



MONTHLY
**LEGAL
UPDATE**

DECEMBER | 2025

RECENT LEGAL DEVELOPMENT INSIGHTS

1. Notification Issued by CBDT Regarding functions of Commissioner of Income Tax (Appeals)

The Central Board of Direct Taxes (CBDT) issued a notification (No.170/2025). The notification comes as a jurisdictional update regarding the appeal officers. It designates specific commissioners of Income Tax (Appeals) to handle appeals arising from search, seizure, as well as survey actions under the Income Tax Act of 1961. The order contains a detailed schedule, with information on 47 Commissioners (Appeals) across major cities and lists their corresponding jurisdictional Principal Commissioners. The official notification may be accessed [here](#).

2. Trigger under S.153C of the Income Tax Act

The Delhi High Court has recently clarified in the case of PCIT (Central) Vs Deepak Kumar Aggarwal that the trigger under S.153C of the Income Tax Act begins on the date of handing over, not the search date. S.152C allows the IT Department to assess the income of a person who was not the primary subject of a search or raid operation, in the event that incrimination material pertaining to such a person is unearthed during the search.

3. SEBI (Modification in the conditions specified for reduction in denomination of debt securities) Circular

The SEBI, on the 18th of December has issued a circular which effectively includes zero-coupon debt securities as eligible instruments for the reduced face value issuance (at face value of Rs. 10000). Earlier this was restricted to only those bonds which offer regular and periodic interests. Zero-coupon bonds by nature do not offer such interest, as they are brought back at full face value upon their redemption or maturity. As per the effect of the notification, issuers can now issue such zero coupon bonds with a fixed maturity and without any structured obligations. The official notification may be accessed [here](#)

RECENT LEGAL DEVELOPMENT INSIGHTS

4. DPIIT proposes New Licensing Framework for AI Training Data as part of the recently released Working paper on Gen-AI & copyright

The Department for Promotion of Industry and Internal Trade has made public, Part I of a working paper that focuses on the intersection of copyright law and generative AI. The Paper comes after an eight-member committee was formed in April 2025, that assessed the current legal models. The paper offers a thorough analysis of global best practices (analyses the position in the USA, UK, EY, Singapore and Japan) and approaches to AI - training and copyright, identifying practical and suitability gaps in each.

The paper also examines the different regulatory models pertaining to licensing. Finally the paper proposes a hybrid model of sorts that seeks to grant AI Developers a blanket license to use lawfully accessed content to train their AI. The royalties will be payable for such content only when the said AI tool is opened up for commercialization. Rates for the same are to be determined by a government- appointed committee, subject to judicial review, and distributed via a centralized collection mechanism. DPIIT has opened a 30-day public consultation period on the draft.

The working paper can be accessed [here](#).

The Press Notification regarding the same may be accessed [here](#).

HIGHLIGHTS OF TAMIL NADU



Disruption of Presumption of Co-heirs' Join Possession does not happen with mere mortgaging of Property.

In the recent case of *Sellammal v. Palanisamy & Anr.* (2025: MHC: 2828), Justice R. Sakthivel delivered a judgment noting that simply mortgaging the property will not be enough to disrupt the resumption of joint possession by co-owners, preserving Tamil Nadu's long-established welfare structures for vulnerable workers. The judgement provides needed clarification on the high standard of proof required for "ouster" between co-heirs, and that passive exclusion or possession of formal records is insufficient to extinguish a co-owner's title.

Oppression and Mismanagement : NCLAT Chennai remands key issues

Two orders from the NCLT, Bengaluru, have been overturned by the Chennai Bench of the National Company Law Appellate Tribunal (NCLAT), and the cases have been remanded for additional review. The appeals stemmed from a company petition alleging oppression and mismanagement in Apex Luminaires Pvt. Ltd. that was filed under Sections 241-244 of the Companies Act, 2013. The respondent-petitioner's allegation that a transfer of his 50% shares was fraudulent was the main point of contention.

