admission being tied to flat purchase, and funds allegedly being diverted into committee members' personal accounts. Consequently, the Society was held liable under Sections 59 and 60 of RERA (penalties for non-registration and contravention of obligations) for the violations.

   Penalties and orders issued:

   - TG-RERA imposed a penalty of **₹ 18.5 lakh (₹ 18,50,000)** on the Society.
   - The Society was directed to deposit the penalty amount into the TG-RERA Fund within **30 days**.
   - The Society is **barred** from further "advertising, marketing, booking, selling or offering for sale" any units in the project until the project is duly registered and all compliance under RERA is achieved.
   - TG-RERA warned that any failure to comply with these directions would attract further penalties under Section 63 of RERA (which allows higher penalties up to 5 % of the estimated cost of the project) and possibly more enforcement action.

Implications & Observations

- The order signals TG-RERA's increasing vigilance over co-operative housing societies launching large-scale real-estate projects: even though the entity is a co-operative society, the requirement for registration under RERA applies when the project involves sale/ allotment of units and involves more than specified units/area.
- The decision underscores the importance of project registration **before** any advertisement or fundraising from prospective purchasers; non-registration in such a scenario will lead to regulatory action and penalties.
- For prospective buyers and members, the order highlights the risk when joining or paying advances in projects that lack regulatory registration or approvals.
- For societies/developers/promoters, the order makes clear that linking membership admission to unit purchase, pre-launch collections without proper approvals, and marketing of unregistered projects will attract regulatory sanctions.
- The step of barring further marketing until registration helps protect consumer interest by stopping further sales before compliance is ensured.

2. Can the Revenue / Registration authorities cancel the Registered Sale Deeds without issuing notice to the Parties.

In a batch of writ petitions, the Court considered the challenge to 17 "cancellation deeds" executed by the Sub-Registrar, Shamshabad, in 2017, on the basis of a letter from the District Collector, which purported to cancel registered sale deeds in respect of approximately 45.37 acres of land in survey numbers 52, 53, 54 and 59 of Bahadurguda village.

The petitioners had originally purchased the lands in 2007 under valid registered sale deeds, but later found that the Revenue/ Registration authorities had unilaterally cancelled those registrations without notice or independent adjudication. The Court noted that the survey numbers in question were not notified as "prohibited lands" under Section 22-A of the Registration Act, and no legal power was shown to justify cancellation.

The High Court held that the registering authority and the revenue department lacked the power to cancel already registered sale deeds without issuing notice to the affected parties, or without a court order or a competent statutory authority sanctioning such cancellation.

The Court characterised the action as "arbitrary and illegal" and in "blatant violation of natural justice", observing that the executants of the cancellation deeds had not been heard and no opportunity of defence was given. The Court further directed the Registration Department to update relevant registers to reflect the quashing of such cancellation deeds, while making clear that its decision does not preclude the Government or Collector from pursuing lawful claims or proceedings regarding the land.

This judgment is significant for the law of property and registration in Telangana. It reinforces the principle that a registered sale deed, once validly executed and registered, cannot be reopened or cancelled by revenue/registration authorities in summary fashion without due process, notice or statutory authority. The decision emphasises adherence to registration rules, natural justice in land-registration cancellations, and protection of bona fide purchasers. For buyers, it signals that their rights under registered deeds are not easily extinguished by ad hoc administrative action; for authorities, it underscores that any cancellation must be anchored in law, with prior notice and hearing.

3. **Limitation and Cause of Action Must Be Determined on a Meaningful Reading of the Plaint.** [Gummadi Usha Rani & another v. Guduru Venkateswara Rao and others (A.S. No. 409 of 2025)]

The trial court dismissed the suit, holding that it was barred by limitation and that the plaint disclosed no new cause of action. On appeal, the High Court of Andhra Pradesh observed that the trial court had failed to meaningfully read the plaint as a whole, and therefore erred in rejecting the suit at the preliminary stage without a proper examination of the factual averments. The Court clarified that when the right to sue is not conclusively extinguished on the face of the pleadings, the benefit of doubt must ordinarily go to the plaintiff.

Accordingly, the High Court set aside the impugned order and remitted the matter for fresh adjudication on merits, emphasising that technical objections such as limitation or lack of cause of action should only be upheld after a comprehensive assessment of the plaint and evidence, not on a superficial reading.

4. **Supreme Court Orders Ex-Intelligence Chief T. Prabhakar Rao to Unlock iCloud Account in Telangana Phone-Tapping Probe**

In a major development in the ongoing Telangana phone-tapping investigation, the Supreme Court of India has directed former state intelligence chief T. Prabhakar Rao, the main accused in the case, to reset and share the password to his iCloud account in the presence of forensic experts and state police officers. The Bench, headed by Justice B.V. Nagarathna and Justice R. Mahadevan, passed the order while hearing a petition concerning the alleged illegal surveillance operations that reportedly took place during the previous state administration.

Background of the Case

The phone-tapping case has emerged as one of the most high-profile controversies in Telangana's recent political history. Investigators allege that senior intelligence officials misused surveillance systems to monitor political opponents, bureaucrats, and journalists during the previous government's tenure. Rao, who formerly headed the Special Intelligence Bureau (SIB), has been accused of overseeing or approving large-scale phone interceptions and data tracking operations without legal authorization. He has also been accused of destroying electronic evidence by wiping data from mobile phones and computers that were later seized by investigating officers.

Supreme Court's Directions

During hearing, the Supreme Court directed that the process of resetting or recovering the iCloud password must take place under forensic supervision to ensure that the digital evidence remains intact and verifiable. The Court further instructed the investigating team to ensure the entire procedure is conducted in a transparent and documented manner. According to court sources, the directive aims to enable forensic analysts to retrieve potential digital evidence from cloud backups that may contain communication records, data logs, and other materials relevant to the ongoing investigation. The Bench also extended interim protection from arrest to Prabhakar Rao, noting that his cooperation with investigators would be crucial in the coming weeks.

Court's Concern Over Political Interference

Significantly, the Supreme Court expressed displeasure over reports that politicians were present during Rao's questioning, terming it "unacceptable and inappropriate." "It cannot be a tamasha," the Bench remarked, emphasizing that no Member of Parliament (MP) or Member of the Legislative Assembly (MLA) should be present during police interrogations or investigations. The judges stressed that law enforcement must operate independently, free from political influence or interference.

Arguments Presented

Rao's counsel submitted that the former intelligence officer had not refused cooperation but had forgotten the iCloud password due to the passage of time. The defense claimed that the devices were reset as part of standard departmental procedures related to sensitive data handling. The prosecution, however, argued that these explanations were inconsistent with the alleged intentional deletion of potential evidence, asserting that the resets occurred only after the investigation began.

Broader Implications

Legal experts believe this order marks a significant step in strengthening digital forensics accountability in criminal investigations. The Court's insistence on forensic presence during password recovery sets a procedural precedent for handling cloud-based digital evidence in India.

1. Safeguarding Evidence: Ensures that data recovered from digital devices or cloud accounts is forensically sound and admissible in court.
2. Transparency in Investigation: Reinforces the need for law enforcement to maintain verifiable digital chains of custody.
3. Political Neutrality: Sends a strong reminder that criminal probes must remain apolitical, even in cases involving former officials or politically sensitive allegations.

What's Next

The Supreme Court is expected to review the case in its next hearing after forensic experts submit a report on whether relevant data could be successfully retrieved from Rao's iCloud account. For now, the Court's directive reinforces its position that digital integrity and accountability are essential in an age where cloud-based information can be both evidence and weapon.

Conclusion

The Telangana phone-tapping case continues to unravel layers of institutional and political complexity. By mandating forensic supervision of digital evidence recovery, the Supreme Court has not only upheld procedural fairness but also underscored the judiciary's evolving role in the digital era of justice — where even a forgotten password can become a key to the truth.

PART- D: FEATURED ARTICLES

GST SLAB RATIONALIZATION: INDIA MOVES TO A TWO-TIER STRUCTURE.

