

December 2025

## CORPORATE LAW & COMPLIANCE UPDATE

**Bhatia & Bhatia**  
CHARTERED ACCOUNTANTS



### Key Regulatory Developments – December 2025

December 2025 has seen a series of significant regulatory developments and compliance relaxations impacting corporates, exporters, employers, and professionals alike. Key updates include extended timelines under FEMA for export realisation, revised thresholds for classification as a Small Company, proposed expansion of CSR applicability, and enhanced scrutiny on POSH disclosures by the MCA.

This edition provides a consolidated overview of critical statutory updates, filing extensions, regulatory alerts, and accounting clarifications, along with practical action points to help organisations remain compliant and plan effectively as they close the calendar year and prepare for the upcoming compliance cycle.

## FEMA REGULATORY UPDATE

### ▶ RBI Extends Export Realisation Period: 9 to 15 Months

**Effective Date:** November 13, 2025

The Reserve Bank of India has significantly relaxed export compliance timelines under FEMA, providing major relief to exporters facing global payment delays.

#### Key Changes Under Regulation 9 - Realisation of Export Proceeds

Category	Old Timeline	New Timeline (Nov 2025)
All Exports (Goods/Services/Software)	9 months from export date	15 months from export date
SEZ/EOU/Status Holders/STP/EHTP/BTP Units	9 months	15 months (harmonised with general exporters)

#### Additional Relief - Regulation 15 (Advance Payments):

- Shipment against advance payments: Extended from 1 year to 3 years
- Write-off of unrealised export bills: Extended from 1 year to 3 years

#### Why This Matters:

- Addresses delays from overseas banking, long shipping routes, and buyer approvals
- Reduces FEMA violation risks and banking compliance pressure
- Aligns Indian timelines with global trade realities
- Uniform treatment across all exporter categories, including SEZs/EOUs
- Supports long-cycle manufacturing and capital goods exports

#### Immediate Action for Exporters & Auditors:

- Review all open export bills in EDPMS/SOFTEX filings approaching the 9-month mark
- Update internal tracking systems to reflect a 15-month realisation period

**GST Impact Note:** LUT export refund timelines remain unchanged at 3 months from shipping bill date, but FEMA realisation extension provides additional compliance cushion

### ► New Thresholds for "Small Company": A Big Relief

**Effective Date:** December 01, 2025

The MCA has amended the definition of a "Small Company" under Section 2(85) of the Companies Act, 2013. This move is designed to reduce the compliance burden for a larger section of mid-sized corporate entities, allowing them to focus on business growth rather than regulatory filings.

#### The Revised Limits

Criteria	Old Limit	New Limit (Dec 2025)
Paid-up Share Capital	Up to ₹4 Crores	Up to ₹10 Crores
Turnover	Up to ₹40 Crores	Up to ₹100 Crores

#### Impact & Benefits:

Companies falling under these new limits can now avail the following exemptions immediately:

- **Cash Flow Statement:** No longer required to be part of the Financial Statements. This simplifies the finalization process significantly.
- **Board Meetings:** Requirement reduced to holding just 2 meetings in a calendar year (one in each half), instead of the standard 4 meetings required for other companies.
- **Auditor Rotation:** Mandatory rotation of auditors (after a term of 5 or 10 years) is not applicable to Small Companies.
- **IFC Reporting:** Auditors need not report on the adequacy of Internal Financial Controls (IFC) in their audit report, reducing the scope and cost of the audit.
- **Annual Return:** Use of the abridged Form MGT-7A instead of the detailed MGT-7.
- **Penalties:** Significantly lower penalties for non-compliance under various sections of the Act (often 50% less).

**Professional's Action Point:** Review your client list immediately. Identify companies that now qualify as "Small Companies" under the ₹10 Cr / ₹100 Cr limit. Update their status in the Master Data for upcoming filings to utilize the reduced fee structure and simplified compliance.

## PROPOSED LEGISLATIVE CHANGES

### ► CSR Scope Widened: The Companies (Amendment) Bill, 2025

**Status:** Introduced in Parliament (December 08, 2025)

The Ministry has proposed significant amendments to Section 135 of the Companies Act, 2013, aimed at bringing more companies under the Corporate Social Responsibility (CSR) net.

