# VISION 360

# MAR 2026

## EDITION 65

## A TREASURY OF KEY TAX & REGULATORY DEVELOPMENTS!

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# EDITORIAL

## Vision 360: Insights into recent Policy, Regulatory and Judicial Developments

This edition of Vision 360 brings together key developments across taxation, regulation and corporate law that continue to shape India's evolving business environment. This edition highlights how legislative reforms, regulatory actions and judicial interpretations collectively influence compliance, policy implementation and strategic decision making for businesses.

In the Direct Tax space, the newsletter covers important legislative and administrative developments, including directions issued by the CBDT to departmental representatives in litigation matters and the release of draft Income-tax Rules, 2026 inviting stakeholder comments. The issue also examines the growing interaction between transfer pricing regulations, valuation rules and foreign exchange regulations in cross-border transactions.

The GST section highlights key judicial and legislative developments under the CGST Act, 2017. Recent judicial rulings have addressed procedural fairness in GST administration, including decisions holding that rejection of manually filed GST appeals on technical grounds may be arbitrary and clarifying that IGST paid on ocean freight under an invalid notification is refundable despite its prospective omission.

On the legislative and administrative front, system-level changes now allow utilisation of Input Tax Credit of CGST/SGST for payment of IGST through GSTR-3B, along with the introduction of an online facility enabling taxpayers to apply for withdrawal of proceedings initiated under Rule 14A relating to GST registration.

The edition also features an International Desk, which briefly reviews global tax and regulatory developments that may influence cross-border investment, multinational operations and international compliance practices. Such developments are increasingly relevant as Indian businesses integrate more deeply into global supply chains and regulatory frameworks. This edition also discusses the growing overlap in valuation and pricing requirements under the Foreign Exchange Management Act, Rule 11UA, and Transfer Pricing.

Finally, the Industry Perspective section presents insights from industry leadership on the practical implications of tax policy, trade incentives and technological advancements like AI for manufacturing competitiveness and business strategy.

In this **65th edition of Vision 360**, we at TIOL are excited to present these developments and more, in collaboration with **Taxcraft Advisors LLP, GLS Corporate Advisors LLP**, and **VMGG & Associates**. We bring you a comprehensive view of these shifts through judicial analysis, legislative updates, industry perspectives and expert commentary. As always, we hope this edition serves you as a valuable. We look forward to your continued engagement, insights and feedback.

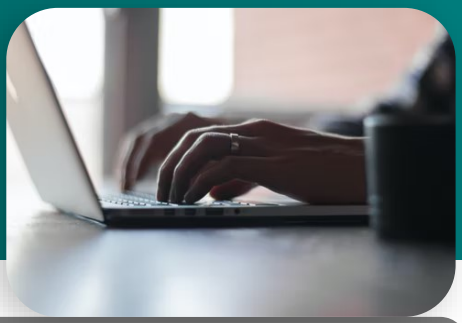
# Table of CONTENTS

**Vision 360 | MARCH 2026 | Edition 65**

# Table of CONTENTS

**Vision 360 | MARCH 2026 | Edition 65**

# ARTICLE



## SUBSIDIZED MEALS UNDER GST: FREE OR TAXABLE SUPPLY?

In the humming factories of India as it gears to compete with China in the manufacturing sector, where workers fuel long shifts with subsidized meals, a simple canteen plate continues to remain a flashpoint for GST compliance. The CGST Act under Section 15 deems employers and employees "related persons," complicating valuation of intra-entity supplies. Recovery of even nominal food costs from staff—often via payroll deductions—raises the question: Does this constitute an "outward supply" under Section 7, attracting GST? And what ITC pertaining to canteen facilities are available? Recent Advance Rulings deliver a wakeup call, balancing statutory intent with practical realities.

**Taxability: Free vs. Recovered Costs**

The recent Maharashtra AAR's ruling in **KSB Limited [TS-1069-AAR (MAH)-2025-GST]** clarifies a pivotal distinction. The industry normally takes a position that employers providing canteen services via third-party vendors is entirely free and no GST should apply—these fall under Schedule III, para 1, as activities neither supply of goods nor services. However, partial or full recovery from employees has triggered GST solely on the collected amount, viewing it as a taxable "business activity" under Section 2(17)(b).

The AAR dissected dual chains: first, vendor-to-employer (inward supply); second, employer-to-employee (potential outward supply). Relying on **CBIC Circular No. 172/04/2022-GST** (Circular 172), it affirmed that contractual freebies to employees escape GST, but monetary recovery shifts the dynamic. Imagine a mid-sized manufacturer in Pune: free lunches foster loyalty, yet a Rs.20 daily deduction for "cost-sharing" now invites 18% GST on that slice, under HSN 9963 as catering services. Earlier, **Caltech Polymers Pvt. Ltd. [2018 (12) G.S.T.L. 350 (AAR-GST)]** deemed food supply by employer as "incidental or ancillary" to business under Section 2(17)(b), and taxable as services per Schedule II, Clause 6; even sans profit motive. These rulings remind us: GST views canteens not as charity but embedded in employment's commercial fabric.

Contrast this with Gujarat's AAR in **M/s. Zydus Hospira Oncology Private Limited [Advance Ruling No. GUJ/GAAR/R/2025/49]**, which carved an exception. Subsidized canteen recoveries from full-time employees do not qualify as supply under Section 7, rooted in the pure employer-employee bond under Schedule III and Circular 172. Yet, for contractual workers—engaged via labor contractors, off-payroll—such recoveries are taxable supplies. This duality echoes human intricacies: permanent staff as "family," outsiders at arm's length.

**ITC Eligibility: Statutory Mandates and Reversals**

Section 17(5)(b) blocks ITC on food unless mandated by law, like Section 46, Factories Act, 1948 (canteens obligatory for >250 workers). **M/s. Bharat Oman Refineries Ltd. (MP AAR, 2021) [Authority for Advance Ruling Order No. MP/AAAR/07/2021]** initially denied ITC, but AAAR overturned it, permitting claims for legally compelled facilities.

Gujarat AAR in **Troikaa Pharmaceuticals Ltd. [Advance Ruling No. GUJ/GAAR/R/2022/38]** nuanced further: ITC admissible only on employer-borne costs, not employee-recovered portions—lest the burden pass via deductions. Echoed in **Tata Motors Ltd. (Gujarat AAAR, 2022) [Advance Ruling (Appeal) No. GUJ/GAAAR/APPEAL/2022/23]** and **Tata Autocomp Systems Ltd. (2023) [Advance Ruling No. GUJ/GAAR/**

**R/2023/23]**, this proportionality ensures equity. Picture a Gujarat pharma firm: Rs.100/plate total, Rs.30 deducted—ITC only on Rs.70 GST paid by employer.

**Composite Supplies and Ancillary Services**

Tamil Nadu AAR in **Tvl. Frutta Services Private Limited [Advance Ruling No. 60/ARA/2025]** treated corporate meals via third-party kitchens as "composite supply" under Section 2(30), eligible for ITC on inwards. The aggregator merely procures and delivers, not prepares food—principal supply being catering facilitation at 5% GST (no ITC under Notification 11/2017-CT(R)). Similarly, West Bengal AAR in **Citius Holidays Private Limited [WBAAR 19 of 2025-26]** allowed ITC on food/beverages integral to taxable event management, charging GST on the principal package value.

**Conclusion: No choice but to navigate Compliance Amid Divergence**

Despite the CBIC's Circular No. 172 aiming to clarify employer-employee transactions—explicitly placing pure relationship-based supplies under Schedule III—litigation persists unabated. Advance Rulings from Maharashtra, Gujarat, Tamil Nadu, and beyond reveal stark divergences: one AAR deems recoveries taxable as business activities, another shields them as non-supplies. This patchwork defeats the circular's very purpose, fostering uncertainty rather than uniformity. Manufacturers, already grappling with razor-thin margins, face endless notices, audits, and appeals over routine canteen deductions.

The burden falls heaviest on industry. Mid-sized factories compliant under Factories Act mandates, now divert resources from production to defend subsidized recoveries—escalating compliance costs. What begins as a welfare or compliance measure morphs into a tax trap, straining cash flows and eroding trust in GST's simplifying promise. This regulatory whiplash not only hampers MSME growth but undermines the employer-employee bond that fuels India's manufacturing engine.

Government must adopt a pragmatic stance: issue a binding clarification or GST Council resolution standardizing canteen treatments where free supplies are unequivocally non-taxable and recoveries are exempt as they are incidental to employment. Meanwhile, taxpayers should urgently review all employer-employee transactions viz. canteen fees, transport allowances, gym subsidies, including recoveries via payroll. Meticulous documentation i.e. vendor contracts, salary slips evidencing "employer-funded" portions, and relationship affidavits will fortify positions against surprises. Proactive structuring today averts tomorrow's litigation.

# INDUSTRY PERSPECTIVE

## MR. VIJAY SHETHIYA

*CFO - Banco Aluminium Limited*

## 01 From your perspective, what are the key GST considerations for a business manufacturing both standard and custom-made aluminium extrusion profiles

From a GST perspective, aluminium extrusion businesses deal with both standard catalogue profiles and customer-specific engineered profiles, and each brings certain considerations.

First, classification and tax rate is important. Most aluminium extrusion profiles fall under HSN 7604, which currently attracts 18% GST. However, when profiles are custom-designed for OEMs and involve additional machining, fabrication, or anodizing, the classification must be carefully evaluated to determine whether it remains a supply of goods or becomes a composite supply involving services.

Second, tooling and die charges are common in the extrusion industry. When customers pay for dies, the GST implication depends on ownership and transfer conditions. If the die remains with the manufacturer and is amortized in product pricing, GST treatment differs compared to when it is separately invoiced and owned by the customer.

Third, job work and further processing is common, such as powder coating, anodizing, and CNC machining. Proper compliance with the job work provisions under GST, including movement of goods and time limits for return, is essential.

Fourth, input tax credit management is critical because the industry consumes large quantities of aluminium billets, electricity, dies, chemicals, and logistics services. Ensuring seamless ITC while managing vendor compliance is key to protecting margins.

Finally, exports to sectors like solar, automotive, and engineering goods require careful management of zero-rated supplies, LUT filings, and refund mechanisms. GST for us is about building a system where classification, invoicing, credit availment, vendor compliance, and contract structuring are all aligned.

## 02 What are the practical GST technology-related challenges you see today beyond routine return filing, especially in areas like IMS, imports, and reconciliation?

Today, GST compliance is no longer limited to GSTR-1 and GSTR-3B filing. The complexity has shifted to

data integrity and technology integration.

One major challenge is the IMS framework where real-time invoice matching and ITC validation requires strong ERP integration and vendor discipline. Any mismatch can directly affect working capital.

Second, import GST reconciliation is becoming more complex. Businesses must reconcile Bill of Entry data with ICEGATE and GST returns to ensure correct availment of IGST credit on imports.

Third, large-volume reconciliation between ERP, e-invoicing data, GSTR-1, GSTR-3B, and GSTR-2B is a significant operational challenge. Even minor mapping errors can lead to credit loss or compliance risk.

Fourth, e-invoicing and e-way bill integration requires system-level automation, especially for manufacturers dispatching hundreds of consignments daily.

Therefore, modern tax management requires ERP-driven compliance, automated reconciliation tools, and strong data governance, not just manual return filing.

## 03 How do trade incentive mechanisms support cost management and financial stability in your business?

Trade incentives play an important role in cost optimization and financial stability, particularly for export-oriented manufacturers.

EPCG supports capital investment by lowering effective import duties on machinery, thereby improving asset productivity and return ratios. Schemes like RoDTEP, Duty Drawback, etc help neutralize embedded taxes that are otherwise not recoverable. These incentives partially offset logistics costs, power costs, and supply chain inefficiencies, which are significant in aluminium manufacturing.