By Prashanth Kumar Muddana, Associate, Real Estate

In a landmark decision aimed at simplifying India's indirect tax system, the Goods and Services Tax (GST) Council has approved a major rationalization of GST slabs. The move eliminates two tax rates — 12% and 28% — and restructures the regime into a simplified two-tier system with rates of 5% and 18%, along with a higher 40% rate for luxury and sin goods. This reform, often described as "GST 2.0", marks the most significant overhaul of the tax framework since its introduction in 2017.

Background: From Four Slabs to Two Slabs:
Since its rollout on 1 July 2017, India's GST system operated under four major tax slabs — 5%, 12%, 18%, and 28%. While the multi-tier structure was intended to balance fiscal needs with social equity, it led to administrative complexity, classification disputes, and compliance challenges. With growing calls from industry and policymakers for simplification, the GST Council decided to merge the middle slabs (12% and 18%) and eliminate the 28% rate, creating a cleaner, more efficient structure.

New GST Structure at a Glance: Under the revised regime, the following slabs are now applicable:

i. 0% (Nil/Exempted): For essential goods and services such as unbranded food grains, milk, healthcare, and education.
ii. 5%: For commonly used goods like packaged foods, footwear, and small household items. 18%: Standard rate for most goods and services, including electronics, processed foods, IT services, and restaurant services.
iii. 40% (Special Rate): For demerit and luxury goods such as tobacco, aerated beverages, high-end cars, and certain imported luxury items.

Key Changes in the Revised Slab System:
1. Elimination of the 12% and 28% Slabs:
These mid-range and luxury categories have been consolidated into simpler structures. Items under the 12% category have largely moved to 5% or 18%, while those under 28% have been reduced to 18%, except for sin goods now taxed at 40%.

2. Cement, Appliances, and Electronics Get Relief:
Cement, air-conditioners, televisions, washing machines, and computers now attract 18% GST instead of 28%. This move is expected to boost the housing and consumer durables sectors.

3. Luxury and Sin Goods Moved to 40% Slab:
The highest slab has been retained only for goods that are socially or environmentally undesirable, such as tobacco, alcohol-based products, and luxury vehicles.

4. Inverted Duty Structure Corrected:
Several industries faced inverted duty structures, where input taxes exceeded output taxes. The new structure helps balance input credits and output liability more efficiently.

Rationale Behind the Reform
The GST Council's decision was driven by the need to simplify the tax regime while maintaining revenue neutrality. With four slabs, the system had become cumbersome, leading to frequent disputes and interpretational differences. The two-slab model aims to:
- Reduce compliance burdens for businesses.
- Improve tax predictability and transparency.
- Enhance consumer confidence by stabilizing prices.
- Encourage consumption by lowering effective tax rates on common-use goods.

Expected Impact on the Economy

1. Consumer Benefits:
Reduction in GST on commonly used goods like household appliances, processed food, and construction materials will directly reduce retail prices.

2. Business Simplification:
With fewer slabs, businesses will find it easier to classify products and compute tax liability. This simplification reduces errors and potential penalties during audits.

3. Boost to Manufacturing and Real Estate:
Lower GST on cement and construction materials will make housing projects more affordable and spur growth in the infrastructure and real estate sectors.

4. Revenue Neutrality via 40% Slab:
The introduction of a 40% slab for luxury and sin goods ensures the government offsets any shortfall from the reduction of middle-tier rates.

5. Encouragement for Compliance:
Simpler structures lead to better compliance, higher transparency, and reduced evasion risks.

Implementation Timeline
The new GST slab structure is scheduled to come into effect from November 01, 2025. The Council has directed the Central Board of Indirect Taxes and Customs (CBIC) to issue detailed notifications and revised schedules for classification. Businesses have been given a short transition window to update billing systems, ERP software, and accounting codes in line with the new tax rates.

Conclusion
The rationalization of GST into two primary slabs represents a major stride in India's tax evolution. By balancing simplicity, fairness, and fiscal responsibility, the new structure aims to make compliance easier for businesses and life more affordable for citizens.

As GST 2.0 rolls out, it is expected to enhance transparency, stimulate consumption, and strengthen India's position as one of the fastest-growing major economies in the world.

WILL THE COHABITING PARTNER BE ENTITLED TO COMPENSATION UNDER THE MOTOR VEHICLES ACT.

N Rajitha, Associate, Real Estate

In a landmark judgment that broadens the interpretation of "Legal Representative" under the Motor Vehicles Act, 1988, the Madhya Pradesh High Court (Jabalpur Bench) has held that a cohabiting partner, even if not legally married to the deceased, may be entitled to claim compensation as a dependent under the Act. The decision came in the case of Smt. Saroj & Anr. v. Rajendra Prasad Patel & Ors., where Justice Himanshu Joshi set aside the tribunal's order denying compensation to a woman and her daughter who had been financially dependent on the deceased, despite the absence of a formal marriage.
Background of the Case

The case arose from a fatal road accident on 8 December 2010, involving a Bolero Jeep (MP-19-DA-0178) driven negligently, which resulted in the death of Ramakant Patel. The deceased's father was awarded compensation of ₹2,38,500 by the Motor Accident Claims Tribunal, Amarpatan, while the claim of Smt. Saroj (sister-in-law of the deceased) and her daughter were rejected. The Tribunal held that since Saroj was not the legally wedded wife of the deceased, and her daughter was not his biological child, they could not be considered "legal heirs" under the Motor Vehicles Act.

Appeal Before the High Court
Aggrieved, Saroj and her daughter appealed to the Madhya Pradesh High Court under Section 173(1) of the Motor Vehicles Act, 1988, contending that:

i. The deceased had accepted them as his family after the death of his brother (Saroj's late husband).
ii. They were financially dependent on the deceased.
iii. The local village Sarpanch had even issued a customary certificate acknowledging their relationship.

Court's Observations
The High Court examined the scope of "legal representative" under Section 166 of the Motor Vehicles Act, observing that the term is not defined in the statute and must therefore be interpreted liberally. Citing the Supreme Court's decision in N. Jayasree v. Cholamandalam MS General Insurance Co. Ltd. (2022) 14 SCC 712, the Court reiterated that:

"A 'legal representative' is not confined to legal heirs under personal law. It includes anyone who represents the estate of the deceased or can prove dependency on the deceased." The judgment further emphasized that the Motor Vehicles Act is a beneficial legislation, designed to provide monetary relief to the dependents of victims, and hence demands a broad, humanitarian interpretation.

Cohabitants and Dependents Recognized
Justice Joshi observed that: “The Tribunal can award compensation to a cohabitant of the deceased who lived like a spouse. The principle of substantive justice recognizes the partner’s dependency on the deceased.”

The Court clarified that such recognition applies where:
1. The claimant was in a stable, long-term relationship resembling marriage.
2. There was financial and emotional dependency on the deceased.
3. The relationship was acknowledged by the community and had the character of a marital union, even if not legally formalized.

Upon reviewing witness statements and evidence - including testimony from local residents confirming that Saroj and the deceased lived as husband and wife - the Court concluded that the appellants were indeed dependents of the deceased.

Judgement
The Court held that the appellants, though not legal heirs under personal law, qualify as legal representatives for the purpose of claiming compensation, and the Tribunal erred in rejecting their claim based solely on marital status. The matter was remanded back to the Tribunal to reassess and pass a fresh award considering both the appellants and the deceased’s father. The Court directed the Tribunal to decide the case within three months of receiving the order.

Significance of the Ruling
This judgment expands the protective umbrella of the Motor Vehicles Act and aligns with the Supreme Court’s liberal interpretation of “legal representative.” Key Takeaways:
i. Legal representative ≠ Legal heir - dependency is the key factor.
ii. Cohabiting partners and dependents can seek compensation if they can prove long-term financial reliance on the deceased.
iii. The Motor Vehicles Act prioritizes substantive justice over procedural technicalities.

Conclusion
The decision in Smt. Saroj v. Rajendra Prasad Patel underscores the judiciary’s evolving approach towards social realities and inclusive justice. By recognizing cohabitants as dependents eligible for compensation, the Court reaffirmed that law must serve human relationships as they exist, not merely as they are formally defined. This ruling paved the way for a more compassionate interpretation of statutory rights, ensuring that justice is not denied to those who lived as family, even without formal legal status.

