Newsletter
May 2025

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Announcements

GST

- Starting April 1, 2025, select GST registration applicants in Assam must undergo biometric-based Aadhaar authentication and original document verification at a designated GST Suvidha Kendra (GSK), as per risk assessment. Applicants will receive an email to either complete OTP-based Aadhaar authentication online or book a GSK appointment; ARN is generated only after successful biometric and document verification at the GSK.
- Effective 1st June 2025, invoice numbers on the IRP will be treated as case-insensitive and automatically converted to uppercase for IRN generation to prevent duplication. This aligns with GSTR-1 practices.
- From April 2025 tax period, Table-12 of GSTR-1/1A is split into separate B2B and B2C tables for HSN-wise reporting, and manual HSN entry is disabled-taxpayers must select HSN codes from a dropdown list. These changes aim to improve accuracy and consistency in GST filings.
- From April 2025, values in Table 3.2 of GSTR-3B (inter-state supplies to unregistered persons, composition taxpayers, and UIN holders) will be auto-populated from GSTR-1, GSTR-1A, and IFF, and will be non-editable. Corrections can only be made by amending the relevant details in GSTR-1A (before filing GSTR-3B) or in subsequent GSTR-1/IFF filings.

Income Tax

- Form 10AB condonation request for Section 12A, now available on the e-filing portal as per the Finance Act (No. 2), 2024, allows charitable and religious institutions that missed registration or renewal deadlines to seek official condonation of delay. This enables them to regularize their status and retain eligibility for tax exemption under Sections 11 and 12.

Due dates

Income Tax

May 07	• TDS/TCS payment for April 2025.
May 15	• Issuance of TDS Certificates (Form 16B, 16C, 16D) for March 2025. • Filing of Quarterly TCS Return (Form 27EQ) for Q4 (Jan–Mar 2025).
May 30	• Filing Challan-cum-Statement (Form 26QB/26QC/26QD/26QE) for TDS deducted in April 2025. • Issuance of TCS Certificates (Form 27D) for Q4 (Jan–Mar 2025).
May 31	• Filing Quarterly TDS Returns (Form 24Q, 26Q, 27Q) for Q4 (Jan–Mar 2025). • Filing Statement of Financial Transactions (SFT - Form 61A) for FY 2024-25.

GST

May 10	• GSTR-7 (TDS) & GSTR-8 (TCS) for April 2025.
May 11	• GSTR-1 (Monthly) for April 2025.
May 13	• GSTR-5 (Non-Resident), GSTR-6 (ISD), and IFF (QRMP) for April 2025.
May 20	• GSTR-3B (Monthly) & GSTR-5A (OIDAR) for April 2025.
May 25	• GST PMT-06 (QRMP) payment for April 2025.

MCA

May 30	• LLP Annual Return (Form 11) for FY 2024-25. • Reconciliation of Share Capital Audit Report (Form PAS-6) for half-year ending March 2025.

Payroll & Labour Law

May 15	• PF and ESI Payment for April 2025.

Carbon Finance & ESG Derivatives: A Niche Frontier in Sustainable Finance

As the global focus shifts toward sustainability and climate change mitigation, carbon finance and ESG (Environmental, Social, and Governance) derivatives are emerging as innovative financial tools enabling the transition to a low-carbon economy. These instruments allow corporations, investors, and governments to hedge environmental risks, monetize sustainable practices, and align financial performance with environmental goals.

1. What is Carbon Finance?

Carbon finance refers to the financial mechanisms and instruments that support the reduction of greenhouse gas (GHG) emissions. It centres around the carbon markets, where carbon credits—tradable permits representing the right to emit one metric ton of CO_2 or equivalent GHG—are bought and sold. These credits emerge from:

- **Compliance markets** (like the EU Emissions Trading System), where entities must cap their emissions.
- **Voluntary carbon markets**, where businesses offset emissions to meet ESG goals or demonstrate climate responsibility.

Entities with lower emissions than their cap can sell excess allowances to those exceeding limits, thereby creating a market-based incentive for emission reduction.

2. ESG Derivatives: Hedging Sustainability Risks

ESG derivatives are a relatively new class of financial instruments that allow market participants to manage exposures related to ESG risks and performance. They include:

- **ESG-linked swaps**: Interest rate or credit default swaps whose terms change based on ESG performance (e.g., lower rates if ESG scores improve).
- **Carbon futures and options**: Derivatives based on carbon credits or carbon price indices.
- **Sustainable equity/index derivatives**: Futures or options based on ESG-themed indices like the S&P 500 ESG Index or MSCI ESG Leaders.

These instruments serve multiple purposes: risk management, price discovery, and speculation, all while incentivizing sustainable behaviour.

3. Market Trends and Growth

Financial institutions are integrating carbon pricing into risk assessments, and exchanges like ICE, CME, and SGX have launched carbon derivatives contracts. ESG derivatives volumes have grown significantly, especially in Europe, driven by stricter disclosure norms and investor demand.

4. Challenges and Criticism

Despite their promise, carbon and ESG derivatives face valid criticisms:

- **Greenwashing risk**: Poorly designed ESG metrics or self-reporting can lead to false sustainability claims.
- **Standardization**: Inconsistent ESG scoring and verification across markets create confusion.
- **Liquidity**: ESG derivatives markets are still shallow compared to traditional derivatives.

To combat this, global efforts are underway for standardization and regulation, led by groups like the International Organization of Securities Commissions (IOSCO).

5. The Road Ahead

Carbon finance and ESG derivatives are vital tools in pricing externalities, mobilizing capital for green projects, and embedding sustainability into financial systems. As regulatory frameworks strengthen and climate risk becomes a core financial concern, these instruments will transition from niche to mainstream, offering significant opportunities for innovation in both investment strategy and corporate finance.

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