For companies exporting extrusion profiles, these incentives improve export competitiveness, especially against manufacturers from China, Southeast Asia, and the Middle East.

From a CFO perspective, these schemes help stabilize EBITDA margins, support working capital cycles, and encourage long-term export expansion.

## 04 How do you manage risks associated with cross border transactions?

Cross-border business exposes aluminium manufacturers to several financial and regulatory risks.

The first is foreign exchange risk, since aluminium prices are largely linked to global commodity benchmarks like the London Metal Exchange aluminium price. We manage this through natural hedging, forward contracts, and price pass-through mechanisms with customers.

Second is trade compliance risk, including export documentation, customs classification, and anti-dumping duties. Imports of raw aluminium, tooling and capital equipment must strictly comply with customs classification and valuation norms, as even minor discrepancies can create exposure.

Third is counterparty credit risk, particularly in exports. This is mitigated through letters of credit, export credit insurance, and careful customer evaluation.

Finally, geopolitical risks and shipping disruptions can impact supply chains, so diversification of markets and logistics planning becomes essential. Structured compliance ecosystem allows us to conduct international trade efficiently while minimising regulatory risk and maintaining governance standards.

## 05 What impact have U.S. tariff measures, including policies introduced during the Trump administration, had on the aluminium industry?

Tariff measures introduced during the Donald Trump administration under Section 232 of the Trade Expansion Act of 1962, imposed tariffs on aluminium imports into the United States.

This policy had several effects:

- It raised aluminium prices in the U.S. market
- It shifted global trade flows, with exporters redirecting supplies to Asia and Europe
- It increased price volatility in global aluminium markets

For Indian manufacturers, this created both challenges and opportunities. While direct exports to the U.S. became less competitive, some companies benefited from supply chain rebalancing and increased demand in other regions.

Strategic flexibility, diversified export markets and continuous monitoring of international trade developments are therefore essential. In a shifting policy landscape, adaptability becomes a critical competitive advantage.

## 06 How is the ongoing conflict involving Iran, the United States and Israel impacting the aluminium sector?

Geopolitical tensions involving Iran, United States, and Israel mainly affect the aluminium industry through energy prices and logistics disruptions.

Aluminium production is highly energy intensive, and any instability in oil-producing regions can significantly increase Gas, freight, and power costs.

Additionally, shipping routes through strategic regions like the Strait of Hormuz are critical for global trade. Disruptions can increase freight rates, insurance costs, and supply chain delays, impacting raw material procurement and exports.

India's relative geopolitical stability and manufacturing capability therefore position the aluminium extrusion sector favourably in the long term.

## 07 How do you see the tax landscape evolving today, and where does AI fit into that shift?

The tax function is no longer limited to rate checks, return filing, or responding when something goes wrong. Tax systems worldwide are moving toward real-time digital compliance and data transparency.

Governments are increasingly using data analytics to detect mismatches, fraud, and tax leakage, especially in systems like GST.

**Mr. Vijay Shethiya**
CFO - Banco Aluminium Limited

In this environment, Artificial Intelligence will play a major role in:

- Automated reconciliation of tax data
- Predictive compliance monitoring
- Risk detection in transactions
- AI-based audit readiness

For companies, AI will shift tax functions from reactive compliance to proactive risk management. In my view, AI is not here to replace tax judgment; it is here to strengthen tax preparedness.

In the future, CFOs will need to combine financial expertise with technology-driven tax management systems to ensure both compliance and operational efficiency.

But the important thing is to use it with maturity. Tax positions still require interpretation, context, and accountability. So, the real value lies in combining technology with experienced human oversight.

***"For manufacturing businesses like aluminium extrusion, tax and trade policy are no longer just compliance matters. They are strategic factors that influence cost structures, global competitiveness, and long-term investment decisions."***

# DIRECT TAX
From the Judiciary

## Hon'ble HC holds no relief under Section 158BA without evidence of undisclosed income, validates assessment order passed under Section 143(3) of the IT Act

**Saroj Kumar Sahoo**

**W.P.(C) No. 30861 of 2025**

The Assessee had filed a writ petition before the Hon'ble HC challenging the assessment order passed by the Revenue which was allegedly passed under Section 143(3) read with Section 260 and Section 144B of IT Act contrary to the avowed purport of Section 158BA (2) of the IT Act.

The Hon'ble HC noted that as there was no material to demonstrate that the search of the Assessee under Section 132 of the IT Act was conducted with respect to his "total undisclosed income" as envisaged under Chapter XIV-B of the IT Act for the AY falling within the ken of the "block period", therefore the Assessee's claim of relief merely based on the provision outlined in Section 158BA of the IT Act could not be allowed.

Moreover, there was nothing on record to suggest that the Assessee's "undisclosed income" was the subject matter of the search along with the companies-entities whose names appeared in the Panchnama and there was no iota of evidence to depict that the search of the said companies resulted in discovery of the total undisclosed income and included any portion of his income that remained undisclosed in the return furnished for the relevant AY.

Thus, as there was no evidence pertaining to the undisclosed income of the Assessee, the Hon'ble HC, held that, no relief could be granted to the Assessee under Section 158BA of the IT Act without evidence of such undisclosed income and accordingly, dismissed the writ petition.

## Tribunal holds jointly owned house does not bar exemption under Section 54F of the IT Act, proviso not applicable to co-owners

**Saroj Goenka**

**ITA No. 2129/Kol/2025**

The Assessee had approached the Tribunal against the order of the Revenue wherein the Revenue had held the Assessee to not be entitled to the exemption under Section 54F of the IT Act on account investment of capital gains from sale of shares in the construction of a new residential property as the Assessee already owned two immovable properties and was therefore in violation of Section 54F(i) of the IT Act.

The Tribunal noted that out of the two properties specified by the Revenue, one of the properties consisted of a vacant land not qualifying as a residential property and the other was a family owned property of which the Assessee was one of the several co-owners and accordingly observed that if a residential property was jointly owned by two or more persons, that would not preclude the person (as an Assessee)

from claiming exemption under section 54F of the IT Act, as the Assessee would not be hit by the proviso to Section 54F of the IT Act, being not the exclusive owner of the residential property. Moreover, it was not stipulated under Section 54F of the IT Act that the construction of the new residential property must begin after the date of the sale of the original/old asset, and it only referred to a construction of a residential house within three years, therefore, the fact that the Assessee had begun construction of the property much prior to the date of sale of capital asset would not disentitle her from claiming exemption under Section 54F of the IT Act.

Further, the Tribunal dismissed the Revenue's contention that since the cost of construction of the new residential property was not directly met from the proceeds derived from sale of shares, the Assessee was not entitled to benefit of exemption under Section 54F of the IT Act by observing that there was no requirement for the Assessee to directly utilize the sale proceeds for construction/purchase of the property and as long as the amount spent towards construction of the residential house was more than the consideration received upon the sale of the capital asset, the Assessee was entitled to the benefit of Section 54F of the IT Act.

In addition, the Tribunal also observed that since another female member of the family, had also claimed the same exemption in respect of cost of construction incurred towards the same property against the capital gains from the sale of shares which was accepted and allowed by the Revenue, the Assessee was also eligible for the deduction and accordingly deleted the disallowance under Section 54F of the IT Act.

## Tribunal holds procedural compliance as 'handmaids of justice', finds delayed submission of Tax Residency Certificate/Form 10F curable defect

**Thogarchedu Subha Sri**

**ITA No. 1058/Hyd/2025**

The Assessee was based in the USA that had approached the Tribunal against the order of the Revenue which denied the DTAA benefit to the Assessee for non-filing of Tax Residency Certificate and Form 10F within the specified date under Section 139(1) of the IT Act.

The Tribunal having conjointly read Section 90 of the IT Act with Rule 21AB of the IT Rules, noted that neither the Act nor the Rules prescribed any time limit for filing of Form 10F and therefore, in the absence of any statutory prescription, the filing of Form 10F could not be treated as a condition precedent, non-fulfilment of which would automatically result in denial of treaty benefit as at best it was a directory procedural requirement, non-compliance of which was curable.

Moreover, Form 10F did not create the right to claim DTAA benefit, it only facilitated verification of information and the actual right flowed from the DTAA read with Section 90(2) of the IT Act as once tax residency and treaty entitlement were established, Form 10F remained a procedural compliance, therefore, as procedural requirements, in the absence of statutory time limits, were directory in nature, and substantive benefits flowing from a tax treaty could not be denied merely on account of delayed compliance with procedural formalities, particularly when the Assessee was otherwise eligible in substance, procedural requirements being 'handmaids of justice' could not be allowed to frustrate substantive rights, particularly when the Assessee was otherwise eligible for the benefit claimed and procedural lapses, omissions, or delays, unless expressly made fatal by statute, could not override substantive entitlements.

Thus, as the denial of the DTAA benefit in the present case was purely mechanical due to non-availability

of Form 10F at the relevant time and once the Assessee furnished Form 10F and the Tax Residency Certificate, the issue became non debatable and capable of verification, the Tribunal found that the delay in filing Form 10F was a curable procedural defect, and once the form was furnished, the same related back to the claim of DTAA benefit made in the return of income making the Assessee eligible for the DTAA benefit.

## Tribunal affirms non-taxability for services rendered outside India despite salary credit in NRE account

**Kaushal Ganpatbhai Patel**

**ITA No. 434/Ahd/2025**

The Assessee was a non-resident Indian who used to receive his salary in his NRE bank account in India that had approached the Tribunal against the order of the Revenue wherein the Revenue had made an addition of the salary received in the Assessee's NRE bank account towards his employment outside of India.

The Tribunal noted that as the constructive receipt of salary took place at the place of rendering of employment and the deposit of the same in the NRE bank account in India was only an application of the salary received outside India, the same was not taxable in India. Moreover, the salary earned from services rendered outside India, accrued outside India and was accordingly to be treated as received outside India and the mere deposit of the said salary in the NRE bank account was just an application of the salary received outside India and not, a receipt of income of the Assessee, so as to qualify for taxation in India under Section 5(2)(a) of the IT Act. Accordingly, deleting the addition made by the Revenue, the Tribunal allowed the Assessee's appeal.