BORROWER'S RIGHT TO REDEEM MORTGAGED PROPERTY CEASES UPON PUBLICATION OF AUCTION NOTICE

By Madala Bindu, Associate, Litigation & Sapavat Teja, Intern, DNLU, Madhya Pradesh.

Introduction:
The fundamental objective of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (*From here referred to as "SARFAESI Act"),* 2002, is to empower banks and financial institutions to recover their dues while ensuring that the borrower's right to fair procedure is not infringed. Broadly, the redemption of mortgaged property is governed under Section 60 of the Transfer of Property Act, 1882[1], read with Section 13(8) of the SARFAESI Act, 2002[2], whereby the borrower is entitled to redeem the secured asset by paying the outstanding dues. In recent times, the Hon'ble Supreme Court of India in the case of *M. Rajendran and Ors. v. KPK Oils and Protiens India Pvt. Ltd. and Ors.*[3], has reaffirmed that the right of redemption under section 13(8) of the SARFAESI Act, 2002, stands ceased upon the publication of Auction Notice under Rule 9(1) of the Security Interest (Enforcement) Rules, 2002[4]. Whereas the Amendment to the SARFAESI Act, 2016, clarified that the right of redemption of a secured asset stands extinguished upon the publication of the auction notice, and not at the stage of execution of the sale, such clarification shall apply mutatis mutandis to loans availed prior to the said amendment.

Analysis of Judgement:

KPK Oils and Proteins India Pvt. Ltd. and others availed loan facilities comprising a cash credit limit of approximately Rs. 5 crores along with a term loan of Rs. 30 lakhs, secured by an equitable mortgage, from the bank on 6th January, 2016. On 31st December 2019, the borrower's loan account was classified by the Bank as a Non-Performing Asset (NPA) due to the borrower's failure to repay the outstanding dues. The Bank issued a demand notice under Section 13(2) of the SARFAESI Act as well as a possession notice under Section 13(4) of the Act on 28th October, 2020. Subsequently, an auction sale notice was published in newspapers on 31st October, 2020.

During the auction, the Appellants placed as the highest bidder and deposited the full amount, which resulted in the issuance of a sale certificate. After the sale was confirmed, the borrowers deposited a significant portion of the dues. Thereafter, litigation arose before the Debts Recovery Tribunal (DRT), followed by a writ petition filed by the borrowers before the Hon'ble High Court of Madras seeking redemption of the mortgage. Pursuant to which an appeal before the Hon'ble Supreme Court has been filed regarding a discrepancy between the SARFAESI Act and the Security Interest (Enforcement) Rules, 2002, upon procedural steps under Rules 8 and 9 of the Rules.

---

[1] Transfer of Property Act, § 60, Act 4 of 1882.
[2] Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, § 13, cl. 8.
[3] *(2025) ibclaw.in 367 SC*
[4] Security Interest (Enforcement) Rules, § 9, cl. 1.

The Hon'ble Supreme Court held that the expression 'notice of sale' must be construed as a composite concept, encompassing service to the borrower, publication in a newspaper, affixation, and uploading, as mandated under the provisions, Rule 8(6), its Proviso, Rule 8(7), and Rule 9(1) of Security Interest (Enforcement) Rules, and elucidated that these are not separate or distinct notices but parts of a single composite process required for a valid sale under Rule 8(5) Security Interest (Enforcement) Rules. The Court harmonised Rule 9(1) of the Security Interest (Enforcement) Rules, which mandates a 30-day gap from publication to sale, read with Section 13(8) SARFAESI Act, 2002, by clarifying that the thirty-day period begins from the latest date of publication, service, or affixation, depending on the applicable mode of sale. However, the Court rejected the contention that the auction sale notice and the notice to the borrower are separate, emphasising that Appendix IV-A to the Rules underscores their unified character within the same procedural framework.

In conclusion, the Hon'ble Supreme Court has reaffirmed that the principal object of the SARFAESI Act to facilitate swift and effective enforcement of secured interests must not be compromised by procedural inconsistencies. At the same time, it preserves the borrower's legitimate right to redemption within the statutory limits. The Court's pronouncement conclusively clarifies that the mortgagor's right of redemption stands extinguished prior to the publication of the sale notice, irrespective of the mode of sale undertaken. By declaring that a single composite notice suffices to meet the statutory requirement, the judgment harmonises conflicting judicial views previously adopted by various High Courts. Furthermore, it ensures certainty for auction purchasers by upholding that their acquired rights, arising from a valid and duly conducted auction process, remain unaffected by any subsequent borrower payments.

CODE RED FOR LABOUR: INDIA'S STANCE ON WORKERS' RIGHTS

By ND Vinesh Kumar, Associate, Litigation

Introduction:

In colloquial language, labour refers to those involved in employment, blue-collar, white-collar, unorganized, platform, temporary or full-time. The Indian statutes, however, have more specific legal terminology that reflects more different rights and obligations. The key terminology here is the definition of the term of workman under the Industrial Dispute Act of 1947. Based on this definition, a workman is any human employed to do manual, unskilled, skilled, technical, operational, clerical or supervisory labour in exchange for a wage, remuneration or reward, not a managerial or administrative worker, or some supervisors with high wages. Courts have always dictated that the real functions that are executed by an individual are more important than the nominal role titles in establishing workman status. In 2024, the Supreme Court again affirmed that the overriding evaluation is the key responsibility undertaken and not a title or salary grade, and the onus of demonstrating a workman's claim lies with the claimant.

The case of Bharati Airtel Ltd v A S Raghavendra (2024) [5] once again stated that the initial factor which enables an individual to be defined as a workman is the character of duties performed and

[5] Bharati Airtel Ltd v A S Raghavendra (2024) 8 SCC 512

not the designation or the salary given. It is the claimant who is needed to prove the workman status.

Evolution of Labour Laws in India.

Labour laws in India date back to the colonial law, with the Factories Act in the year 1881 making a provision of the key basis of regulation, which is working hours and conditions. After independence, the legislative focus changed to redress protection of the rights of workers and social security. The major laws that came up during this time are: the Industrial Disputes Act of 1947, the Minimum Wages Act of 1948, the Employee Provident Funds Act of 1952, and the Payment of Gratuity Act of 1972, all of which aimed at offering complete benefit packages to the workforce. The Indian government made an attempt at harmonization of labour legislation in the post-liberalization era by making an endeavour to consolidate labour legislation. This saw the promulgation of four Labour Codes between 2019 and 2020, these being the Code on Wages, 2019; the Industrial Relations Code, 2020; the Code on Social Security, 2020; and the Occupational Safety, Health and Working Conditions Code, 2020. The main goal of these Codes is to consolidate different provisions and ease the procedure of the regulatory regime.

Payment of Gratuity

The Payment of Gratuity Act, 1972, is one of the key pieces of social security law, which was intended to allow a financial reward to employees as a reward for their long and continuous service. Its main objective would be to ensure that financial support is provided to the employees at the end of their service, either through retirement, resignation, death or disability. As such, gratuity is a form of reward for cumulative employment and a form of retirement benefit; thus, the employer appreciates the contribution of the employee to the organization. The Act applies to all establishments that employ ten or more workers and welcomes those in factories, mines, plantations, shops, and so forth. To be eligible, an employee should have served a period of not less than five years without any interruption, with one exception of cases of death or disability, where the requirement is not obligatory. The amount of gratuity which must be paid is calculated as 15 days' wages on completed year of service with a statutory limit and should be paid within 30days of its due date; the failure to do this will give the employee the right to earn interest on the outstanding amount. The Act has had great outcomes on the side of labourers who can afford financial stability after many years of service, prompt payment and non-cancellation of benefits arbitrarily, hence promoting dignity and permanence in a job.

The Bombay High Court in Bombay High Court Bar Association v State of Maharashtra (2025)[6] had to decide to affirm the requirement as assuring timely delivery as guaranteed on the statutory timeline as expressed under Section 7(3A), declaring that the interest payable by the employer on late submission of gratuity is 10%. On the same note, in Chairman/Managing Director, Mahanadi Coalfields Ltd v Rabindranath Choubey (2020) 18 SCC 71, the Supreme Court stated that no gratuity was allowed to be withheld except, in a case of termination, related to moral turpitude or also in instances of wilful misconduct.