The ruling permitting the petitioner to modify his plea and request a declaration that the share transfer was null and void was overturned by the Appellate Tribunal. It concluded that the NCLT's order lacked appropriate judicial reasoning because it did not apply the legal requirements for changes, such as whether it created a new cause of action.

In addition, the NCLAT overturned the NCLT's ruling that dismissed the appellants' argument about the maintainability of the petition. It concluded that the NCLT's logic, which relied on the lack of a resignation letter, was faulty and emphasized that the petitioner, who acknowledged that they had no shares at the time the petition was submitted, bears the burden of proving "member" status under the Act.

As a result, both cases have been remanded to the NCLT. The amending application is to be first reexamined by the Tribunal on appropriate legal grounds. It must next determine whether the petitioner qualified as a "member" under Section 2(55) of the Companies Act, 2013 at the time of filing in order to determine the maintainability of the petition as a preliminary issue.

The case copy may be accessed [here](#) (Live Law Copy)

Child Rights , Technology - Madras HC directs enhanced awareness pertaining to internet content, and suggests Australia -Style Internet Ban for Children.

The National and State Commissions for Protection of Child Rights have been ordered by the Madras High Court to step up their awareness programs about the risks that children face from online availability and access to pornography. In a Public Interest Litigation (W.P.(MD) No. 23323 of 2018), the Division Bench determined that the government's counter-affidavits were "unimpressive" and insufficient in proving that they fulfilled their statutory obligation to promote child rights literacy under the NCPCR Act. The Court emphasized that although website blocking is permitted by IT regulations, strong "parental windows" in devices and broad awareness among parents and stakeholders are necessary for successful control and regulation .

OP.ED

(CONTRIBUTED BY MR. ESHWAR SABAPATHY)

NCLT CLEARS PATH FOR CREDITORS: HOLLOW DISPUTES WON'T BLOCK IBC ACTION

In International Electricals Vs. Aryan Electricals Private Limited (MANU/SCOR/61662/2025), the NCLT Mumbai has admitted a Section 9 petition against Aryan Electricals for an operational debt exceeding Rs.4.42 crore, holding that the principal amount alone met the IBC threshold. The Corporate Debtor's objections pertaining to non-delivery claims, quality issues, defective notice, and lack of partner authority, were rejected due to lack of evidence. GST records, lorry receipts, and WhatsApp communication clearly established supply and acceptance of goods. The Tribunal also ruled that MSME proceedings, cheque-bounce cases, and post-facto legal notices do not amount to a "pre-existing dispute," calling these as moonshine references. CIRP has been initiated, moratorium imposed, and an IRP appointed.

COMPANY PURCHASING SOFTWARE TO ENHANCE EFFICIENCY IS NOT A CONSUMER UNDER THE CONSUMER PROTECTION ACT.

In Poly Medicure Ltd Vs Brillio Technologies Ltd (2025 LiveLaw (SC) 1102), the appellant is a company engaged in the business of export and import of medical devices. With an intent to implement a documentation system it had bought a software from the Respondent herein. Payment was made and consequent to purchase, upon noticing some deficiency in the product, the Appellant approached the State Consumer Redressal Forum. The Respondent contended that the Appellant is not a consumer, and the plea was admitted, dismissing the complaint of the Appellant. Challenging the dismissal order, the Appellant approached the National Consumer Commission wherein, the order passed by the State Commission was upheld. Aggrieved by the said order, the Appellant preferred a civil appeal before the Hon'ble Supreme Court. The Hon'ble Supreme Court interpreting Section 2(1)(d) of the Consumer protection Act held purchasing a software in relation to documentation of import and export services has a direct nexus with generation of profit and the appellant in pursuance of the said transaction cannot be considered as a consumer since the aforementioned section excludes goods purchased for commercial purposes to be outside the purview of consumer forum. Any product purchased in furtherance of generation of profit or development of business can only be construed as a purchase/service made for commercial purposes. In these lines, the order passed by the lower forums were upheld.