# DIRECT TAX
From the Legislature


## CIRCULARS

| Sr. No. | Circulars/Press Releases/Tweets | Summary |
|---|---|---|
| 1 | **CBDT Letter F. No. 279/ Misc/M-13/2026-IT dated February 02, 2026** | **CBDT issues directions to Departmental Representatives and counsels for tax department to seek adjournment in certain cases**<br><br>As part of the rationalization of Direct Tax provisions in the Union Budget 2026, the Hon'ble Finance Minister through the Finance Bill, 2026 had proposed certain amendments to Sections 92CA, 144C, 153, 153B of the IT Act along with the insertion of new Sections 147A, 292BA to the IT Act which inter-alia pertain to issues related to time-limit for assessment after DRP proceedings, time-limit for the order of a TPO, Document Identification Number among others.<br><br>Given this backdrop, the CBDT through a Letter addressed to all the Principal Chief Commissioners of Income-tax, has issued directions to the Commissioner of Income-tax (Departmental Representative)/ Senior Departmental Representative and to the counsels representing the tax department before the Hon'ble HCs and Tribunals, to seek adjournment in appeals/writ involving issues pertaining to the above-mentioned amendments proposed in the Finance Bill, 2026. |
| 2 | **Press Release dated February 08, 2026** | **CBDT releases draft Income-tax Rules, 2026 and forms, seeks feedback from stakeholders**<br><br>Taking cognizance of the coming into force of the Income-tax Act, 2025, with effect from April 01, 2026, the CBDT prior to the formal Notification of the Income-tax Rules, 2026, has issued a note announcing the release of the draft Income-tax Rules, 2026 ('the new draft Rules') along with the draft Forms.<br><br>The CBDT has invited comments and suggestions from stakeholders and members of the public on the new draft Rules and Forms for a period of 15 days, i.e., up to February 22, 2026. This consultative process is intended to ensure that the framing of subordinate legislation is more participative, transparent, and effective, and that practical |

| Sr. No. | Notification | Summary |
|---|---|---|
| | | considerations from stakeholders are duly taken into account before finalization.<br><br>In addition to the new draft Rules and Forms, the CBDT has also provided two navigational tools for the guidance of stakeholders and the public:<br><br>• The first navigator provides a mapping between the existing IT Rules and the corresponding provisions under the new draft Income-tax Rules, 2026; and<br><br>• The second navigator provides a mapping between the existing Forms and the proposed new draft Forms.<br><br>These navigators are intended to facilitate a better understanding of the changes proposed and to assist stakeholders in reviewing the new framework in a structured and comparative manner. |
| 3 | **Press Release dated February 23, 2026** | **CBDT notifies the signing of the Amending Protocol to the India-France DTAC**<br><br>The CBDT has notified the signing of the Amending Protocol to amend the India-France DTAC. Some of the key highlights of the Amending Protocol inter-alia include:<br><br>• Full taxing rights in respect of capital gains arising from sale of shares of a company, to the resident jurisdiction of the company.<br><br>• Deletion of the so-called Most-Favoured-Nation clause from the Protocol to the DTAC.<br><br>• Modification of the taxation of income from dividends by replacing a single rate of 10% of tax with a split rate of 5% for those holding at least 10% of capital and 15% of tax for all other cases.<br><br>• Amendment to the definition of Fees for Technical Services by aligning it with the definition in India-US DTAA, and expanding of the scope of 'Permanent Establishment' by adding service PE clause.<br><br>• Amendment to the provisions on Exchange of Information and addition of a new Article on Assistance in Collection of Taxes, as per international standards. |

# TRANSFER PRICING
## From the Judiciary

## Tribunal holds Assessee fully protected by AE's counter guarantee, accepts commission @0.40% over Revenue's 1.55%

**FirstRand Bank Limited**

**ITA No. 2502/Mum/2022**

The Assessee was an Indian branch of a banking company based in South Africa that had approached the Tribunal against the determination of the ALP by the Revenue of the international transaction with its South African AE involving guarantee commission by applying external CUP method @1.55% as against the ALP determined by the Assessee @ 0.40%.

Before the Tribunal, the Assessee contended that the Airports Company South Africa, a customer of the South African AE, was required to furnish a performance guarantee in favor of Mumbai International Airport Limited and the South African AE reached out to its correspondent banks in India and requested for feasibility of reissuance of the guarantee, thereafter, the Assessee received a counter-guarantee from the South African AE and reissued the guarantee locally in favor of Mumbai International Airport Limited, and received 0.40% p.a. of the guarantee as commission, over and above mark-up charged for provision of marketing support services. However, the Revenue applied External CUP method and determined arm's length guarantee commission @ 1.55%. Moreover, the combined commission earned on the entire transaction both, by the Assessee and its South African AE, was only 0.69% and it was out of this total commission of 0.69% that the Assessee had received 0.40% as its share (amounting to approx 57% of the total commission).

The Tribunal noted that the entire risk exposure of the Assessee was solely on its South African AE and what the Assessee performed was only a limited function of executing and processing of guarantee, accordingly, the Assessee was fully protected by the counter guarantee issued by its South African AE, and all associated risks and costs were passed on to it on a back-to-back basis. Moreover, any default on the part of the Airports Company South Africa was entirely assumed by the South African AE and the Assessee did not have to bear any credit or performance risk for the same.

Thus, as the Assessee was fully protected by the South African AE's counter-guarantee and the guarantee commission received by the Asseessee was only 0.40% p.a. which constituted about 57% in the hands of the Assessee of the total 0.69%, the Tribunal deleted the ALP determination @1.55% made by the Revenue and accepted the original ALP @ 0.40 % as determined by the Assessee.

## Hon'ble HC holds DRP cannot issue directions once final assessment order is passed

**Fugro Survey India Pvt. Ltd.**

**Writ Petition No. 3710 of 2024**

The Assessee had filed a writ petition before the Hon'ble HC against the directions of the DRP issued after

the passing of the final assessment order.

The Hon'ble HC noted that once a final assessment order was passed, even assuming for the sake of argument wrongly, the DRP could not have issued any directions and/or given any finding, as was sought to be done in the impugned order passed by the DRP as in the scheme of Section 144C of the IT Act, the DRP could issue directions or findings only when the assessment was pending and not after the final assessment order was passed. Moreover, the DRP ought to have dismissed the Assessee's objections on the sole ground that a final assessment order had already been passed and ought not to have given any finding in relation to any matters relating thereto.

Accordingly, finding the observations of the DRP to be wholly unwarranted in the facts of the present case, the Hon'ble HC, directed the CIT(A) to decide the Assessee's appeal without being influenced by the same.

## Tribunal deletes adjustment with reference to inter-unit transfer of power, follows precedent set in Special Bench ruling

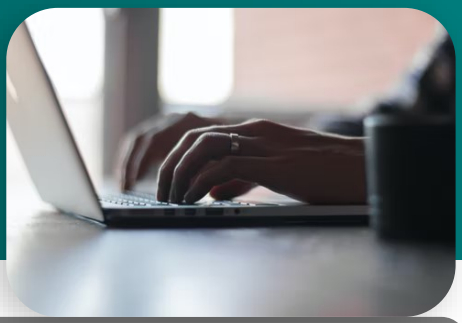
**JSW Steel Coated Products Limited**

**ITA No. 5142 & 5143/Mum/2024**

The Assessee in its TP study report, adopted the 'other method' as MAM and considered the tariff rate at which it could purchase electricity from the distributor as the open market value in term of Section 80IA (8) of the IT Act. However, the TPO considering the method used by the Assessee as inappropriate made a TP adjustment in respect of the inter-unit transfer of power. Aggrieved by the same, the Asseessee approached the CIT(A) who held that ALP determined by TPO was not justified and deleted the same.

Aggrieved, the TPO approached the Tribunal against the deletion of the TP adjustment made by it which placing reliance on a Special Bench decision in Aditya Birla Nuvo Ltd. [ITA No. 563/M/2018] wherein it was held that the price at which the Assessee purchased power from the distribution licensee, could be applied as a valid CUP for determining the ALP of sale/supply of power by a captive power plant, accordingly, upheld the deletion of the TP adjustment in respect of the inter-unit transfer of power made by the TPO and dismissed the TPO's appeal.

# ARTICLE



## GUARDING THE GATES, OPENING THE WINDOWS: INDIA'S FDI POLICY REIMAGINED

Press Note 3 has emerged as one of the most consequential inflection points in India's FDI regime in recent history. Introduced in April 2020, at a time when the world was grappling with the economic shockwaves of the COVID-19 pandemic, the measure fundamentally altered the manner in which investments from countries sharing a land border with India were treated. At its core, the Notification mandated prior government approval for investments originating from, or beneficially owned by, entities from such neighbouring jurisdictions.

The immediate context in which this policy was conceived is critical to understanding both its rationale and its enduring impact. In early 2020, global equity markets had witnessed sharp corrections. Indian businesses, including promising technology startups and mid-sized manufacturing entities, were trading at significantly depressed valuations. Liquidity stress was visible across sectors. There was a palpable concern within policy circles that distressed Indian assets might become vulnerable to opportunistic takeovers, particularly by foreign investors seeking strategic footholds during a period of financial fragility.

The government's response was swift and decisive. By expanding the approval requirement to cover not only direct investments but also indirect acquisitions and transfers of beneficial ownership, Press Note 3 introduced a comprehensive screening framework. Its objective was explicit: to prevent hostile or opportunistic acquisitions that could compromise national interest during an unprecedented crisis. In this sense, the policy was protective in nature, an emergency shield erected in a moment of systemic vulnerability.

Over time, however, the exceptional circumstances that justified the urgency of the measure began to recede. The Indian economy gradually regained momentum. Valuations stabilised. Capital markets recovered. Domestic enterprises adapted to the new normal. Yet the structural features of Press Note 3 remained intact. What began as a crisis-response instrument gradually evolved into a permanent layer of regulatory oversight.

This evolution has had meaningful consequences. While the policy succeeded in strengthening governmental scrutiny over sensitive investments, it also introduced procedural friction that extended beyond its original strategic intent. Startups, venture capital funds, and growth-stage enterprises increasingly reported delays in securing approvals, even in cases involving small stake acquisitions or routine follow-on funding rounds. Global investment funds with marginal exposure to investors from neighbouring countries found themselves navigating the same approval channels as entities seeking significant or controlling stakes.

In practice, the breadth of the policy's application often meant that even low-value, non-controlling investments were subjected to lengthy review processes. This created uncertainty around transaction

timelines and, in some cases, influenced capital allocation decisions. For capital-intensive sectors, such as manufacturing, renewable energy, and technology, where funding cycles are closely tied to operational milestones, such delays carried tangible business implications.

As India's economic priorities have increasingly emphasised manufacturing expansion, supply chain resilience, technological collaboration and sustained capital inflows, the conversation around recalibrating Press Note 3 has naturally gathered pace. Policymakers now face the challenge of preserving national security safeguards while ensuring that regulatory mechanisms do not inadvertently constrain growth capital or dampen investor confidence.

Against this wider backdrop of policy review, India is now mulling the introduction of a 'de minimis' threshold. The intent is not to dismantle Press Note 3, but to recalibrate how it operates in practice. Under the framework being considered, smaller investments from neighbouring countries, falling below a prescribed threshold, may be permitted under the automatic route instead of being subjected to prior government approval.

This signals a meaningful conceptual shift. Rather than applying a blanket approval requirement across all investments regardless of scale, the government appears to be considering a more calibrated, risk-based screening mechanism. Such an approach would distinguish between low-value, non-strategic investments and transactions that involve significant ownership, control or influence.

The implications of this potential change are far-reaching. For India's startup ecosystem in particular, the reform could offer immediate relief. Venture capital financing typically occurs in successive funding rounds, often involving small increments in equity participation. Under the existing framework, even modest follow-on investments may trigger approval requirements if any investor in the funding structure has beneficial ownership links to neighbouring countries. Introducing a de minimis threshold could reduce compliance friction and accelerate funding cycles.

Similarly, manufacturing and supply chain collaborations frequently involve minority equity stakes as part of broader strategic partnerships. In sectors where global capital participation is critical for technology transfer, capacity building or export integration, streamlined processes for smaller investments could enhance India's competitiveness as an investment destination.

From an ease-of-doing-business perspective, a tiered approval structure would align India's regime more closely with global practices. Many jurisdictions with foreign investment screening mechanisms adopt risk -based thresholds, focusing heightened scrutiny on transactions that involve control, critical infrastructure, sensitive technologies or national security concerns. By differentiating between strategic acquisitions and minor portfolio investments, India could achieve a more proportionate regulatory balance.

However, the proposed relaxation is not without complexity. The most critical policy question lies in defining the appropriate threshold. What constitutes a "small" investment? Should the threshold be determined by percentage shareholding, absolute monetary value, voting rights, or a combination of factors? Each parameter carries distinct implications.

If the threshold is set too high, there exists the risk that multiple fragmented minority investments could cumulatively translate into significant influence without undergoing strategic review. Sophisticated

investors may structure investments across layered entities to remain below the threshold while gradually increasing their footprint. Preventing such circumvention would require robust monitoring of beneficial ownership patterns and aggregated holdings.