[6] Bombay High Court Bar Association v State of Maharashtra (2025) SCC Online Bom 1456

Provident Fund and Pension Scheme of employees.
The Employees Provident Funds and Miscellaneous Provisions Act, 1952 was introduced to protect the social and financial interests of the workers during exigent conditions or at retirement. Its main purpose is to inculcate a saving habit amongst employees, both employers, as well as employee is obligated to contribute to a provident scheme, a pension scheme, and an insurance programme based on deposits, and a linked insurance programme, plus the other way round. According to the Act, organizations that have twenty employees and more employees shall contribute twelve percent of the amount a worker earns working under the employer, and the employee shall equally contribute the same amount to their contribution. The Act manages three main schemes, namely: the Employees Provident Fund, the Employees' Pension Scheme and the Employees Deposit Linked Insurance Scheme. The EPF pays a lump sum corpus at the time of retirement, the EPS pays a monthly pension, and the Employees Deposit Linked Insurance Scheme protects the dependents of an employee should death occur during their term.

The Act has now become central to labour welfare in Indian, and through it, millions of workers have been facilitated to get post-retirement stability, emergency reserves and holistic social protection. Further, the Act will require prompt deposits and introduce fines to employers who do not comply with the requirements, thus protecting the rights of employees and their financial stability in the long term.

The Supreme Court of India in Employees Provident fund organization v Sunil Kumar B (2022)[7] Agreed with the amendment that was made in 2014 on the Employees' Pension scheme to enable the employees to choose the desired contribution to an enhanced pension depending on their actual salary. This constitutional revision to retirees working before 2014 was later expanded by the ruling in Union of India v EPFO Retired Employees Association (2025)[8] That required the EPFO to apply the amendment justly and fairly.

Establishments Acts - Shops and Establishments.
The Shops and Establishments Act is a state-specific labour legislation that attempts to control the employment terms of those will own premises in the retail, hospitality, theatrical, and other public services. It has the main aim of ensuring equal employment terms, sufficiency and justness in working hours, preserving employee rights in the unorganized and non-industrial sectors, areas where the Factories Act, 1948, precisely did not assume. The major details stipulated in the Act mostly include registration of establishments and delineation of allowable working hours and periods of rest, imposition of weekly holidays, overtime compensation, child labour, which is disallowed, entitlement to paid leave and regulation of women's employment. The majority of the state laws also demand the visible posting of job advertisements, the regular availability of statutory registers, and the timely payment of salary. Even modern versions, like the importation of the Model Shops and Establishments (Regulation of Employment and Conditions of Service) Bill, 2016, though, allow the 24x7 working hours, but on the condition of providing the female workers with sufficient safety tools and transport.

[7] Employees Provident fund organization v Sunil Kumar B (2022) 7 SCC 536
[8] Union of India v EPFO Retired Employees Association (2025) SCC Online P&H 1225

The Act in practice provides labourers with a sound legal framework that guarantees them humane working hours, regular payment of wages and rest days stipulated. It also provides a formal process of taking redress in cases of unfair dismissal or exploitative practices. The Act achieves the welfare of labour, safe occupational practices and encourages industrial harmony among small and medium-scale companies by institutionalising the employment standards in the service sector. In the case of Association of Traders v State of Tamil Nadu (2025)[9], the high court of Madras ordered them not to close down stores that were operating 24 hours a day, provided that they followed the notifications issued by state governments to operate 24 hours long.

Industrial Disputes Act, 1947

One of the cornerstones of Indian Labour legislation is the Industrial Disputes Act, 1947, enacted to ensure peace and harmony in industries by providing a legislative platform on which recognition and settlement of disagreements between employers and workmen could be done. It is mainly focused on pre-employment of industrial disputes and adjudication, collective bargaining, ensuring favourable employment terms and employee protection against arbitration. The Act defines key terms like: industry, workman and industrial dispute, and it creates a pyramid structure of dispute-resolution that includes conciliation, adjudication and arbitration. It gives the government the mandate to direct disputes to either Labour Courts, Industrial Tribunals or National Tribunals, depending on their nature and scope. Among the provisions worth choosing is the section 25F-25N that requires a notice, compensation, and procedural protection before retrenchment or closure, and the Sections 33 and 33A that guard the rights of workers when an industrial dispute is pending.

In the case of the labourers, the Act acts as a guard against exploitation and unfair dismissal. It provides job security, remuneration that is timely and collective negotiation through trade unions. Through institutionalising the communication between employers and employees, the Act alleviates the degree of industrial unrest, promotes cooperation and maintains the principles of social justice and economic equity in the industrial relations system of India.

In the Presiding Officer, Management of M/s Hindustan Aeronautics Ltd Verses Workmen & Ors., (2024)[10] The Supreme Court restated the idea that the designation of a worker is not important; rather, it is the actual work done that defines whether the worker is a workman or not. The Court also explained that the reinstatement does not occur automatically, and the compensation can be paid instead of reinstatement, based on circumstances.

Code on Wages, 2019

The Code on Wages, 2019: Aims, Primary Resolutions, and Its Separate Impact on the Workers. Code on Wages, 2019, represents a landmark in the history of changes in the labour law in India. The Code aims to achieve coherence in regulation of wages in all sectors of the economy by integrating and harmonizing four wider acts that were previously in place, the Circa 1936 Payment of Wages Act, the 1948 Minimum Wages Act, the 1965 Payment of Bonus Act, and the 1976 Equal Remuneration Act by uniting them into a single, easily comprehensible framework

[9] Association of Traders v State of Tamil Nadu (2025) SCC Online Mad 2443
[10] M/s Hindustan Aeronautics Ltd verses (2024) 6 SCC 330

which would not only make it easier to comply with wage legislation but also protects the interests of workers. The main objective of the Code would be to keep all payments of wages on the right time and ensure that all workers in India are given remuneration in a fair and above statutory minimum, regardless of the type of employment they are in. In the past, the applicability of the Minimum Wages Act to scheduled employments only barred a large proportion of the unorganized workers. The Code on Wages broadens the right to minimum wages to all employees, including people working in the emergent areas and informal fields of employment, like Gig work and service-based jobs.

These include the setting of the floor wage at the national level, which will be set by the Central Government. States are then obliged to impose their own minimum wage payments that are not below this floor, thus reducing the inequality levels of wages among regions and preventing competition in wages among states. The Code also provides a common definition of the term wages, including basic pay and dearness allowance, and retaining allowance and restricting allowable exclusions to 50 per cent of total remuneration. This standardization enhances uniformity in the computation of statutory benefits, including provident fund, gratuity and bonus, which eases avoidance of artificial fragmentation of pay components by employers to escape the statutory requirements. The Code also prohibits discrimination in wages by gender, hence reinstating the concept of equal pay for equal work. It requires the electronic payment of salaries, increases openness by issuing formal wage slips and facilitates the inspection regime under the digital records of its activities and randomised auditing that will minimise corruption and delays in the procedures it allows.

To the labourers, especially the unorganized and low-income earners, the Code provides increased financial security, equal wages, and work dignity. The Code seeks to achieve a more inclusive and just labour market, ensuring fair pay, compensation, and coverage to all, and balancing social wellbeing and the economy.

Conclusion

The labour law environment of India is currently in a state of transition. The integration of many of the fragmented and overlapping statutes in four inclusive Labour Codes, the Code on Wages, the Code on Social Security, the Industrial Relations Code, and the Occupational Safety, Health and Working Conditions Code is a major push and pull to simplicity, standardisation and inclusivity in the labour regulation. The vision behind this reform project is not only to make compliance straightforward on the side of the employers but also to enhance the security and well-being of employees, hence maintaining the core themes of equity, dignity, and social security being the core themes of industrial regulation. The achievement of these reforms, however, rests on the implementation of the same. Regardless of the implementation of the Codes, there are numerous provisions that are to be notified, since harmonization between the central and state governments is to be done. The purpose of establishing a consistent national labour framework may otherwise be a far-fetched dream unless it is implemented in a coordinated manner.