#### Proposed Changes to Applicability

Currently, CSR applies if Net Worth > ₹500 Cr, Turnover > ₹1000 Cr, or Net Profit > ₹5 Cr. The Bill proposes slashing these thresholds to:

Metric	Current Limit	Proposed Limit
Net Worth	₹500 Crores	₹100 Crores
Turnover	Up to ₹1000 Crores	₹500 Crores
Net Profit	₹5 Crores	₹3 Crores

**Implication:** Many Medium Enterprises (SMEs) that were previously exempt will now have to spend 2% of their average net profits on CSR activities.

#### Other Key Proposals in the Bill:

- Mandatory CSR Expert: The CSR Committee of the Board may be required to induct a director or external member with "proven expertise" in social development.
- Penalty Rationalization: Shifting more offences from "criminal" courts to an "in-house adjudication" mechanism to speed up dispute resolution.

**Observation:** While this is still a Bill, companies near these new thresholds should start budgeting for potential CSR expenditure in FY 2026-27.

## ROC FILING DEADLINE

### ▶ MAJOR UPDATE: EXTENDED TO JANUARY 31, 2026

MCA has issued General Circular No. 08/2025 extending the deadline for FY 2024-25 filings from Dec 31 to January 31, 2026 without additional fees.

Original Extension (Circular 06/2025, Oct 17): AOC-4 series & MGT-7/MGT-7A till Dec 31, 2025.

New Extension (Circular 08/2025): Further extended to January 31, 2026 due to MCA-21 V3 portal challenges.

Forms Covered:

- AOC-4, AOC-4 CFS, AOC-4 NBFC (Ind AS), AOC-4 CFS NBFC (Ind AS), AOC-4 (XBRL)
- MGT-7, MGT-7A (Annual Returns)

## REGULATORY ALERT: POSH ACT

### ▶ MCA's "Zero Tolerance" on POSH Disclosures

**Relevant For:** Board Reports for FY 2024-25 & onwards

While the Prevention of Sexual Harassment (POSH) Act has been in force for years, the Ministry of Corporate Affairs (MCA) has recently adopted a "Zero Tolerance" stance regarding disclosures in the Board's Report.

#### The New Disclosure Requirement (Rule 8(5)(x))

The Board's Report must now explicitly quantify the following data points regarding the Internal Committee (IC):

1. Number of complaints received during the financial year.
2. Number of complaints disposed of during the financial year.
3. Number of cases pending for more than 90 days.
4. Nature of action taken by the employer or District Officer.

#### Why This Matters Now

Strict Scrutiny: ROCs have begun issuing Show Cause Notices to companies that merely state "The Company has complied with provisions relating to the constitution of the Internal Committee under the POSH Act" without providing the specific numbers mentioned above.

Adjudication Penalties: Non-compliance is being treated as a violation of Section 134.

Penalty: Up to ₹3,00,000 for the Company and ₹50,000 for every Officer in Default (Directors/CS).

## Actionable Advice for Company Secretaries & Auditors

- Do not accept "Not Applicable": Even if a company has zero complaints, the Board Report should explicitly state: "No. of complaints received: NIL; No. of complaints disposed: NIL."
- Constitution of IC: Ensure that if the company has >10 employees, an Internal Committee is formally constituted via a Board Resolution.
- Annual Report to District Officer: Ensure the company has filed the separate Annual Report with the District Officer (as per the POSH Act rules) by January 31st, as this is often cross-verified during ROC inspections.

## EMPLOYMENT INCENTIVE SCHEME

### ▶ Pradhan Mantri Viksit Bharat Rozgar Yojana (PM-VBRY)

The Government has fully operationalized the Pradhan Mantri Viksit Bharat Rozgar Yojana, a flagship scheme aimed at boosting formal employment. This is critical for clients planning new hiring in Q4 FY 2025-26.

**Core Objective:** To incentivize employers to hire fresh talent and to support low-wage earners entering the formal workforce for the first time. The scheme is divided into two categories based on the beneficiary:

#### A. Scheme for First-Time Employees (Wage Subsidy)

- Eligibility: Employees joining the formal workforce (getting a Universal Account Number - UAN for the first time) with wages up to ₹1 Lakh/month.
- Benefit: The Government will provide one month's wage as a subsidy to the employee.
- Payout Mechanism: The subsidy is capped at ₹15,000 and is paid in three installments directly to the employee's bank account (DBT) via EPFO.