Conversely, if the threshold is set too low, the reform may offer only marginal relief. The compliance burden that prompted industry representations could persist, limiting the practical effectiveness of the change. Striking the right balance between meaningful relaxation and security prudence will therefore be central to the reform's success.

Another dimension that merits attention is implementation architecture. A tiered screening framework demands clear coordination between ministries, streamlined digital processes, and transparent guidelines. The experience of the past few years suggests that approval timelines can vary significantly depending on transaction complexity and inter-ministerial consultation requirements. For the de minimis approach to yield tangible benefits, procedural clarity and predictability will be essential.

Beneficial ownership analysis presents an additional layer of complexity. Modern investment structures often involve pooled investment vehicles, limited partners across jurisdictions, and multilayered holding companies. Accurately determining beneficial ownership thresholds requires detailed disclosures and effective data-sharing mechanisms. Strengthening this infrastructure will be indispensable if the government intends to differentiate between low-risk and high-risk investments effectively.

From a geopolitical perspective, the recalibration also carries symbolic significance. Press Note 3 was widely perceived as a strong assertion of economic sovereignty during a period of global uncertainty. Any modification must therefore be communicated carefully to avoid misinterpretation as a dilution of security priorities. Framing the reform as a maturation of policy, rather than a retreat, will be important in maintaining strategic clarity.

The broader economic context further reinforces the case for a nuanced approach. India is positioning itself as a central node in global supply chains, particularly in electronics, semiconductors, renewable energy components and advanced manufacturing. Capital formation in these sectors is inherently global. A rigid approval regime that treats all minority investments uniformly may inadvertently slow integration into international production networks.

At the same time, national security considerations remain legitimate and enduring. Critical infrastructure, defence, telecommunications, financial systems and data-sensitive sectors require vigilant oversight. A well-designed de minimis framework should therefore incorporate sector-specific safeguards. For instance, lower thresholds or continued approval requirements may be appropriate for investments in strategically sensitive industries, even if a general relaxation applies elsewhere.

The reform debate thus reflects a deeper policy evolution, from emergency protectionism toward calibrated risk management. In 2020, urgency necessitated a broad protective perimeter. In 2026 and beyond, economic resilience and growth ambitions demand precision rather than breadth.

From an investor sentiment standpoint, clarity itself can be as valuable as relaxation. The unpredictability of approval timelines has often been cited as a friction point. Even if approval requirements remain for larger investments, clearly articulated thresholds and defined processing timelines can significantly

enhance confidence. Capital is sensitive not merely to regulation, but to regulatory uncertainty.

Critically, the de minimis proposal also invites reflection on India's long-term FDI philosophy. Should foreign investment screening function primarily as a deterrent mechanism, or as a calibrated gatekeeping process that differentiates risk levels? The latter approach aligns more closely with contemporary global investment governance, where transparency, proportionality, and predictability coexist with strategic vigilance.

In weighing benefits and drawbacks, the proposal appears to offer more promise than peril, provided its design is meticulous. The principal advantages include faster capital deployment, revitalised venture participation, improved funding continuity and strengthened alignment with global investment norms. These factors can meaningfully support India's growth trajectory.

The principal risks lie in potential misuse through structured fragmentation of investments, administrative complexity and communication gaps that may generate confusion. These risks, however, are not insurmountable. They can be mitigated through aggregated ownership monitoring, sector-specific safeguards, enhanced digital reporting systems, and inter-agency coordination.

On balance, the contemplated de minimis threshold represents a thoughtful progression in India's FDI policy architecture. It acknowledges that the economic landscape has evolved since the height of the pandemic. It recognises the need to attract sustained capital inflows while preserving strategic oversight. Most importantly, it reflects policy maturity, the willingness to refine instruments once designed for extraordinary circumstances.

Press Note 3 will likely continue to shape India's investment landscape for years to come. Yet its recalibration through a risk-based lens may mark the beginning of a more sophisticated chapter, one that balances national security with economic dynamism. The ultimate success of this transition will depend not only on where the threshold is drawn, but on how effectively the new framework integrates vigilance with openness.

In an increasingly competitive global environment, capital flows toward jurisdictions that combine stability with clarity. By evolving from a uniform approval mandate to a differentiated screening model, India signals its intent to remain both secure and investable. If executed with precision, the de minimis reform could stand as an example of adaptive governance, where protection and progress are not opposing forces, but complementary pillars of sustainable economic policy.

# GOODS & SERVICES TAX
From the Judiciary

## Rejection of manually filed GST appeal on technical grounds is arbitrary

**M/s Harsha Trading Pvt. Ltd.**

**WRIT PETITION NO: 3980/2026**

The Petitioner, a registered GST dealer engaged in trading of commercial vehicles and accessories, was subjected to assessment proceedings for FY 2018-19, pursuant to which an assessment order was passed raising certain demands. The said order was not uploaded on the GST portal, and consequently, the Petitioner filed an appeal manually before the Appellate Authority after payment of the mandatory pre-deposit. The appeal was received and acknowledged without any objection, a hearing notice was issued, the matter was heard on merits and additional submissions were also filed thereafter. However, the Appellate Authority subsequently rejected the appeal, solely on the technical ground that the appeal was not filed electronically as mandated under Rule 108 of the CGST Rules, 2017, without passing any order on merits.

The Hon'ble HC set aside the impugned order, holding that the rejection of an appeal on the sole ground of manual filing, after having accepted it, issued hearing notices, and heard the matter on merits over a period of more than one year and four months, is arbitrary, illegal, and unsustainable in law. The Hon'ble HC observed that if any objection regarding the mode of filing was to be raised, it ought to have been raised at the initial stage and not at such a belated point. The matter was accordingly remanded back to the Appellate Authority to decide the appeal on merits without reference to the manner or mode of filing of the appeal.

## *Ex parte* assessment order passed without proper notice and opportunity of hearing is violation of natural justice

**M/s. Phuljhora Agro Plantation Pvt. Ltd. & ANR .**

**WPA 1743 OF 2024**

The Petitioner, a private limited company, was subjected to proceedings under Section 74 of the CGST Act for the period FY 2017-18, pursuant to which a show cause-cum-demand notice was issued raising a demand of tax and penalty. The Petitioner contended that no prior notice in Form GST ASMT-10 was issued under Section 61, no adjournment was granted as required under Section 75(5) of the CGST Act, and the show cause notice was erroneously uploaded in the 'Additional Notices and Orders' tab instead of the 'View Notices and Orders' tab, rendering its service defective under Section 169 of the CGST Act. The notice was neither served by registered post nor by e-mail, and no opportunity of hearing was afforded before the adjudicating authority passed an *ex parte* order, which was a clear violation of the principles of natural justice.

The Hon'ble HC quashed the impugned *ex parte* order, holding that there was a *prima facie* case of gross technical and procedural irregularity. The Hon'ble HC reaffirmed that the settled legal position that where an adverse decision is contemplated against a person, it was mandatory for the authority to afford an

opportunity of personal hearing even without a specific request from the taxpayer, as required under Section 75(4) of the CGST Act. The respondent authority was directed to consider the Petitioner's reply to the show cause-cum-demand notice, to be filed within 15 days, and pass a speaking order within three months after affording a proper opportunity of hearing through all available modes of service including registered post, portal upload, and registered email.

## IGST paid on ocean freight under void Notification refundable despite prospective omission

**M/s. Arinsun Clean Energy Pvt Ltd**

**WRIT PETITION No. 10484 of 2025**

The Petitioner, a company engaged in generation and sale of solar power, had imported solar photovoltaic modules during FY 2018-19 on a CIF basis and paid IGST on ocean freight under the reverse charge mechanism in terms of Entry No. 10 of Notification No. 10/2017-Integrated Tax (Rate) dated June 28, 2017, along with interest under Section 50 of the CGST Act for belated payment. The Petitioner subsequently filed a refund application towards tax and interest in Form RFD-01, relying on the Hon'ble SC's ruling in ***Union of India v. Mohit Minerals Pvt. Ltd.[2022 (10) SCC 700]***, which held the levy of IGST on CIF ocean freight to be void. The refund was rejected twice by the Department, the second time on the ground that the omission of ***Notification No. 10/2017 vide Notification dated September 26,2023*** was made prospectively effective from October 01, 2023, and therefore no refund entitlement arose in respect of taxes paid prior to that date.

The Hon'ble HC allowed the petition and directed refund of the tax and interest paid by the Petitioner, holding that once Notification No. 10/2017 had been struck down by the Hon'ble HC and affirmed by the Hon'ble SC, any tax paid thereunder was liable to be refunded, as neither Courts had saved any such payment. The Hon'ble HC rejected the Department's contention regarding the prospective applicability of the Notification dated September 26, 2023, holding that the prospective omission of an already invalidated Notification cannot shield the Department from its obligation to refund taxes collected under a void legal provision.

## Issuance and Upload of Form GST DRC-07 is Mandatory Even After Payment of Penalty

**M/s. Macmet Engineering Limited**

**W.P.No.19710 of 2025**

The Petitioner, a consignor transporting goods from West Bengal to Tuticorin, had its vehicle intercepted by the Roving Squad at Cuddalore on the ground that the e-way bill accompanying the consignment had already expired. A show cause notice was issued and proceedings were initiated under Section 129 of the CGST Act, culminating in a penalty order. To secure immediate release of the goods and avoid business disruption, the Petitioner paid the penalty. Thereafter, the Petitioner approached the Respondent, seeking issuance of the summary of the order in Form GST DRC-07 to enable filing of an appeal before the Appellate Authority under Section 107, of the CGST Act. However, the Respondent failed to issue or upload Form GST DRC-07 on the common portal, effectively depriving the Petitioner of its statutory right to appeal.

The Hon'ble HC allowed the petition and directed the Respondent to issue Form GST DRC-07 to enable the Petitioner to file an appeal, placing reliance on the Hon'ble SC's ruling in ***ASP Traders v. State of Uttar***

***Pradesh [CIVIL APPEAL NO. 9764 OF 2025]***, which held that even where payment has been made voluntarily or otherwise, the proper officer is not absolved of the statutory obligation under Rule 142(5) of the CGST Rules, 2017 to pass a reasoned order and upload the corresponding summary in Form GST DRC-07. The Hon'ble HC reaffirmed that compliance with this procedural requirement is essential for ensuring transparency and accountability in tax administration, safeguarding the taxpayer's appellate rights, and upholding the constitutional mandate under Article 265 of the Constitution of India.

## Assignment of leasehold rights in industrial plot is transfer of immovable property and not supply of service

**M/s. Vidarbha Beverages**

**Writ Petition No. 861 of 2026**

The Petitioner, a partnership firm, held a long-term lease of 95 years for an industrial plot allotted by MIDC, Nagpur, on which a factory building had been constructed. The Petitioner subsequently assigned its leasehold rights in the said plot to a third party for a consideration, with prior consent of MIDC. The Department issued a show cause notice under Section 74(1) of the CGST Act, 2017 demanding GST along with interest, contending that the assignment of leasehold rights amounted to a supply of service under Section 7(1) read with Schedule II Clause 2(b) of the CGST Act, and alternatively sought to classify it as "other miscellaneous services" taxable at 18% under Sr. No. 35 of **Notification No. 11/2017-CT (Rate) dated June 28, 2017.**

The Hon'ble HC quashed the show cause notice and the adjudication order, holding that the assignment of leasehold rights is neither a lease nor a sub-lease and therefore falls outside the scope of Schedule II Clause 2(b) of the CGST Act. The Hon'ble HC further held that classifying such a transaction under "other miscellaneous services" alongside petty services like washing, cleaning, and dyeing is wholly untenable. Placing reliance on the Hon'ble Gujarat HC's ruling in ***Gujarat Chamber of Commerce and Industry v. Union of India[2025-VIL-21-GUJ]***, the Hon'ble HC held that the transaction constituted a transfer of benefits arising out of immovable property, with no nexus to the business of the Petitioner, and consequently the essential ingredient of supply "in the course or furtherance of business" under Section 7 (1) of the CGST Act was entirely absent, rendering the transaction outside the purview of GST altogether.