In addition, a valid grievance-redressal and enforcement system is needed in order to translate the statutory rights into practical benefits to the workers. Labour authorities are to be well-trained, electronic systems should be open, and inspections done to balance between compliance assurance and facilitation for the employers. Creating awareness about stakeholders is also important. Employers, trade unions and employees should understand their rights and responsibilities under the new legal architecture. The gap between law intention and law on the ground can be narrowed by capacity-building campaigns, sensitization and the use of streamlined compliance mechanisms. Improvisations suggestions after understanding the dynamics of the contemporary labour laws, evolving through concurrent communication along with digitalization of compliance and inspection, the current and priority requirement of gender equity at the workplace, and a similar stance to be shown while drafting the laws would help in creating a reasonable legal atmosphere for the labourers.

Finally, these reforms are an attempt to bring the Indian labour ecosystem to the world standards- improving productivity at the same time protecting human welfare. When enacted carefully, the four Labour Codes can act as an exemplar reform of the inclusive economic system between the flexibility of employment and equity in the employment of workers. Their real gauge of achievement will be the establishment of a labour environment where growth, justice and welfare will co-exist.

Reference Statutes:

1. Payment of Gratuity Act, 1972
2. Employees Provident Funds and Miscellaneous Provisions Act, 1952
3. Industrial Disputes Act, 1947
4. The Code on Wages, 2019

EBITDA DISTRIBUTION DURING CORPORATIVE INSOLVENCY RESOLUTION PROCESS

By Vanga Sai Keerthan Reddy, Intern

Introduction

The Indian insolvency framework continues to evolve to address the restructuring and resolution of companies unable to perform their operations due to overwhelming financial debt obligations and financial distress. A pivotal step in this process involves inviting resolution plans from prospective applicants and distributing proceeds as per the approved Resolution Plan. The recent Supreme Court judgment in *Kalyani Transco Ltd v. JSW Steel Ltd* left open the issue of the distribution of EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization) accrued during the Corporate Insolvency Resolution Process (CIRP) of the Corporate Debtor.

The Framework and Findings in the Bhushan Power and Steel Case

In the '*Kalyani Transco Ltd v. JSW Steel Ltd*' case, arising from the '*Bhushan Power and Steel Ltd'* resolution process, the Supreme Court remained silent on the issue of EBITDA distribution, noting the absence of any statutory provision or precedent governing it. The creditors contended that they were entitled to the EBITDA, as they provided financial assistance for operations during the CIRP, while the Resolution Applicant argued that ownership and control of the assets and liabilities were transferred to them upon approval of the Resolution Plan by the Adjudicating Authority.

The Court observed that the resolution plan had already been implemented after a significant delay. Entertaining new claims at this stage—described by the Court as “Hydra Heads Popping Up”—would undermine the sanctity and finality of the resolution plan, reiterating principles established in *Essar Steel Ltd v. Satish Kumar Gupta*.

In ‘Essar Steel Ltd’, the Court held that profits or proceeds should be distributed as per the Request for Resolution Plan (RfRP). If the RfRP does not specify the treatment or distribution of such profits, they shall be retained by the Corporate Debtor. However, ‘Essar Steel’ dealt with the distribution of resolution proceeds, not profits generated during the CIRP.

In contrast, ‘Bhushan Power and Steel Ltd’ is concerned with operating profits (EBITDA) generated before plan approval. This distinction reveals a legal lacuna that remains unresolved and open to future litigation.

Reflections on Law

Under Section 30 of the Insolvency and Bankruptcy Code, a resolution plan must be approved by (i) the Committee of Creditors (CoC) with at least 66% voting share and (ii) the Adjudicating Authority (NCLT). Once approved, under Section 31, the plan becomes binding and extinguishes prior financial obligations of the Corporate Debtor.

A Successful Resolution Applicant (SRA) does not hold any ownership or control over the assets and liabilities of the Corporate Debtor until the plan is duly approved. Hence, the SRA cannot claim any interest in the Corporate Debtor’s earnings prior to that approval. Conversely, creditors cannot independently claim EBITDA unless it is recognized as part of the Corporate Debtor’s estate or distributed as per the approved plan.

EBITDA represents the operational earnings generated by the Corporate Debtor during CIRP and forms part of the estate managed by the Resolution Professional. In the absence of explicit statutory guidance, the treatment of such earnings should ideally be addressed within the Resolution Plan approved by the COC.

Experts’ and Insolvency Practitioners’ Views

Upon commencement of the CIRP, the Resolution Professional assumes control over the management of the Corporate Debtor’s assets and liabilities. Creditors, who have extended loans in good faith, often face significant haircuts on their claims. Under Section 53 of the IBC—which governs liquidation distribution but is often referred to by analogy for fairness in CIRP—the interests of secured creditors and financial institutions must be carefully protected. These creditors, entrusted with public funds, play a crucial role in maintaining economic stability, and any losses sustained by them can have broader implications on the financial system. Hence, it is essential that the interests of financial and secured creditors be safeguarded in the distribution of any proceeds, EBITDA, interim profits, or net gains generated during the CIRP, prior to the approval of the Resolution Plan by the CoC.

Conclusion
The objectives and interests of financial creditors, operational creditors, and secured creditors must be protected to the greatest possible extent to ensure that repayments are recycled into the economy, strengthening financial health and safeguarding depositors' rights. Legislative or regulatory amendments may be required to clarify the treatment and distribution of EBITDA and interim profits generated during CIRP. Such clarity would promote equitable treatment among stakeholders while upholding the principles of transparency and fairness envisaged under the Insolvency and Bankruptcy Code.

A CRITICAL ANALYSIS OF THE AMENDMENTS REGARDING THE INITIATION OF INSOLVENCY UNDER IBC (AMENDMENT) BILL, 2025

By Midakanti Sai Keerthana, Intern

Introduction:
The Insolvency and Bankruptcy Code,2016 (IBC) is a single law that lays down clear, time-bound rules for how companies, partnerships and even individuals in India can deal with financial stress (When they can't pay debts). It is replaced the earlier system where the person who owed money (debtor) stayed in control, with a creditor-in-control system – meaning lenders/creditors decide the company's fate during insolvency. The IBC, 2016 aims to address the problems of distressed assets in time time-bound manner by maximising the value of assets and balancing the interests of the creditors. But the journey from paper to practice wasn't smooth. The promise of speed and predictability was diluted by repeated litigation, inconsistent judicial interpretations, and procedural bottlenecks. Instead of a creditor-driven framework, delays and uncertainty began creeping in. The wide judicial discretion of NCLT in admission and rejection of CIRP, even when both the debt and default are established, has added to the prolonged delay. The discretion was expanded by the *Vidarbha Industries Judgment*, allowing the NCLT to consider matters other than the debt and default in deciding the CIRP applications, which, in a way, enabled the debtors to delay the insolvency proceedings through unnecessary litigation, diluting the code's objective.

The IBC Amendment Bill, 2025, introduced in the Lok Sabha on 12th August 2025, aims to resolve these ambiguities, streamline and expedite the resolution in a time-bound manner, reducing any frivolous and vexatious litigation and align the Indian insolvency with the International best practices. The bill aims to restore the IBC's original goal of efficient, transparent, and time-bound resolution of insolvency.

<u>Pre-Amendment Challenges in Insolvency Initiation:</u>
Prior to the 2025 amendment, IBC 2016 was hampered by frequent delays in case admission, conflicting judicial rulings, and heavy backlogs at NCLT, all of which led to unpredictable and slow insolvency resolutions.

The code originally required NCLT to admit a financial creditor's application once debt and default were proven. However, the Supreme Court's judicial interpretations in the case of *Vidarbha Industries Power Ltd. vs. Axis Bank Ltd.* vested excessive judicial discretion in the

NCLT regarding the admission or rejection of the CIRP application, even if default was proven. This meant companies could delay insolvency proceedings by showing possible future inflows or awards. The mechanical, time-bound admission process turned into a subjective evaluation, undermining creditor rights.