OP.ED (CONT'D)

PROPERTY TRANSFERRED PRIOR TO FILING OF SUIT CANNOT BE ATTACHED UNDER ORDER 38 RULE 5 CPC

The Supreme Court in *L.K. Prabhu v. K.T. Mathew* (2025 INSC 1364) held that attachment before judgment under Order XXXVIII Rule 5 CPC cannot extend to property already transferred prior to filing the suit. The registered sale deed executed in favor of the appellant before the suit's institution was valid and could not be invalidated merely through attachment proceedings. Fraudulent transfer claims must be proven under Section 53 of the Transfer of Property Act and cannot be resolved in summary attachment petitions. The Court set aside the lower courts' orders that held the transfer fraudulent and upheld the bona fide purchaser's rights. This ruling protects completed property transfers from being upset by premature attachment orders in creditor suits

SUPREME COURT YET AGAIN CLARIFIES TERRITORIAL JURISDICTION FOR CHEQUE BOUNCE CASES

In the case of *Jai Balaji Industries Ltd and Ors v. M/s HEG Ltd* (2025 INSC 1362) held that the jurisdiction to try a complaint regarding an account payee cheque lies with the court where the payee's "home branch" is situated. In this case, the cheque was drawn on the Bank situated at Kolkata and was deposited by the Complainant at Bhopal Branch. The Complaint was filed before the MM court, Kolkata, however due to lack of jurisdiction it was returned and refiled before JMFC, Bhopal. The Court clarified that the expression "maintains an account" implies an intrinsic relationship between the account holder and the specific branch (home branch) where the account is held. The inclusion of the word "branch" in the section places an "additional condition" for deciding jurisdiction. Explanation to Section 142(2)(a), creates a "legal fiction." The Explanation provides that even if a cheque is delivered for collection at any branch, it is deemed to be delivered to the branch where the payee maintains the account. Thus, legally, the MM, Kolkata did not have jurisdiction under the 2015 Amendment, as the complainant maintained its account in Bhopal.

JUDGMENT ARTICLE

A LANDMARK RULING ON ARBITRATION CLAUSES

On 28th November 2025, the Supreme Court delivered a significant ruling. In *Hindustan Construction Company Ltd v. Bihar Rajya Pul Nirman Nigam Ltd and Others*, the Supreme Court considered whether a High Court could examine and effectively revoke its own order designating an arbitrator under Section 11 of the Arbitration and Conciliation Act, 1996 (Act) once the arbitral process had advanced significantly. The appeal arose from a dispute concerning a bridge construction contract in Bihar awarded by the state-owned BRPNNL to HCC in 2014. The contract contained a contentious arbitration clause (Clause 25). Its key features were:

- **Unilateral Appointment:** The sole arbitrator was to be appointed by the Managing Director of BRPNNL.
- **Exclusionary Condition:** It stated that if such an appointment was "not possible," the matter "shall not be referred to arbitration at all."

HCC invoked the arbitration clause when disagreements emerged. The Managing Director selected an arbitrator, and the proceedings went on for years. However, BRPNNL itself petitioned the Patna High Court in 2024 to have the arbitrator's appointment revoked, claiming the arbitration agreement's defective structure rendered the entire deal null and illegal. The arbitration was then essentially terminated upon the High Court's decision. HCC filed an appeal with the Supreme Court.

Issues for consideration

- The central question was whether a patently unfair and one-sided arbitration clause should render the entire agreement to arbitrate void, or whether the offending parts could be severed to preserve the core intent of the parties to resolve disputes through arbitration.

Key Legal Principles and Broader Implications

1. Nullification of "Nuclear Veto" Clauses

The Court decisively struck down clauses that grant one party (typically a state entity) the exclusive power to appoint an arbitrator and, more critically, the power to foreclose arbitration entirely if it chooses not to act. It termed such provisions a "nuclear veto" that undermines the very essence of arbitration.

2. Arbitral Appointments and Public Authority Accountability

The judgment extends constitutional discipline to the actions of public authorities in commercial contracts. It held that the Managing Director of a state-owned company, while making an arbitral appointment, performs a "public function" and is bound by the constitutional mandate of fairness and non-arbitrariness under Article 14.