# GOODS & SERVICES TAX
## From the Legislature

| Sr. No. | Notification / Circular | Summary |
|---|---|---|
| 1 | **Advisory dated February 19, 2026** | **CGST/SGST ITC utilisation for IGST payment now available in GSTR-3B**<br><br>Through this Advisory, GSTN has informed taxpayers that the functionality to utilise CGST or SGST ITC for payment of IGST liability, in any order after complete exhaustion of IGST credit, is now available on the GST Portal with effect from the February 2026 return period. This update is in continuation of the earlier advisory dated January 30, 2026 on interest collection and related enhancements in GSTR-3B. |
| 2 | **Advisory dated February 21, 2026** | **Online facility launched for withdrawal from Rule 14A GST registration**<br><br>Through this Advisory, GSTN has enabled an online facility for active taxpayers registered under Rule 14A of the CGST Rules to opt out by filing Form GST REG-32 on the GST Portal.<br><br>The application can be accessed after login under Services → Registration, and requires the taxpayer to state a reason for withdrawal along with Aadhaar authentication, either OTP-based or biometric of the Primary Authorised Signatory and at least one Promoter/Partner. Before filing, the taxpayer must have furnished a minimum of three month's returns if applying before April 01, 2026, or at least one tax period's returns if applying on or after that date, along with all pending returns up to the date of filing. The draft application must be submitted within 15 days of creation, and Aadhaar authentication must be completed within 15 days of submission, failing which no ARN will be generated. During the pendency of the application, no core or non-core amendments or self-cancellation can be filed. Once withdrawal is approved via Form GST REG-33, the taxpayer must report output tax liability on supplies exceeding Rs.2.5 lakhs to registered persons from the first day of the following month. |

# CUSTOMS & FTP
From the Judiciary

## Technical glitch in ICEGATE cannot override adjudication order

**M/s. JSW Steel Limited**

**WRIT PETITON NO.12 OF 2026**

The Petitioner challenged the automatic levy of interest on IGST computed by the ICEGATE portal despite the Order-in-Original clearly stating that no interest was payable. The Petitioner contended that due to a technical glitch in the ICEGATE, the portal was forcibly calculating the interest contrary to the adjudication order, thereby preventing payment of IGST alone, and that the Assessee cannot be made to suffer for system errors. The Department acknowledged the technical glitch but argued that the Petitioner should first pay the interest and subsequently claim refund, and further contended that since the department's appeal against the Order-in-Original was pending, relief ought not to be granted.

The Hon'ble HC held that the substantive rights of the Assessee could not be defeated on account of technical glitches in the system and that the pendency of the department's appeal is not a valid ground to disregard the binding Order-in-Original. Relying on judicial precedents, the Hon'ble HC observed that authorities had already been directed to resolve ICEGATE glitches in a time-bound manner but had failed to do so. Accordingly, the Hon'ble HC directed the Petitioner to pay the IGST amount through demand draft, which shall be treated as payment through ICEGATE, and ordered the authorities to extend all consequential benefits in law. The petition was accordingly disposed of.

## Invocation of penalty on customs broker not sustainable in absence of *mens rea*

**M/s. Mathuradas Narandas and Sons Forwarders Ltd**

**R/SPECIAL CIVIL APPLICATION NO. 11980 of 2025**

The Petitioner challenged the imposition of penalties under Sections 112(a), 112(b) and 114AA of the Customs Act on the Customs Broker for alleged failure to fulfill obligations under the CBLR in relation to imports that were found to be overvalued and misclassified. The Department contended that the Petitioner failed to exercise his due diligence and did not properly advise the importer, thereby violating the CBLR. The Petitioner argued that it had merely filed the Bills of Entry based on documents provided by the importer, had no knowledge of any misdeclaration, and that the statutory ingredients, particularly *mens rea*, required for invoking Sections 112 and 114AA of the Customs Act, were not established.

The Hon'ble HC held that the respondent authority itself recorded a categorical finding that the Petitioner had no knowledge of overvaluation, misclassification or misdeclaration and was not the beneficiary of the alleged fraud. The Hon'ble HC observed that mere failure to advise the importer or alleged lack of due diligence, without evidence of abetment or intentional wrongdoing, does not attract penalties under Sections 112(a), 112(b) or 114AA of the Customs Act, all of which require the element of *mens rea* in the facts of the case. The Hon'ble HC further noted that if the conduct of the Customs Broker warranted action, the authority could have proceeded under the CBLR provisions for suspension or revocation of licence rather than misapplying penal provisions of the Customs Act. Holding that the impugned order suffered from jurisdictional error, the Hon'ble HC set aside the penalties and allowed the writ petition.

## Alloy steel scrap not reclassifiable as bars when fit only for melting

**M/s. Shri Balaji International**

**Customs Appeal No. 61036 of 2019**

The Appellant challenged the reclassification of imported goods declared as alloy steel scrap under tariff heading 7204 2990, which were seized and reclassified by the Department under heading 7224 9099 as alloy steel bars, along with imposition of redemption fine and penalty. The Department relied upon the Chartered Engineer's report indicating the chemical composition of the goods to contend that they were classifiable as alloy steel bars and not waste and scrap. The Appellant argued that the goods were off-specification, not usable as prime material, and squarely covered within the definition of "waste and scrap" under the relevant Section and Chapter Notes of the Customs Tariff Act.

The CESTAT held that the authorities had grossly ignored the statutory definition of "waste and scrap," which includes metal goods not usable as such due to breakage or other reasons. It was noted that the Chartered Engineer's report categorically stated that the material was off-specification, unsuitable for intended industrial use, and fit only for melting purposes. The CESTAT observed that the Department failed to produce any reliable evidence to establish that the goods were alloy steel bars as prime material. Accordingly, the reclassification and consequential revaluation were held unsustainable, the impugned order was set aside, and the appeals were allowed with consequential relief.

## Receipt of dispatch money from supplier does not affect transaction values

**M/s. Sanghi Industries Ltd**

**Customs Appeal No. 10374 of 2020**

The Appellant challenged the rejection of refund claims arising from imports of coal/coke under long-term CIF contracts, where the Department sought to vary the transaction value on account of discharge (dispatch) money received from the foreign supplier. The Department contended that such discharge money was includible in the transaction value, leading to denial of refund. The Appellant argued that the dispatch money was a normal commercial incentive linked to efficient discharge of cargo, was not unusual in international trade, and could not be treated as a mechanism for undervaluation.

The CESTAT held that the contract clause providing for demurrage or dispatch money was a standard commercial term intended to incentivize timely discharge and avoid demurrage, and the quantum involved was reasonable. It was observed that such incentive cannot be treated as influencing the transaction value in the absence of evidence of undervaluation. Following the precedent in the Appellant's own case, the CESTAT held that dispatch money is not includible in the transaction value. Accordingly, the impugned order was set aside and the appeals were allowed with consequential relief.

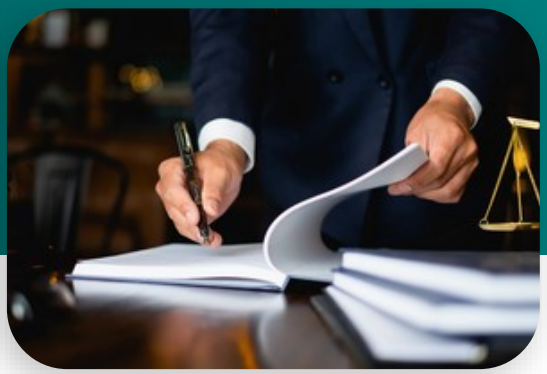
# CUSTOMS & FTP
## From the Legislature

| Sr. No. | Notification/ Circular | Summary |
|---|---|---|
| 1 | **Circular No. 02/2026-Custom dated February 01, 2026** | **Customs duty and IGST exemption for military RPAs/drones imported by defence entities**<br><br>CBIC, *vide* this Circular, has clarified the scope of exemption provided under Notification No. 45/2025-Customs dated October 24, 2025. The exemption from payment of BCD and IGST has been prescribed for RPA for military use.<br><br>The exemption is available only when such goods are imported by the Ministry of Defence, the Defence Forces, Defence Public Sector Undertakings, other Public Sector Units, or any other entity for the Defence Forces. The importer is required to furnish a certificate from an officer not below the rank of Joint Secretary to the Government of India in the Ministry of Defence.<br><br>Further, it has been clarified that the term "RPA" covers aircraft that are remotely piloted, by whatever name known, including Drones, UAV, or UAS. |
| 2 | **Circular No. 03/2026-Custom dated February 01, 2026** | **Extension of deferred import duty payment to 30 days and introduction of eligible manufacturer importer category**<br><br>CBIC *vide* this Circular has amended the previous Notification No. 134/2016-Customs (N.T) under Section 47 of the Customs Act, 1962, allowing eligible importers to pay customs duty after clearance of goods. Based on trade representations, CBIC has extended the deferred payment period from 15 days to 30 days by amending Notification No. 13/2026-Customs (N.T.), and introduced a new category called "Eligible Manufacturer Importer" via Notification No. 12/2026-Customs (N.T.). The new payment timeline requires duty to be paid by the 1st of the following month (except March) and by 31st March for March Bills of Entry, effective from March 01,2026. Applications for Eligible Manufacturer Importers can be filed from March 01,2026 and the facility will remain available till March 31, 2028. Chief Commissioners must ensure uniform implementation, while Commissioners shall monitor timely payments through the ICES dashboard. |
| 3 | **Circular No. 04/2026-Custom dated February 01, 2026** | **Introduction of the Customs Baggage (Declaration and Processing) Regulations, 2026**<br><br>Through this Notification, CBIC has introduced the Customs Baggage (Declaration and Processing) Regulations, 2026 under Section 81 of the Customs Act, 1962, effective from February 02, 2026, replacing the earlier baggage-related regulations |

| Sr. No. | Notification/ Circular | Summary |
|---|---|---|
| | | of 1966, 1967 and 2013. The Regulations apply to all passengers entering or leaving India and prescribe a system for electronic declaration and processing of baggage through the ICEGATE portal or the Atithi mobile application. Passengers carrying dutiable or prohibited goods are required to file an electronic Customs Baggage Declaration (CBD-I), including declaration of currency, pets (with NOC), and restricted goods. Separate procedures have also been prescribed for unaccompanied baggage (CBD-II), temporary export and re-import of personal articles (CBD-III Export Certificate), and temporary import by tourists (CBD-IV).<br><br>The Regulations also provide for Green and Red Channel procedures, risk-based verification, and examination of baggage before clearance. Further, provisions have been made for transit of unaccompanied baggage to other customs stations, detention and disposal of baggage (CBD-V), recovery of charges, sale of unclaimed goods, and appropriation of sale proceeds. |
| 4 | **Circular No. 05/2026-Custom dated February 01, 2026** | **SWIFT 2.0: Single window integration of PGAs for faster and paperless EXIM clearances**<br><br>CBIC, through this Circular has introduced SWIFT 2.0 to simplify and EXIM clearances by providing a single integrated digital platform for coordination among multiple PGAs. In the initial phase, agencies such as AQCS, PQMS and FSSAI were onboarded, followed by CDSCO and WCCB. Standardized lists of data fields, documents and declarations have been prepared in consultation with the concerned Ministries. To streamline processing, all documents and NOCs have been mapped with specific codes for PGA requirements and trader uploads. Further, MeitY and the Textile Committee have been integrated, enabling digital certificates and test reports to be directly linked with the Bill of Entry, thereby eliminating the need for physical submission.<br><br>Under SWIFT 2.0, officers of PGAs will operate on the same Customs IT platform, providing a single interface for grant of NOCs. The system is currently under trial for stakeholder feedback, with integration of five PGAs targeted by March 31, 2026, and the remaining agencies by March 31, 2027. |