Section 7(5)(a) of the Code has used the word "may" instead of "shall" which provides NCLT with the discretion to reject an application even if the twin conditional requirement of a debt and default on the part of the corporate debtor (CD) is established by the financial creditor (FC). Though the Court has specifically held in this judgement that "Even though Section 7 (5)(a) of the IBC may confer discretionary power on the Adjudicating Authority, such discretionary power cannot be exercised arbitrarily".

In *Rainbow Paper case* - Upsetting the Waterfall
Section 53 of the IBC clearly placed secured financial creditors at the top of the repayment waterfall, while government dues ranked much lower. But in State Tax Office vs Rainbow Papers Ltd., the Supreme Court held that government tax claims could be treated as "secured" if state laws created a first charge. This elevated statutory dues to the level of secured banks, creating massive uncertainty for lenders and threatening credit flow to businesses.

***Videocon Group Insolvency* – No Framework for Group Resolution**
The IBC did not have well-defined provisions and processes for dealing with complicated insolvency situations, like group insolvency and cross-border insolvency. Large business groups often operate through multiple interlinked entities. In the *Videocon case,* NCLT had to consolidate 13 companies under one process for the resolution to work. While practical, this was done absence of a framework for group insolvency. This legal vacuum raised concerns for investors and buyers about the predictability of outcomes.

GPA CUM SALE AGREEMENT CANNOT DEFEAT DECREE FOR SPECIFIC PERFORMANCE

By Prashanth Kumar Muddana, Associate, Real Estate

Introduction
In a recent decision, the Andhra Pradesh High Court reaffirmed the settled legal position that a General Power of Attorney (GPA)-cum-Sale Agreement (SA) does not by itself confer legal title or ownership in immovable property, and such instruments cannot be used to defeat a court-decreed sale based on an earlier valid agreement for sale. The judgment underscores the importance of the Payment of Gratuity Act, 1972 and clarifies the limitations of GPA-cum-Sale Agreements.

Facts of the Case
The dispute arose when the respondent held an earlier agreement of sale dated 1 July 2006 in respect of a property, while the appellants obtained a Special General Power of Attorney on 17 January 2007, claiming rights under that instrument for the same property. The respondent had already obtained a decree for specific performance of the 2006 agreement, including execution of

a sale deed and delivery of possession. The appellants attempted to resist execution based on their GPA/SA.

Legal Issues

The Court examined two critical questions: (1) whether a GPA/SA could confer any ownership rights to resist the execution of a prior decree, and (2) whether such instruments could override a court decree issued in favour of an earlier valid agreement for sale.

Court's Analysis and Observations

The Andhra Pradesh High Court meticulously analyzed the Transfer of Property Act, 1882, specifically Section 54, which states that a sale of immovable property must be executed through a registered sale deed. The Court reiterated that a GPA is merely an instrument of agency and does not transfer ownership. Citing precedents, the Court held that neither a power of attorney nor an agreement to sell constitutes a transfer of ownership rights.

The Bench emphasized that a GPA only authorizes the agent to act on behalf of the principal and cannot itself convey ownership. The Court observed: "A power of attorney is not an instrument of transfer in regard to any right, title or interest in an immovable property." Consequently, the GPA dated 17 January 2007 could not confer any ownership rights on the appellants, nor could any lease based on that GPA invalidate the decree-holder's rights.

Since the respondent's prior agreement and decree preceded the appellants' GPA, the Court concluded that the appellants had no legal basis to obstruct execution or possession under the earlier decree.

Court's Decision

The Andhra Pradesh High Court dismissed the appeal filed by the appellants, affirming that the decree-holder had the rightful claim to execute the decree and take possession of the property. The Court held that a GPA/SA cannot confer ownership, nor can it impede the execution of a decree for specific performance arising from a prior agreement for sale.

Significance of the Judgment

This decision reinforces the long-standing legal position that ownership in immovable property can only be transferred through a registered sale deed. A GPA or agreement to sell, even when executed together, cannot substitute a sale deed or create ownership rights. The Court cited Supreme Court rulings, including Jaswant Singh Gill v. Bharat Coking Coal Ltd. (2007) 1 SCC 663 and Union Bank of India v. C.G. Ajay Babu (2018) 9 SCC 529, which reaffirmed that such instruments do not by themselves convey title.

Practically, this ruling serves as a warning to buyers and investors relying on GPA/SA transactions. Without a registered sale deed, such instruments provide no legal ownership. Moreover, when an earlier agreement of sale has already been decreed by a competent court, subsequent GPA/SA holders cannot claim superior rights or delay execution.

Conclusion
The Andhra Pradesh High Court's judgment is a reaffirmation of settled property law principles. It highlights that ownership cannot be claimed through a GPA-cum-Sale Agreement, and such documents cannot stand against a decree of specific performance based on an earlier sale agreement. The judgment ensures legal clarity and protects bona fide purchasers who act under judicially recognized sale agreements and decrees.

CAN A BANK EMPLOYER WITHHOLD GRATUITY OF AN EMPLOYEE (Guarantor)? A LEGAL PERSPECTIVE

By ND Vinesh Kumar, Associate, Litigation

Introduction
In a recent judgment in Cuttack Central Co-operative Bank Ltd. v. The Joint Labour Commissioner, Bhubaneswar and Others (WA No. 323 of 2025), the Orissa High Court reaffirmed that gratuity is a statutory right and cannot be withheld by an employer on grounds not contemplated by law. The Division Bench comprising Chief Justice Harish Tandon and Justice Murahari Sri Raman dismissed the appeal filed by the Cuttack Central Co-operative Bank, thereby upholding the principle that gratuity can only be forfeited under the specific conditions prescribed by Section 4(6) of the Payment of Gratuity Act, 1972.

Background of the Case
The respondent, a retired Deputy Manager of the Cuttack Central Co-operative Bank, attained the age of superannuation on 31 July 2010. Despite her unblemished record and retirement without any disciplinary proceedings, the Bank withheld her gratuity payments. The reason advanced was that the employee had stood as a guarantor for a loan that was later defaulted on by the principal borrower. The Bank argued that her liability as guarantor was coextensive with that of the borrower, and hence, the gratuity could be retained to offset the loan default.

Aggrieved by the Bank's action, the employee approached the Controlling Authority under the Payment of Gratuity Act, 1972, seeking release of her gratuity. The Authority held that the Bank had no statutory power to withhold gratuity on such grounds and directed payment of the due amount. The Bank's appeal before the Appellate Authority was dismissed, prompting it to file a writ petition before the Orissa High Court's Single Bench. The Single Judge, through a judgment dated 8 November 2024, upheld the orders of the authorities. The Bank then preferred the present writ appeal before the Division Bench.

Issues for Determination
The primary question before the Division Bench was whether an employer can lawfully withhold or forfeit an employee's gratuity when the employee has acted as a guarantor for a third-party loan that subsequently turns non-performing.

Court's Observations
The Bench meticulously examined Section 4 of the Payment of Gratuity Act, 1972, especially sub-section (6), which empowers an employer to forfeit gratuity in limited circumstances. The

provision states that gratuity may be forfeited: (1) to the extent of damage or loss caused to the employer's property by an employee's act, willful omission, or negligence; (2) provided the employee has been terminated from service for such misconduct.

The Court underscored that the section begins with a non obstante clause, meaning it overrides other provisions but must be applied strictly within its limits. The Bench held that the statute restricts forfeiture only to cases where an employee is terminated due to proven misconduct causing loss or damage to the employer's property. Since the respondent had retired on superannuation without any disciplinary action, the situation did not fall within the ambit of Section 4(6).

The Court further emphasized that gratuity is not a bounty or bonus, but a deferred portion of an employee's earnings—a reward for long and meritorious service. Once an employee retires honorably, the employer is statutorily bound to disburse gratuity. Any attempt to withhold it for reasons beyond the Act is ultra vires and impermissible.

Key Findings

- The employer has no implied authority to withhold gratuity for reasons outside the statutory framework.
- The liability of a guarantor in a loan transaction cannot legally justify non-payment of gratuity.
- Forfeiture is permissible only when the employee's service is terminated due to acts of misconduct leading to loss or damage to the employer's property.
- Once retirement occurs, the employer's right to invoke forfeiture ceases.
- Judicial review under Article 226 does not extend to disturbing concurrent factual findings unless they are perverse or irrational.