JUDGMENT ARTICLE (CONT'D)

3. Judicial Non-Interference in Ongoing Arbitration

Criticizing the Patna High Court's intervention, the Supreme Court emphasized the principle of "Kompetenz-Kompetenz." This means that an arbitral tribunal has the primary jurisdiction to rule on challenges to its own existence or jurisdiction. National courts should be extremely reluctant to interfere mid-stream in arbitral proceedings, especially on appointment issues, to prevent tactical delays.

4. Preservation of the Arbitration Agreement (Separability)

The ruling reinforces the doctrine that an arbitration agreement is separate from the main contract. Even if parts of the arbitration clause are defective or the main contract is terminated, the agreement to arbitrate can survive and be given effect by the court.

5. Efficiency in the Arbitral Process

The Court issued directives to ensure efficiency, including that if an arbitrator steps down or is replaced, the substitute should continue from the existing stage of proceedings without starting afresh, unless exceptional circumstances demand it.

The Supreme Court delivered a resounding verdict in favor of preserving arbitration. It held that unilateral appointment clauses coupled with exclusionary conditions are "void and unenforceable" as they are arbitrary, violate the principles of party autonomy and equality, and contravene the fundamental right to equality under Article 14 of the Constitution.

The Court notably used the doctrine of severability. It severed the invalid portions, i.e "no arbitration" clause and the Managing Director's sole appointment authority from Clause 25. The fundamental agreement between the parties to resolve their disagreements was all that was left. The arbitration was subsequently permitted to continue when the Court used its authority under Section 11 of the Arbitration and Conciliation Act, 1996, to designate an impartial arbiter to resolve the conflict.



IN THE COURT ROOM :
LANDMARK JUDGMENTS OF
THE SUPREME COURT OF INDIA



Unilateral Appointment of Arbitrator and Waiver under Section 12(5)

(Contributed by Mr. Eshwar Sabapathy)

In the case of Alpro Industries v. Ambience Pvt. Limited and Anr. (2025 INSC 1148), a petition was filed under Section 34 of the Arbitration and Conciliation Act, 1996 ("Act"), challenging an Interim Award that dismissed the Petitioner's request to implead Respondent No. 2, M/s. Alankar Apartments Private Limited, in the arbitration proceedings. The Arbitral Tribunal had concluded that no arbitration agreement existed between the Petitioner, Alpro Industries, and Respondent No. 2, declining the prayer for impleadment.

The primary challenge raised by the Petitioner against the award was the unilateral appointment of the Sole Arbitrator by Respondent No. 1, arguing that the appointment was void ab initio under Section 12(5) of the Act. The High Court found that the arbitration clause, vesting exclusive power to appoint the sole arbitrator in Respondent No. 1, violated the principles laid down in Perkins, resulting in a unilateral appointment.

The Court emphasized that the waiver of Section 12(5) of the Act requires a strict "express agreement in writing," which was not present in this case, dismissing the argument that the Petitioner's subsequent letter constituted a waiver. Relying on Mahavir Prasad, the Court affirmed that unilateral appointment is a fundamental issue going to the root of the and renders any proceeding before such a Tribunal a nullity. The Court held the appointment of the Sole Arbitrator, to be void ab initio, set aside the Impugned Interim Award, and allowed the parties to initiate fresh arbitration proceedings.

IN THE PARLIAMENT



INTRODUCTION OF THE The Viksit Bharat Shiksha Adhishthan Bill, 2025 (Education Ministry) IN THE LOK SABHA

The bill proposes the establishment of a new statutory institution, the 'Viksit Bharat Shiksha Adhishthan' (Developed India Education Institute). The institute is envisioned as an apex body to drive research, innovation, and policy formulation in the education sector, aligned with the long-term national vision for development. Its mandate is expected to focus on future-ready skills, pedagogical advancements, and educational technology.