# CUSTOMS & FTP
## From the Legislature

| Sr. No. | Notification/ Circular | Summary |
|---|---|---|
| 5 | **Circular No. 06/2026—Custom dated February 01, 2026** | **Automation of customs processes for faster and contactless trade**<br><br>Through this Circular, CBIC has introduced further digital reforms to facilitate faster, transparent, and contactless import and export clearances.<br><br>Under the new system, auto goods registration and Auto OOC will be enabled for eligible imports, particularly for entities such as AEO T2/T3, Eligible Manufacturer Importers, and importers availing Direct Port Delivery. In exports, an online goods registration facility has been introduced, along with a pilot project for e-seal based auto goods registration at Nhava Sheva, Mumbai.<br><br>Further, Auto LEO will be granted to facilitated Shipping Bills based on risk evaluation, subject to conditions such as non-selection for examination, no pending PGA NOC requirement, and payment of applicable duty or cess. However, officers may place a system "hold" based on intelligence or risk inputs. |



## NCLT holds oppression-mismanagement petition not maintainable where winding-up sought as "principal or substantive relief"

**Veera Bhoga Vasanta Rayalu Sabbavarapu & Anr. vs. Sunray Green Space Pvt. Ltd. & Ors.**

**CP/7/241/AMR/2024**

The Petitioners were the minority shareholders of the Respondent that had filed a petition before the NCLT under Sections 241 and 242 of the Companies Act, 2013, seeking the winding up of the Respondent and alleging acts of oppression and mismanagement by the managing director and other directors of the Respondent.

Before the NCLT, the Petitioners alleged that the managing director and other directors violated numerous provisions of the Companies Act, 2013, by engaging in financial mismanagement, corporate fraud, siphoning of funds, denial of inspection of accounts and continued functioning despite alleged disqualification. *Per contra*, the managing director and other directors contended that the petition was not maintainable since it was a 'piecemeal litigation', deliberately filed by splitting causes of action, and that the Petitioners had approached the NCLT with 'unclean hands', with the intention of stalling the project rather than protecting the Respondent.

The NCLT examined whether a petition filed under Sections 241 and 242 of the Companies Act, 2013 was maintainable when winding up of the company was sought as the main relief. It observed that maintainability must be assessed based on the reliefs claimed at the time of filing the petition. It cannot be determined on the basis of later concessions, amendments, or withdrawals. The NCLT held that a petition under Sections 241 and 242 is not maintainable if winding up is pleaded as the principal or substantive relief. Winding up cannot be presented as the central remedy under the guise of oppression and mismanagement proceedings. It further clarified that winding up must only appear as a factual background for invoking Section 242(1)(b), and not as the primary relief itself. The NCLT also stated that if a petition is originally framed by invoking a jurisdiction that is not legally available, such a defect cannot be cured by subsequently abandoning the foundational relief. The prayer for winding up was not considered incidental or ancillary. It was a core and substantive relief forming the very basis of the petition.

Allowing the petitioners to withdraw the winding up prayer after objections were raised would effectively permit them to restructure the petition and alter its basic character. The NCLT held that jurisdiction and maintainability must be examined based on the pleadings as originally filed. A subsequent abandonment of a substantive prayer cannot retrospectively cure a petition that was defective at its inception. Accepting such a course would undermine the statutory framework governing Sections 241 and 242 of the Companies Act, 2013. It would also allow parties to bypass objections on maintainability through tactical withdrawals during the proceedings. Accordingly, the NCLT declared the petition to be non-maintainable. It dismissed the petition solely on the ground of maintainability, without examining the allegations on merits.

## Hon'ble SC holds Committee of Creditors choice of resolution plan cannot be "second guessed", vacates stay on Corporate Debtor's CIRP

**Power Trust vs. Bhuvan Madan & Ors.**

**Civil Appeal No. 2211 of 2024**

The Appellant was a promoter of the Corporate Debtor that had filed an appeal before the Hon'ble SC under Section 62 of the IBC, challenging the order of the NCLAT which had upheld the NCLT's admission of an insolvency petition against the Corporate Debtor filed under Section 7 of the IBC by a financial creditor.

The Hon'ble SC noted that the Corporate Debtor had availed a substantial term loan in 2013. In 2018, the loan account was classified as NPA due to default. Subsequently, negotiations took place and two restructuring proposals were formulated in 2020. However, both proposals were subject to certain pre-implementation conditions. The Corporate Debtor failed to satisfy those conditions. During the pendency of the appeal, the Hon'ble SC granted liberty to the Appellant to submit settlement proposals before the Committee of Creditors. The Committee of Creditors considered the proposals but rejected them. It ultimately approved a resolution plan submitted by another entity. Thereafter, at the request of the Appellant, the Hon'ble SC granted a conditional stay on the CIRP. Subsequently, the successful resolution applicant approached the Hon'ble SC seeking vacation of the stay, citing economic hardship.

The Hon'ble SC found that the commercial wisdom of the Committee of Creditors to accept one resolution plan over another could not be second-guessed by it and accordingly, observing that any further direction to stall the CIRP on the plea of further settlement proposals at the behest of the Appellant would be prejudicial to the interest of a swift and timely resolution of the insolvency process, therefore, vacating the stay on the CIRP of the Corporate Debtor, the Hon'ble SC, dismissed the appeal.

## Appellate Tribunal holds conversion of "demonetized currency" into gold during currency ban period constitutes 'proceeds of crime'

**Nitin Gupta vs. The Deputy Director, Directorate of Enforcement**

**FPA-PMLA-2279/DLI/2018**

The Appellant had filed an appeal before the Appellate Tribunal challenging the order of the Adjudicating Authority under the Prevention of Money Laundering Act, 2002, which confirmed the Enforcement Directorate's provisional attachment order against the Appellant's property in a money-laundering case linked with conversion of demonetized currency into gold/bullion through illegal means.

The Appellate Tribunal noted that although the immovable property attached was purchased in the year 2006, much prior to the demonetization period, it was a settled position that attachment under the Prevention of Money Laundering Act, 2002, was not confined only to properties acquired from proceeds of crime but also extended to the equivalent value thereof. Moreover, the material on record also demonstrated a live and proximate link between the demonetized currency collected, its placement into bank accounts of shell companies, layering through multiple transfers, and its ultimate integration by way of purchase of gold/bullion, and such conversion of demonetized currency into gold, during the currency ban period, at a premium, *prima facie* constituted the generation and use of proceeds of crime.

The mere absence of the Appellant's name in the First Information Report or in the Enforcement Case Information Report was not conclusive proof of his non-involvement. Subsequent investigation had brought material on record suggesting his active participation in the alleged money laundering activities. The evidence indicated the routing of funds through fictitious entities, the charging of commission, and the use of RTGS transactions to regularize demonetized currency. These acts reflected a process and activity linked to the proceeds of crime within the scope of Section 3 of the Prevention of Money Laundering Act, 2002.

On this basis, the Tribunal found that the Enforcement Directorate had established, at least on a *prima facie* level, that the Appellant was knowingly involved in the conversion of demonetized currency into gold or bullion through unlawful means. Accordingly, the Appellate Tribunal held that the provisional attachment order was neither arbitrary nor illegal and was within jurisdiction. The appeal filed by the Appellant was therefore dismissed.

## Hon'ble SC holds pendency of counterclaim for damages against financial creditor no bar on creditor's right to invoke IBC

**B. Prashanth Hegde vs. State Bank of India & Anr.**

**Civil Appeal No. 477 of 2022**

The Appellant was the suspended managing director of the Corporate Debtor that had filed an appeal before the Hon'ble SC, challenging the order of the NCLAT which had admitted the financial creditor's insolvency application under Section 7 of the IBC on behalf of a consortium of banks.

Before the Hon'ble SC, the Appellant submitted that the insolvency application was filed by the financial creditor with an oblique purpose to stall proceedings initiated by the banks before other judicial fora and to penalize the Corporate Debtor for initiating criminal proceedings against the banks. Further, a counterclaim was also set up against the financial creditor, which was more than the outstanding debt, and therefore, the application under Section 7 of the IBC was submitted to avoid the consequences of those proceedings.

The Hon'ble SC noted that the mere pendency of a counterclaim for damages against a financial creditor could not operate as a bar on the right of the financial creditor to invoke the provisions of the IBC and mere allegations about commission of offences by officers of the financial creditor could not stifle proceedings under the IBC, particularly when those offences had no bearing on the existence of the financial debt. Accordingly, finding no merit in the appeal, the Hon'ble SC, dismissed the same.

## SEBI holds operational, issuer-level financial stress cannot override mandatory regulatory limits applicable to foreign portfolio investors

**In the matter of Pragnya Fund II**

**Adjudication Order No. Order/SM/BK/2025-26/32022**

SEBI had conducted an examination of the compliance of a foreign portfolio investor pursuant to an email by a custodian intimating SEBI that the investments by the foreign portfolio investor in debt securities was not in accordance with the permissible limits (related to residual maturity) for investment in debt securities applicable for foreign portfolio investors.

During the examination, SEBI observed various violations of the Regulations and Circulars/Master Circulars governing foreign portfolio investors, accordingly, SEBI initiated adjudication proceedings against the foreign portfolio investor.

Before SEBI, the foreign portfolio investor submitted that its investments were made with a long-term philosophy, and the intention was never to invest in short-term instruments and also that the COVID-19 pandemic had affected the repayment capability of the investee companies, necessitating extensions in non-convertible debentures maturities and resulting in unintended short-term exposure.

Rejecting the submissions of the foreign portfolio investor, SEBI clarified that the regulatory compliance was determined on the basis of the residual maturity of the securities actually held at any point in time, irrespective of the intention at the time of acquisition. Moreover, once the residual maturity fell below one year, the investment was categorized as short-term and was subject to the prescribed exposure limit. Even though the non-convertible debentures were initially long-term instruments, they became short term once the residual maturity fell below one year during 2020-2024, therefore, the foreign portfolio investor's stated investment philosophy did not dilute its obligation to comply with the 30% short-term limit.

Further, the operational or issuer-level financial stress could not override the mandatory regulatory limits applicable to foreign portfolio investors, and the short-term cap applied uniformly and was independent of commercial exigencies. In addition, assertions of good faith or prudence in commercial decision-making did not exempt an intermediary from adherence to statutory limits.

Thus, holding that the foreign portfolio investor was under a statutory obligation to abide by the provisions of the Regulations and Circulars/Master Circulars governing foreign portfolio investors, which it had failed to do, and for which suitable penalty was needed to be levied, SEBI levied a penalty of INR 2 Lakhs on the foreign portfolio investor and disposed of the matter.

## Hon'ble SC holds single insolvency application maintainable against 'intrinsically' connected entities, upholds real-estate firms' CIRP

**Satinder Singh Bhasin vs. Col. Gautam Mullick & Ors.**

**Civil Appeal No. 13628 of 2025**

The Appellants were the erstwhile directors of the Corporate Debtors that had filed an appeal before the Hon'ble SC challenging the order of the NCLAT which affirmed the initiation of the CIRP by allotees (financial creditors) of a commercial project against both the Corporate Debtors.