Court's Decision

The Division Bench found no infirmity in the judgment of the Single Bench or in the orders passed by the Controlling and Appellate Authorities. The appeal was held to be devoid of merit and was accordingly dismissed without costs. The Court reaffirmed that the Bank's action of withholding gratuity was beyond the powers conferred by the Payment of Gratuity Act.

Significance of the Judgment

This ruling reiterates an essential tenet of Indian labour jurisprudence—that gratuity, being a statutory right, cannot be withheld except in the narrow circumstances envisaged by law. The judgment reinforces judicial precedents such as Jaswant Singh Gill v. Bharat Coking Coal Ltd. (2007) 1 SCC 663, where the Supreme Court held that gratuity cannot be forfeited after retirement unless the employee was dismissed for misconduct causing loss to the employer. It also aligns with Union Bank of India v. C.G. Ajay Babu (2018) 9 SCC 529, emphasizing that forfeiture must be based on proven misconduct under Section 4(6) and not on mere allegations or contractual obligations.

Conclusion

The Orissa High Court's judgment in Cuttack Central Co-operative Bank Ltd. v. Joint Labour Commissioner & Others stands as a significant reaffirmation of employees' statutory rights. It clarifies that gratuity, as a deferred wage, cannot be withheld due to unrelated financial liabilities such as guarantees or third-party defaults. The ruling strengthens the principle that the Payment of Gratuity Act must be interpreted liberally in favor of employees, and any employer's action inconsistent with its provisions is unsustainable in law.

CLASSIFICATION OF SECURITY INSTRUMENTS FOR STAMP DUTY: SUPREME COURT CLARIFIES DISTINCTION BETWEEN SECURITY BONDS AND MORTGAGE DEEDS

By Madala Bindu, Associate, Litigation

Introduction

In a significant ruling that clarifies the scope of stamp duty on security instruments, the Supreme Court of India in M/s Godwin Construction Pvt. Ltd. v. Commissioner, Meerut Division (Civil Appeal No. 7661 of 2014, decided on 9 October 2025) held that where a party pledges its own immovable property as security for its own contractual performance, the instrument is a 'mortgage deed' under Section 2(17) of the Indian Stamp Act, 1899, and not a 'security bond' under Article 57 of the Act's Schedule I. The judgment settles a long-standing interpretative controversy that often arose in government contracts and construction agreements, where executants labeled documents as 'Security Bonds' to claim lower stamp duty rates.

Factual Background and Dispute

The appellant company, M/s Godwin Construction Pvt. Ltd., executed a document titled 'Security Bond-cum-Mortgage Deed' to provide a contractual performance guarantee, pledging its immovable property to secure fulfillment of obligations under a government contract. The company paid the lower stamp duty applicable to Security Bonds (Article 57). However, the Revenue Authorities contended that the instrument was in substance a Mortgage Deed (Article 40) since it created a charge on property to secure performance of an engagement that might give rise to pecuniary liability. The Collector, Commissioner, and the Allahabad High Court upheld the Revenue's view, prompting an appeal to the Supreme Court. A parallel appeal (SLP (Civil) No. 36434 of 2014) with similar facts was heard alongside this case.

Arguments Before the Court

The appellants argued that the nomenclature 'Security Bond' and the purpose of securing performance squarely brought the instrument under Article 57. They contended that the absence of a separate surety does not exclude a principal obligor from offering its own security, and since no loan was involved, the document could not be classified as a mortgage deed.

Conversely, the Revenue authorities relied on the principle of 'substance over form' in fiscal interpretation, asserting that the true nature of the document determines the applicable stamp duty. They emphasized that the instrument satisfied all the attributes of a mortgage under Section 2(17) — namely, an interest in immovable property created to secure performance of an obligation that could result in pecuniary liability. They argued that a 'Security Bond' under Article 57 requires a tripartite surety arrangement involving a principal, creditor, and surety, which was absent here.

Supreme Court's Analysis and Reasoning

The Supreme Court emphasized the fiscal principle of 'substance over nomenclature,' holding that in matters of taxation, the true nature and legal effect of a document prevail over its title or form. Examining the operative clauses, the Court found that the document's function was to create a charge on property to secure performance, thus falling squarely within the definition of a 'Mortgage Deed' under Section 2(17) of the Indian Stamp Act, 1899.

The Court clarified that a mortgage can secure not only loans but also any engagement giving rise to pecuniary liability. It further noted that a 'Security Bond' under Article 57 presupposes a tripartite surety relationship—principal debtor, creditor, and surety. Since in both appeals the executants pledged their own property to secure their own obligations, the relationship was purely bipartite. A person cannot act as a surety for itself, making Article 57 inapplicable.

Verdict and Directions

The Supreme Court dismissed both appeals and upheld the judgments of the High Court and Revenue Authorities. It held that the documents executed by the appellants were 'Mortgage Deeds' and not 'Security Bonds,' as they created an enforceable interest in immovable property without the involvement of a third-party surety. The Court reiterated that stamp duty must be assessed based on the substantive legal character of an instrument rather than its label or nomenclature. This verdict reinforces that performance guarantees supported by the executant's own property attract stamp duty as mortgage deeds under Article 40, not the concessional rate for security bonds under Article 57.

Key Takeaways

1. Substance over Form: The fiscal character of an instrument depends on its operative clauses, not its title.
2. Mortgage Beyond Loans: A mortgage can secure any contractual or pecuniary obligation, not only financial borrowings.
3. Security Bonds Require Suretyship: A true Security Bond involves a tripartite relationship — a surety distinct from the principal obligor.
4. Contractual Drafting Implication: Developers and contractors providing performance guarantees with their own assets must account for higher mortgage stamp duty, not the concessional rate for security bonds.

Conclusion

The Supreme Court's ruling in M/s Godwin Construction Pvt. Ltd. provides a definitive interpretation aligning fiscal law with commercial practice. By reinforcing the 'substance over nomenclature' principle and clarifying the legal distinction between a Security Bond and a Mortgage Deed, the Court has provided much-needed certainty to both taxpayers and revenue authorities. Parties drafting contractual security documents must carefully assess whether the arrangement involves a surety relationship or self-secured performance, as this distinction directly determines the applicable stamp duty and classification under the Indian Stamp Act, 1899.

CAN MORTGAGE DISPUTES BE REFERRED TO ARBITRATION?

By Prashanth Kumar Muddana, Associate Real Estate

Introduction

The increasing use of arbitration clauses in commercial contracts reflects India's growing preference for alternative dispute resolution (ADR). Parties frequently include arbitration clauses in loan agreements, mortgage deeds, and financial instruments to ensure faster and confidential resolution of disputes.

The judiciary has consistently held that certain disputes, especially those involving the enforcement of mortgages and rights in rem (rights over property), cannot be referred to arbitration, even if the underlying contract contains an arbitration clause. The recent decision of the Bombay High Court in Capri Global Capital Limited v. Divya Enterprises & Ors. (2025) reaffirms this fundamental principle: civil courts retain exclusive jurisdiction over mortgage enforcement and similar matters, regardless of any arbitration agreement between the parties.

Understanding the Nature of Mortgage Rights

A mortgage is not merely a contractual arrangement — it creates an interest in immovable property. When a lender (mortgagee) seeks to enforce a mortgage, they are asserting a right in rem, meaning a right against the property itself and, by extension, against the world at large.

Arbitration, on the other hand, is designed to adjudicate rights in personam — disputes arising between specific parties based on contractual obligations or personal rights. Because enforcement of mortgage rights affects not just the contracting parties but also third parties (like subsequent purchasers, creditors, or society members), it lies within the exclusive domain of public courts that can issue binding orders enforceable against all.

Judicial Reasoning Behind the Rule

1. The Booz Allen Principle (2011)

In the landmark judgment Booz Allen & Hamilton Inc. v. SBI Home Finance Ltd., the Supreme Court drew a clear line between arbitrable and non-arbitrable matters. It held that: "Disputes relating to rights in personam are arbitrable, while those relating to rights in rem are not." Since a mortgage enforcement involves a right in rem, it falls squarely outside the jurisdiction of arbitration tribunals. Only a civil court can grant decrees for the sale of mortgaged property, redemption, or possession.