THE CENTRAL EXCISE (AMENDMENT) BILL, 2025 (FINANCE MINISTRY)

The bill has been introduced in the Lok Sabha on December 1, and passed by Lok Sabha On December 3. Subsequently, the same has also been passed by Rajya Sabha on main goal of this bill's amendments to the Central Excise Act of 1944 is to bring its provisions into compliance with the indirect tax system that was established after the GST. Since the implementation of the Goods and Services Tax (GST), only a few specific commodities, such as tobacco and petroleum, are subject to the central excise levy. The changes are intended to modernize the legislation, simplify processes, and eliminate outdated provisions pertaining to commodities that are now subject to GST.

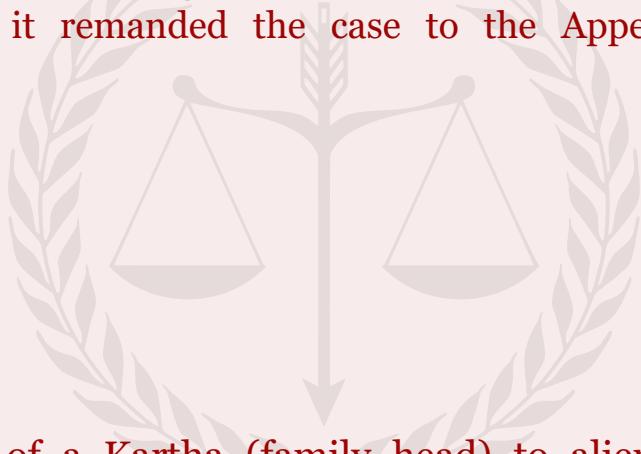
THE SUSTAINABLE HARNESSING AND ADVANCEMENT OF NUCLEAR ENERGY FOR TRANSFORMING INDIA BILL, 2025 (ATOMIC ENERGY MINISTRY)

The bill was introduced in the Lok Sabha on December 15, and has been passed on December 17. Intended to streamline and expedite India's nuclear power expansion, this bill focuses on creating a facilitative framework for the establishment of new nuclear power projects. It seeks to empower the central government to simplify land acquisition and regulatory clearances for designated "Nuclear Energy Parks." The legislation aims to support the national goal of increasing the share of clean nuclear energy in the electricity mix, contributing to energy security and climate commitments..



LEGAL NEWS

The Supreme Court held in *RattanIndia Power Limited v. MSEDCL & Anr.* that an appellate tribunal must apply the law as it stands at the time of fresh adjudication, including subsequent binding precedents, and is not constrained by its prior observations while making a decision in a remanded matter. The Court made it clear that a respondent must file a cross-appeal or cross-objection in order to contest a portion of an operative decree. In order to ascertain whether, under the particular circumstances, compounding of interest on the awarded "Carrying Cost" was required to fully compensate the power generator for a "Change in Law" event under the Power Purchase Agreement, it remanded the case to the Appellate Tribunal for Electricity.



The power of a Kartha (family head) to alienate self-acquired property has been upheld by the Madras High Court, which partially granted a partition appeal. Three properties were claimed as joint family assets by the plaintiffs, who were the daughters of a deceased son. Due to the plaintiffs' inability to establish a pre-existing joint family nucleus, the Court upheld the Trial Court's dismissal of two properties (Suit Items 1 & 2), concluding that they were the Kartha's self-acquisitions. His 1995 gift and sale deeds were therefore legitimate. But with regard to a third property (Suit Item 3), the Court overturned the Trial Court's ruling, concluding that the defendants had not proven a will that excluded the plaintiffs. As Class-I heirs under the Hindu Succession Act, the plaintiffs were granted a preliminary decree for a 1/3rd share in that property.



LEGAL TRIVIA

Under the Insolvency and Bankruptcy Code (IBC), 2016, a financial creditor initiates the Corporate Insolvency Resolution Process (CIRP) by filing an application before the National Company Law Tribunal (NCLT). What is the specific minimum default amount that must be breached for such an application to be admissible?

- A. ₹ 1 crore (One Crore Rupees)
- B. ₹ 1 Lakh (One Lakh Rupees)
- C. ₹ 50000 (Fifty Thousand Rupees)
- D. ₹ 5 Lakh (Five Lakh Rupees)



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