The Hon'ble SC noted that neither had the construction been completed nor could possession of units be delivered to the allottees without fulfilling all necessary formalities in that regard after completion of the building in all respects and the application under Section 7 of the IBC filed against both the Corporate Debtors by the allottees of the units was maintainable on all counts, as the allottees duly established their financial debt and also the default in connection therewith. Moreover, the contention of the Appellants that the construction was completed in all respects and possession was delivered to some of the allottees was found to be without merit and factual foundation as the ground reality was otherwise.

Further, the NCLT and the NCLAT were justified in concluding that the Corporate Debtors were intrinsically linked and that it would be in their interest to have a joint insolvency process so as to maximize asset realization.

The Hon'ble SC observed that the allottees had successfully established the existence of a financial debt. They had paid valuable consideration for the units. However, the units were neither completed nor handed over to them. The Court further held that a single application under Section 7 of the IBC is maintainable against more than one corporate entity, provided such entities are intrinsically connected in the development, execution, and marketing of the real estate project. In the present case, the entities were found to be closely linked in the implementation of the project. Accordingly, the Hon'ble SC dismissed the appeal filed by the Appellants.

It upheld the order of the NCLAT affirming the initiation of the CIRP against both Corporate Debtors at the instance of the allottees.

# REGULATORY
## From the Legislature

## RBI revises voluntary retention route framework for foreign debt investors

**Notification No. RBI/2025-26/205 dated February 06, 2026**

The RBI through a Notification has revised the voluntary retention route framework for foreign portfolio investments in debt to enhance predictability and ease of doing business.

Under the new norms effective from April 01, 2026, voluntary retention route investment limits are subsumed within the overall limits applicable to foreign portfolio investors investments under the general route. As a result, all existing voluntary retention route investments in Central and State Government securities and corporate bonds will be counted against the respective general route limits.

Further, foreign portfolio investors that opted for retention periods longer than the prescribed minimum will now have flexibility to partially or fully liquidate their holdings and exit the voluntary retention route after completing the minimum retention period.

These changes aim to simplify compliance, remove artificial segregation of limits, and provide greater exit flexibility to investors. Authorised dealer category-I banks have been directed to inform stakeholders accordingly.

## SEBI mandates net asset value reporting to depositories to boost alternative investment fund transparency

**Circular No. HO/19/34/11(8)2025-AFD-POD1/I/4335/2026 dated February 06, 2026**

SEBI through a Circular has mandated the reporting of the net asset value of alternative investment fund units to depositories to enhance transparency and operational efficiency.

Considering that alternative investment funds already issue units in dematerialised form and undertake periodic valuations under the existing regulations, SEBI through the Circular has inter-alia mandated alternative investment funds through their registrars and transfer agents, to also upload the latest available net asset value for each international securities identification number to the depository system by May 01, 2026, or within 30 days from the valuation date, whichever is later.

The valuation date is clarified based on whether valuation is conducted by independent or internal valuers. The alternative investment fund manager is made responsible for timely and accurate reporting. Depositories are required to create enabling infrastructure, display a standard disclaimer on net asset values amend by-laws, and disseminate the requirements among others. Compliance with the Circular is required to be covered in the compliance test report, and the provisions of this Circular apply with immediate effect.

## SEBI issues updated Master Circular for issue of capital and disclosure requirements

**Circular No. HO/49/14/14(2)2026-CFD-POD2/I/4518/2026 dated February 09, 2026**

SEBI through a Circular has issued an updated Master Circular under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ('ICDR Regulations'), consolidating all applicable Circulars to provide a single, comprehensive compliance reference.

Originally issued on June 21, 2023, and earlier updated on November 11, 2024, the Master Circular has now been revised to include all relevant Circulars issued up to December 31, 2025, with necessary changes to reflect provisions currently in force. With this update, the Circulars listed in the appendix stand rescinded to the extent they relate to the ICDR Regulations. However, actions already taken, applications pending, rights, obligations, liabilities, penalties, and ongoing proceedings under the rescinded Circulars remain unaffected and are deemed to continue under the corresponding provisions of the Master Circular. The Circular aims to protect investor interests and streamline regulatory compliance.

## RBI revises collateral framework applicable to micro and small enterprises lending

**Notification No. RBI/2025-26/206 dated February 09, 2026**

RBI through a Notification has issued the Lending to Micro, Small & Medium Enterprises Sector (Amendment) Directions, 2026 ('The Amendment Directions'), to revise the collateral framework applicable to micro and small enterprise lending.

Under the Amendment Directions, banks are now mandated not to accept collateral for loans up to INR 20 Lakhs to micro and small enterprise units and are advised to extend collateral-free loans up to INR 20 lakhs to all units financed under the Prime Minister Employment Generation Programme.

Further, basis the internal policy, banks may further dispense with collateral up to INR 25 Lakhs for micro and small enterprise with a strong track record and sound financial position and may also avail credit guarantee cover where applicable. In addition, voluntary pledging of gold or silver by borrowers for loans up to the collateral-free limit will not be treated as a violation.

The Amendment Directions apply to loans sanctioned or renewed on or after April 01, 2026.

## RBI notifies the Rural Co-operative Banks – Income Recognition, Asset Classification and Provisioning Amendment Directions, 2026

**Notification No. RBI/2025-26/208 dated February 13, 2026**

The RBI through a Notification has issued the RBI (Rural Co-operative Banks – Income Recognition, Asset Classification and Provisioning) (Amendment) Directions, 2026 ('The Amendment Directions'), effective immediately. The Amendment Directions aim to ensure uniformity in recognition of overdue income for standard advances and harmonise practices with other regulated entities.

Through the Amendment Directions, rural co-operative banks may recognise income—such as interest, fees, commission, or other charges—on an accrual basis for credit facilities classified as "standard," without the requirement of making any matching provision. However, for credit facilities not classified as

standard, including those guaranteed by the Government, income must be recognised strictly on an actual receipt (cash) basis.

Further, if any credit facility becomes a non-performing asset, all previously accrued and credited income that remains unrealised must be reversed. To implement this change, specified existing paragraphs of the RBI (Rural Co-operative Banks – Income Recognition, Asset Classification and Provisioning) Directions, 2025, have been deleted and replaced with new provisions clarifying the revised income recognition norms.

## RBI revises reporting requirements concerning external commercial borrowings under the Foreign Exchange Management Act, 1999

**Notification No. RBI/2025-26/223 dated February 18, 2026**

The RBI through a Notification has revised the reporting requirements under the Foreign Exchange Management Act, 1999, concerning external commercial borrowings, effective immediately, following the Notification of the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026 dated February 09, 2026, published on February 16, 2026, which amended the framework for external commercial borrowings.

Through the Notification, the RBI has revised the forms prescribed under the Master Direction – Reporting under FEMA, 1999 for external commercial borrowings returns, namely Form ECB 1 (Revised) and Form ECB 2, as specified in the annexures to the Circular. Authorised Persons have been instructed to inform their customers and constituents accordingly.

# INTERNATIONAL DESK

## UAE strengthens tax transparency with new EOIR cabinet decision

The Ministry of Finance - UAE has issued **Cabinet Decision No. 209 of 2025** on EOIR for tax purposes, reinforcing the country's international tax transparency framework. The decision consolidates and clarifies the UAE's legislative basis for responding to foreign tax authority requests, aligning domestic procedures with globally accepted standards.

Since joining the OECD Global Forum in 2010 and signing the Convention on Mutual Administrative Assistance in Tax Matters in 2017, the UAE has expanded its network to over 140 double taxation agreements. The new framework formalizes obligations to maintain and provide ownership, banking, accounting, and legal entity information, while clearly defining the roles of government and regulatory bodies involved in information exchange.

The decision aims to ensure consistent application of the EOIR standard, support compliance through proportionate administrative measures, and enhance clarity for businesses and individuals. It underscores the UAE's continued commitment to international cooperation and alignment with standards promoted by the OECD.

## Oman: Tourist VAT refund scheme signals maturing tax regime

Oman is set to introduce a VAT refund scheme for tourists, aligning itself with regional peers that use indirect tax rebates to stimulate visitor spending. Announced by the Oman Tax Authority in Muscat, the programme will roll out once service agreements with operators - covering fees and refund percentages - are finalized. While no launch date has been specified, the move is expected to strengthen Oman's competitiveness as a tourism destination without diluting its VAT framework.

The reform comes amid notable tax administration growth. In 2025, nearly 3,53,000 tax returns were filed, up 37% from 2024, while registrations rose sharply - 88% for income tax, 120% for VAT, and 222% for excise tax compared to 2021. Tax revenues reached OMR 658 Million (income tax), OMR 631 Million (VAT), and OMR 84 Million (excise), reinforcing taxation as a pillar of fiscal sustainability. With 39 double taxation avoidance agreements in force, Oman's trajectory reflects a broader shift toward structured compliance, revenue diversification, and institutional maturity.

## SCOTUS curtails executive tariff powers; trump signals 15% global tariff push

In a landmark ruling, the SCOTUS struck down former President Donald Trump's sweeping reciprocal tariffs imposed under the IEEPA, holding by a 6-3 majority that the executive had exceeded its constitutional authority. The SCOTUS reaffirmed that the power to tax and regulate trade lies with the US Congress, invalidating broad-based tariffs imposed under emergency powers.

The decision has prompted global calls for repayment of an estimated USD 133 Billion in duties already collected. In response, Trump strongly criticised the judgment and signalled a push toward a 15 percent global tariff framework, indicating that alternative statutory mechanisms could be explored to maintain trade pressure. While no formal across-the-board increase has yet taken effect, the announcement

underscores the administration's intent to sustain an assertive tariff posture. Although the ruling narrows the scope for unilateral action under IEEPA, other trade instruments remain available under US law, suggesting that tariff tensions may persist despite the constitutional setback.

## India–EU FTA: From strategic courtship to pragmatic compromise

The conclusion of the India-EU FTA marks a significant reset in a strategically important yet historically asymmetrical trade relationship. As India's largest trading partner, the EU will now provide preferential access to nearly 99% of Indian exports, while India will liberalize over 95% of EU exports, spanning a combined market of more than USD 24 Trillion. Immediate tariff elimination in labour-intensive sectors such as textiles, leather, marine products, and gems is expected to enhance India's competitiveness and deepen integration into European value chains.

The agreement reflects evolving geopolitical and economic realities. Europe's supply chain diversification and India's growing manufacturing confidence enabled convergence after years of stalled talks. Sustainability provisions have shifted from sanction-backed commitments to cooperative mechanisms, preserving policy autonomy while maintaining regulatory alignment. Ultimately, the FTA represents a pragmatic compromise, with its true impact dependent on effective implementation and sustained political engagement.

## UK joins global trend in transfer pricing reporting compliance

The UK decision to introduce the ICTS, effective for accounting periods beginning January 1, 2027, marks its formal entry into the expanding global regime of proactive transfer pricing reporting. Administered by HM Revenue & Customs, the ICTS will require annual disclosure of cross-border related-party transaction data, shifting compliance away from the traditional 'prepare and defend' model toward structured upfront reporting.

This move aligns the UK with a growing number of jurisdictions that have effectively added a 'fourth tier' to the OECD documentation framework under BEPS Action 13. While the OECD three-tier model remains the global standard, countries such as Germany, Australia, India, and France have introduced granular annual disclosure obligations to enhance risk assessment. Absent coordinated global standardization, this proliferation of country-specific formats increases compliance complexity for multinationals, requiring transfer pricing teams to manage divergent thresholds, templates, and submission timelines across jurisdictions.