2. Vidya Drolia v. Durga Trading Corporation (2021)

The Supreme Court in Vidya Drolia reaffirmed and expanded the Booz Allen principle, stating that mortgage enforcement, tenancy matters under rent control laws, criminal offences, and matrimonial or insolvency proceedings are non-arbitrable. The Court observed that: "When the subject matter of the dispute involves public rights or third-party interests, arbitration is not the appropriate forum." Thus, even if a loan or mortgage deed contains an arbitration clause, that clause cannot override the statutory framework that grants civil courts exclusive authority to adjudicate such disputes.

3. Reaffirmation in Capri Global v. Divya Enterprises (2025)
In this recent Bombay High Court case, Capri Global Capital Ltd. filed a mortgage enforcement suit against a developer and a housing society. The defendants sought to refer the matter to arbitration under Section 8 of the Arbitration and Conciliation Act, 1996, citing arbitration clauses in the loan and mortgage agreements. The Court, however, dismissed the application, holding that enforcement of mortgage security is non-arbitrable as it concerns a right in rem. Civil courts retain jurisdiction regardless of arbitration clauses. The presence of third parties (like the housing society) not bound by the arbitration agreement further makes arbitration impermissible.

Why Civil Courts Have Exclusive Jurisdiction
Civil courts are empowered under the Code of Civil Procedure (CPC) and the Transfer of Property Act, 1882, to:

i. Grant decrees for sale or redemption of mortgaged property;
ii. Determine title and ownership issues;
iii. Adjudicate third-party rights;
iv. Issue injunctions and declaratory reliefs binding on non-parties.

Arbitral tribunals lack such coercive powers. Their awards bind only the parties to the contract and cannot affect the rights of third parties. Therefore, for matters like mortgage enforcement, public adjudication through the civil justice system is indispensable.

Practical Implications

1. For Financial Institutions:
Banks and NBFCs must recognize that, while arbitration clauses in loan documents remain valid for other disputes (e.g., borrower defaults, interest disputes), mortgage enforcement and recovery actions must still proceed in civil courts.

2. For Developers and Borrowers:
Even if they agree to arbitration, they cannot compel lenders to refer mortgage-related enforcement to arbitration.

3. For Drafting Contracts:
Legal drafters should clearly differentiate between arbitrable and non-arbitrable disputes. A well-drafted arbitration clause should include a carve-out stating that:

"Nothing contained herein shall preclude either party from initiating proceedings before a competent civil court for enforcement of mortgage or other security interests."

Conclusion
Arbitration is a powerful mechanism for resolving private commercial disputes efficiently, but it cannot substitute the jurisdiction of civil courts in matters involving public or proprietary rights. The principle reaffirmed in Capri Global Capital Ltd. v. Divya Enterprises is crystal clear: "Even if loan and mortgage agreements contain arbitration clauses, civil courts retain exclusive jurisdiction for mortgage enforcement and related rights in rem."

This judicial consistency preserves the balance between contractual autonomy and public law obligations, ensuring that the sanctity of property and security rights remains under the watchful eye of the courts.

AI + Governance = BUILD NOW: A Modern Digital Reality of Building Permissions in Telangana.

By Prashanth Kumar Muddana, Associate, Real Estate.

Telangana State has witnessed a remarkable digital transformation in urban governance. The state's building permission process — once plagued by manual delays and bureaucratic hurdles — has now evolved into an intelligent, AI-powered approval ecosystem known as BuildNow Telangana. This transformation marks a major leap toward efficiency, transparency, and smart urban planning.

1. The Manual Era — Before 2015

Before digitization, building and layout permissions were handled manually by local authorities such as GHMC, HMDA, DTCP, and various Municipalities and Gram Panchayats. Applicants had to submit physical files and visit multiple departments for No Objection Certificates (NOCs). This process was time-consuming, lacked transparency, and was prone to inconsistencies and corruption.

2. The Early Digitization Phase — 2015 to 2019

Recognizing the need to modernize, Telangana introduced early online systems such as OBPMS (Online Building Permission Management System) by GHMC and ODPMS (Online Development Permission Management System) by HMDA. These allowed online submission and tracking of building applications but had limited integration and required manual scrutiny.

3. TG-bPASS Scheme — Telangana's First Unified Digital System (2020–2024)

In 2020, the Telangana Government launched TG-bPASS (Telangana State Building Permission Approval and Self-Certification System), a single-window platform for online approvals. It brought transparency, reduced human intervention, and provided instant approvals for small residential plots.

- Key highlights in TG-bPass, Scheme include:
  - Self-certification-based instant permissions
  - Online submission and tracking
  - Departmental integration for NOCs
  - Citizen convenience and transparency

4. BuildNow Telangana — The AI-Driven Smart Era (2024–Present)

With rapid urbanization and the exponential growth of building activity in Telangana, the Government recognized the need to enhance capacity, efficiency, and scalability in urban service delivery. In 2024, the State Government of Telangana introduced BuildNow Telangana, an advanced AI-powered building and layout approval platform replacing TG-bPASS. It integrates all departments under one system and uses artificial intelligence for faster, more accurate approvals.

This next-generation integrated platform serves as a single digital window for processing all types of building and layout permissions, offering contactless and self-certification-based approvals. It is designed to deliver services within stipulated timelines, ensuring transparency and accountability at every stage.

➢ **Building a Smarter Telangana**

BuildNow Telangana symbolizes the state's evolution from manual file-based approvals to AI-enabled smart governance. Through this initiative, Telangana reinforces its commitment to efficiency, accountability, and innovation, ensuring that urban development keeps pace with the aspirations of its people and the momentum of its growth.

➢ **Digital Governance and Citizen Empowerment**

The vision behind BuildNow Telangana is to provide citizen-friendly, technology-driven services that are both transparent and efficient. The platform leverages advanced IT infrastructure, AI-powered automation, and real-time digital tracking to create a contactless approval process that minimizes human intervention and maximizes reliability.

By digitizing traditional workflows and enabling data-driven monitoring, BuildNow is helping to:

- Reduce delays and eliminate discretionary decision-making,
- Empower citizens through self-service digital applications, and
- Strengthen governance through integrated inter-departmental coordination.

➢ **Collaboration and Future Vision**

The MA&UD Department continues to collaborate with national and international institutions to introduce global best practices in urban management. By focusing on innovation and data-driven decision-making, Telangana aims to:

- Develop transparent, citizen-centric, and cost-effective services,
- Simplify complex approval processes through one-stop digital access, and
- Enhance ease of doing business to accelerate state-wide growth and infrastructure development.

➢ **Key Features of AI-Driven Automation in BuildNow:**

1. AI-Powered Drawing Scrutiny — Automatically checks uploaded plans for compliance with building codes and zoning laws.
2. Automated GIS Integration — Validates land use, boundaries, and site details using real-time maps.
3. Predictive Approval Analytics — Forecasts approval timelines and identifies workflow bottlenecks.
4. Smart Workflow Automation — Seamlessly routes files to relevant departments digitally.
5. Transparency and Tracking — Citizens receive updates and digital copies of permissions instantly.
6. Data-Driven Planning — Enables better urban planning using aggregated data insights.

➢ **Timeline of Evolution**

Year / Period	System	Key Developments
Before 2015	Manual Local Systems	Physical files, multiple NOCs, and high delays
2015–2019	OBPMS / ODPMS	Partial digitization, limited integration
2020	TG-bPASS	Unified online approval and self-certification
2021–2023	TG-bPASS Enhancements	GIS integration, online payments, faster processing
2024–Present	BuildNow Telangana	AI-based scrutiny, unified digital platform

Conclusion

From manual file submissions to AI-driven automation, Telangana's building permission journey showcases the power of innovation in governance. BuildNow Telangana represents a model of efficiency, transparency, and smart governance - transforming how citizens and developers interact with the government.

Plot No. 33, 1st Floor, J K Enclave, Rao and Raju Colony,
Near Lucid Diagnostics, Road No. 2, Banjara Hills, Hyderabad – 500034
Contact: contact@jurisprime.com | +91 - 9866446447