#### B. Scheme for Job Creation (Employer Support)

- Eligibility: Employers who expand their workforce (increase the employee count over a base level).
- Benefit: The Government will reimburse the Employer's contribution to EPF (up to ₹3,000 per month) for 2 years for every additional employee hired.
- Wage Ceiling: Applicable for employees earning up to ₹25,000/month.

#### Key Compliance Checks for Auditors

- Aadhaar Seeding: Ensure new joiners have Aadhaar-seeded UANs; otherwise, the DBT transfer will fail.
- Registration: The employer must register for the scheme on the EPFO Unified Portal before claiming benefits.

## FINANCIAL REPORTING & ACCOUNTING

### ▶ ICAI Clarification: Impact of New Labour Codes on Financial Statements

**Relevant For:** Quarterly Results (December 2025) & Annual Accounts FY 25-26

With the 4 Labour Codes becoming effective November 21, 2025, the Institute of Chartered Accountants of India (ICAI) has issued a critical clarification regarding the accounting treatment of increased employee liabilities.

**The Core Issue:** The new Codes have two major impacts on liability:

- **Gratuity Eligibility:** Fixed Term Employees (FTEs) are now eligible for gratuity after 1 year of service (previously 5 years)
- **"Wages" Definition:** Allowances are capped at 50% of CTC. Any excess is treated as wages, increasing the base for Gratuity and Leave Encashment calculations.

#### Accounting Treatment (ICAI View):

- **Immediate Recognition:** The increase in liability due to these statutory changes is treated as a "Plan Amendment" (for Ind AS companies) or a change in liability (for AS companies).
- **P&L Hit:** The entire "Past Service Cost" (additional liability for service already rendered by employees up to Nov 21, 2025) must be recognized as an expense in the Profit & Loss Account immediately.
- **No Deferral:** Companies cannot defer this cost or adjust it directly against Reserves/Equity. It must flow through the P&L for the period ending December 31, 2025.

## STATISTICAL UPDATE

### ▶ ITR Filing Statistics: Assessment Year 2025-26 (Financial Year 2024-25)

With the Corporate and Audit filing windows closing in November and the revised/belated window closing this month, here is the comprehensive data for the AY 2025-26 filing season as of December 30, 2025. This data is crucial for analyzing trends in compliance and taxpayer behavior.

#### A. Total Filing Volume (Non-Corporate + Corporate)

Metric	Value
Total ITRs Filed (as of Dec 30)	8.42 Crores (approx.)
Growth Rate	~11.5% increase over AY 2024-25
Filings by July 31 (Non-Audit Deadline)	7.85 Crores
Filings Aug-Dec (Audit/Corporate/Belated)	~57 Lakhs

## B. Corporate & Audit Return Statistics

Since the conclusion of the November filing window, the data for business entities is now available:

Statistic	Figure	Observation
Corporate Returns (ITR-6)	11.2 Lakhs	Marginal increase in corporate filings
LLP Filings (ITR-5)	–	Sharp rise, indicating shift in SME business structures
Tax Audit Reports (Form 3CD)	34.5 Lakhs	Significant increase due to widening of turnover base and stricter compliance

## C. Processing Speed

Refunds Issued	Over 6.9 Crore Refunds
Processing Time (ITR-1)	9 days
Processing Time (Corporate Returns - ITR-6)	22 days
Overall	Historic high in processing efficiency



# Bhatia & Bhatia

CHARTERED ACCOUNTANTS

## About Us

Founded in 1981, our firm is dedicated to providing unparalleled financial services to our clients and assisting in navigating the business landscape. With a commitment to deliver exceptional services while upholding the highest ethical standards, our team of over 125+ professionals, led by 11 experienced partners, brings a diverse range of expertise to the table. This allows us to act as your trusted advisor for all aspects of your financial needs, including Audit & Assurance, Taxation (both domestic and cross-border), Valuations, Mergers & Acquisitions and Corporate Finance. We operate as a progressive and well-structured full-service firm with a Pan India presence and a network of various international forums, groups & chambers. We deliver end-to-end business solutions through a dedicated panel of experts, maintaining long-term trust and reliance from our clients.

## Our Leaders

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