# GLOSSARY

| Abbreviation | Meaning |
|---|---|
| AA | Adjudicating Authority |
| AAAR | Appellate Authority for Advance Ruling |
| AAR | Authority for Advance Ruling |
| ACU | Asian Clearing Union |
| ADD | Anti-Dumping Duty |
| ADG | Additional Director General |
| AFA | Additional Factor of Authentication |
| AGM | Annual General Meeting |
| AIF | Alternative investment Fund |
| AIFs | Alternative Investment Funds |
| ALP | Arm's length price |
| AMCs | Assets Management Companies |
| AMP | Advertising, Marketing and Promotion |
| AMT | Alternate Minimum Tax |
| AO | Assessing Officer |
| AOP | Association of Persons |
| APA | Advanced Pricing Agreement |
| APAs | Advance Pricing Agreements |
| ARE | Alternate Reporting Entity |
| ARR | Annual RoDTEP Return |
| ASBA | Application Supported by Blocked Amount |
| AU | Assessment Unit |
| AY | Assessment Year |
| B2B | Business to Business |
| B2C | Business to Customer |
| BBT | Buy-Back Tax |
| BCD | Basic Customs Duty |
| BED | Basic Excise Duty |
| BEPS | Base Erosion and Profit Shifting |
| BIS | Bureau of Indian Standards |
| BoE | Bills of Entry |
| BPSL | Bhushan Power Steel Limited |
| CA | Chartered Accountant |
| CAA | Common Adjudicating Authorities |
| CAG | Comptroller and Auditor General of India |
| CASS | Computer Assisted Scrutiny Selection |
| CAT | Common Aptitude Test |
| CAVR 2023 | Customs (Assistance in Value Declaration of Identified Imported Goods) Rules, 2023 |
| CBAM | Carbon Border Adjustment Mechanism |
| CBCR | Country By Country Reporting |
| CbCR-VG | CbCR Publication Act |
| CBDT | Central Board of Direct Taxes |
| CBIC | The Central Board of Indirect Taxes and Customs |
| CBLR | Custom Broker Licensing Regulations, 2018 |
| CCI | Chief Commissioner of Income-tax |
| CG | Central Government |
| CGST Act | Central Goods and Services Act, 2017 |
| CHA | Customs House Agents |
| CIMS | Centralized Information Management System |
| CIRP | Corporate Insolvency Resolution Process |
| CIS | Customs Integrated System |
| CIT | Commissioners of Income Tax |
| CIT(A) | Commissioner of Income-tax (Appeals) |
| CIT(J) | Commissioner of Income-tax (Judicial) |
| CJI | Chief Justice of India |
| CLB | Company Law Board |

| Abbreviation | Meaning |
|---|---|
| CoC | Committee of Creditors |
| CRS | Common Reporting Standard |
| CS | Company Secretary |
| CSR | Corporate Social Responsibility |
| Cus | Customs Act, 1962 |
| CVD | Countervailing Duty |
| DCIT | Deputy Commissioner of Income Tax |
| DDT | Dividend Distribution Tax |
| DGGI | Directorate General of GST Intelligence |
| DGIT | Director General of Income Tax |
| DGTR | Directorate General of Trade Remedies |
| DIN | Document Identification Number |
| DIT | Directorate of Income Tax |
| DMTT | Domestic Minimum Top-up Tax |
| DPIIT | Department for Promotion of Industry and Internal Trade |
| DPT | Diverted Profits Tax |
| DRI | Directorate of Revenue Intelligence |
| DTA | Domestic Tariff Area |
| DTAA | Double Taxation Avoidance Agreement |
| ECL | Electronic Credit Ledger |
| EOIR | Exchange of Information upon Request |
| EOUs | Export Oriented Undertakings |
| EPC | Engineering, Procurement and Construction |
| ERP | Enterprise Resource Planning |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FEMA | Foreign Exchange Management Act, 1999 |
| FEMR, 2025 | Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2025 |
| FERA | Foreign Exchange Regulation Act, 1973 |
| FIRCs | Foreign Inward Remittance Certificates |
| FTA | Free Trade Agreement |
| FTS | Fee for Technical Services |
| GCC | Gulf Cooperation Council |
| GST | Goods and Service Tax |
| GSTN | Goods and Services Tax Network |
| GTA | General Tax Authority |
| HSN | Harmonized System of Nomenclature |
| HUF | Hindu Undivided Family |
| ICTS | International Controlled Transactions Schedule |
| IEC | Importer Exporter Code |
| IEEPA | International Emergency Economic Powers Act, 1977 |
| IFSC | International Financial System Code |
| IFSC | International Financial Services Centre |
| IFSCA | International Financial Services Centres Authority Act, 2019 |
| IGST | Integrated Goods and Services Tax |
| IMS | Invoice Management System |
| Ind AS | Indian Accounting Standards |
| IT | Information Technology |
| ITC | Input Tax Credit |
| KYC | Know Your Customer |

# GLOSSARY

| Abbreviation | Meaning |
|---|---|
| LEO | Let Export Order |
| LIC | Life Insurance Corporation |
| LLP | Limited Liability Partnership |
| LNB | Low Noise Block Down Converter |
| LODR Regulations | Listing Obligations and Disclosure Requirements Regulations, 2015 |
| LTC | Long-Term Capital Gains |
| LUT | Letter of Undertaking |
| MAT | Minimum Alternate Tax |
| MIDC | Maharashtra Industrial Development Corporation |
| MNEs | Multinational Enterprises |
| MoF | Ministry of Finance |
| MoU | Memorandum of Understanding |
| MSEFC | Micro, and Small Enterprises Facilitation Council |
| MSIHC | Manufacture, Storage and Import of Hazardous Chemical Rules |
| MSME | Micro Small and Medium Enterprises |
| MSMED Act | Micro, Small and Medium Enterprises Development Act, 2006 |
| NaFAC | National Faceless Assessment Centre |
| NBFC | Non-Banking Finance Company |
| NCD | Non-Convertible Debentures |
| NCLT | National Company Law Tribunal |
| NCS Regulations | SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 |
| NFRA | National Financial Reporting Authority |
| NHB | National Housing Bank |
| NPA | Non-Performing Asset |
| NPS | National Pension System |
| NSWS | National Single Window System |
| OECD | Organisation for Economic Co-operation and Development |
| OIOs | Orders-in-Original |
| OOC | Out of Charge |
| PAN | Permanent Account Number |
| PBE | Postal Bill of Export |
| PBPT | Prohibition of Benami Property Act, 1988 |
| PCIT | Principal Commissioner of Income-Tax |
| PE | Permanent Establishment |
| PGA | Partner Government Agencies |
| PMLA | Prevention of Money Laundering Act, 2002 |
| QCO | Quality Control Orders |
| RBI | Reserve Bank of India |
| REACH | Registration, Evaluation, Authorisation and Restriction of Chemicals |
| REITs | Real Estate Investment Trusts |
| ROC | Registrar of Companies |
| ROMM | Risk of Material Misstatements |
| RP | Resolution Professional |
| RPA | Remote Pilot Aircraft |
| RPM | Resale Price Method |
| RPT | Related Party Transaction |

| Abbreviation | Meaning |
|---|---|
| RSP | Retail Sale Price |
| RU | Review Unit |
| SAD | Special Additional Duty |
| SAED | Special Additional Excise Duty |
| SARFAESI | Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 |
| SC | Supreme Court |
| SCN | Show Cause Notice |
| SCOTUS | Supreme Court of United States |
| SCRA | Securities Contracts (Regulation) Act, 1956 |
| SEBI | Securities and Exchange Board of India |
| SEZ | Special Economic Zone |
| SFEM Act | Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 |
| SFIO | Serious Fraud Investigation Office |
| SGST | State Goods and Services Tax |
| SLP | Special Leave Petition |
| SME | Small and Medium-Sized Enterprises |
| SMF | Single Master Form |
| SPF | Specific Pathogen Free |
| SPV | Special Purpose Vehicle |
| STB | Sodium Tertiary Butoxide |
| STT | Security Transaction Tax |
| SVB | Special Valuation Branch |
| SWS | Social Welfare Surcharge |
| TAN | Tax Deduction Account Number |
| TCS | Tax Collected at Source |
| TDS | Tax Deducted at Source |
| TOL Act | Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 |
| TPS | Tax performing system |
| UAE | United Arab Emirate |
| UAE DMTT | UAE Domestic Minimum Top-up Tax |
| UAS | Unmanned Aircraft Systems |
| UAV | Unmanned Aerial Vehicles |
| UCB | Urban Co-operative Bank |
| UK | United Kingdom |
| UPI | Unified Payments Interface |
| UPSI | Unpublished Price Sensitive Information |
| USA | United States of America |
| UTGST | Union Territory Goods and Services Tax |
| UTPR | Undertaxed Profits Rule |
| VDA | Virtual Digital Assets |
| VsV | Vivad se Vishwas |
| VU | Verification Unit |
| WMD Act | Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 |
| WTO | World Trade Organization |
| XBRL | eXtensible Business Reporting Langauge |

# FIRM INTRODUCTION

**Taxcraft Advisors LLP ('TCA')** is a multidisciplinary advisory, tax and litigation firm having multi-jurisdictional presence. TCA team comprises of professionals with diverse expertise, including chartered accountants, lawyers and company secretaries. TCA offers wide-ranging services across the entire spectrum of transaction and business advisory, litigation, compliance and regulatory requirements in the domain of taxation, corporate & allied laws and financial reporting.

TCA's tax practice offers comprehensive services across both direct taxes (including transfer pricing and international tax) and indirect taxes (including GST, Customs, Trade Laws, Foreign Trade Policy and Central/States Incentive Schemes) covering the whole gamut of transactional, advisory and litigation work. TCA actively works in trade space entailing matters ranging from SCOMET advisory, BIS certifications, FSSAI regulations and the like. TCA (through its Partners) has also successfully represented umpteen industry associations/trade bodies before the Ministry of Finance, Ministry of Commerce and other Governmental bodies on numerous tax and trade policy matters affecting business operations, across sectors.

TCA & **VMGG & Associates ('VMGG')** are group firms providing consulting and audit services. While TCA is a multidisciplinary advisory, tax and litigation firm, VMGG is a firm registered with the Institute of Chartered Accountants of India. VMGG is therefore primarily into audit and attestation services (including risk advisory and financial reporting).

With a team of experienced and seasoned professionals and multiple offices across India, TCA & VMGG as a combination offer a committed, trusted and long cherished professional relationship through cutting-edge ideas and solutions to its clients, across sectors.

Website: **www.taxcraftadvisors.com**

**GLS Corporate Advisors LLP ('GLS')** is a consortium of professionals offering services with seamless cross practice areas and top of the line expertise to its clients/business partners. Instituted in 2011 by eminent professionals from diverse elds, GLS has constantly evolved and adapted itself to the changing dynamics of business and clients requirements to offer comprehensive services across the entire spectrum of advisory, litigation, compliance and government advocacy (representation) requirements in the field of Goods and Service Tax, Customs Act, Foreign Trade, Income Tax, Transfer Pricing and Assurance Services.

Of-late, GLS has expanded its reach with offerings in respect of Product Centric Regulatory Requirements (such as BIS, EPR, WPC), Environmental and Pollution Control laws, Banking and Financial Regulatory laws etc. to be a single point solution provider for any trade and business entity in India.

GLS has worked with a range of companies and have provided services in the field of business advisory such as corporate structuring, contract negotiation and setting up of special purpose vehicles to achieve business objectives. GLS is uniquely positioned to provide end to end solutions to start-ups companies where we offer a blend of services which includes compliances, planning as well as leadership support.

With a team of dedicated professionals and multiple offices across India, it aspires to develop and nurture long term professional relationship with its clients/business partners by providing the most optimal solutions in practical, qualitative and cost-efficient manner. With extensive client base of national and multinational corporates in diverse sectors, GLS has fortified its place as unique tax and regulatory advisory rm with in-depth domain expertise, immediate availability, transparent approach and geographical reach across India.

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# FIRM INTRODUCTION

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