Monthly E-Newsletter

BSC BEACON

TAX & REGULATORY INSIGHTS

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I. DIRECT TAXATION:
A. CORPORATE TAX

1. SC allows deduction under Section 36(1)(iii) of the Act on interest paid towards borrowed funds utilized for subsidiary's business

L.K. Trust ('the Assessee') had borrowed funds from Corporation Bank for acquisition of shares of Shaw Wallace and Company Limited (SWC) pursuant to an agreement dated 19.11.1987. Subsequently, the borrowed funds were transferred to a group company through purchase of shares, and the group company utilized the said amount for acquisition of the shares of SWC. The Assessee claimed interest on bank loan under Section 36(1)(iii) of the Act while filling its ROI for the FY 1989-90.

During the assessment proceedings, the AO disallowed the said interest expenditure on the ground that the borrowed funds were utilized for the benefit of the subsidiary / group concern and not for the Assessee's own business purposes. Aggrieved, the Assessee filed an appeal before the CIT(A), who in turn upheld the disallowance made by the AO. On further appeal, the Hon'ble Bangalore ITAT allowed the Assessee's appeal by holding that the borrowed funds were utilized for purposes integrally connected with the Assessee's composite business activities.

Aggrieved, the tax authorities filed an appeal before the Hon'ble Karnataka HC. The Hon'ble HC noted that AO has granted partial relief for interest expenditure on the amount utilized for purchase of shares of SWC through its group company. However, the proportionate interest expenditure on account of borrowed funds lying with the group company is disallowed by AO. The Hon'ble HC revered the decision of the Hon'ble ITAT by holding that business of group companies cannot be considered as business of the Assessee. Further, the Hon'ble HC took a view finding of Hon'ble ITAT based on commercial expediency is erroneous. Accordingly, the Hon'ble HC set aside the ITAT order and allowed the Appeal of the tax authorities upholding the disallowance made by the AO. Aggrieved, the Assessee filed an appeal before the Hon'ble SC.

Before the Hon'ble SC, the Assessee contended that deduction under Section 36(1)(iii) of the Act cannot be denied merely because the borrowed funds were ultimately utilized for the benefit of a subsidiary company, particularly where the transaction was undertaken on grounds of commercial expediency.

The Hon'ble SC observed that Section 36(1)(iii) of the Act permits deduction of interest paid in respect of capital borrowed for purposes of business. The expression "for the purpose of business" has a wider connotation. The Hon'ble SC further observed that allowability of deduction is required to be examined from the perspective of commercial expediency and not merely from the standpoint of whether the borrowed funds directly generated profits for the Assessee. The Hon'ble SC also relied upon earlier judicial precedents including S.A. Builders[1] and Sharp Business Systems v. CIT[2] wherein it was held that interest on borrowed funds advanced to sister concerns for acquiring controlling interest is allowable as business expenditure.

Accordingly, the Hon'ble SC set aside the judgement of the Hon'ble HC. Upheld the ITAT order and allowed the appeal of the Assessee by holding that Assessee is entitled to the deduction of interest under Section 36(1)(iii) of the Act.

L.K. TRUST [TS-678-SC-2026]

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2. AO cannot mechanically insist on deposit of 20% demand where issue is covered by jurisdictional High Court rulings

Cadence Design Systems India Private Limited ("the Assessee") was subjected to assessment proceedings for AYs 2020–21 and 2021–22, pursuant to which the Assessing Officer disallowed the deduction claimed towards ESOP expenditure. Relying on favourable decisions, including the ruling in PCIT v. Lemon Tree Hotels Pvt. Ltd.[3], the Assessee filed appeals against the assessment orders and submitted stay applications under Section 220(6) of the Act.

However, the Competent Authority directed the Assessee to deposit 20% of the disputed demand as a condition for grant of stay of balance demand. Aggrieved, the Assessee filed a writ petition before the Hon'ble Delhi HC.

Before the Hon'ble HC, the Assessee contended that the directions issued by the Competent Authority were contrary to CBDT Circulars dated 29 February 2016 and 31 July 2017. The said CBDT circular provides that the standard requirement of payment of demand may be reduced where the issue is covered in favor of the

[1] *[TS-30-SC-2006]*
[2] *[TS-5323-SC-2025-O]*
[3] *[TS-5066-SC-2019-O]*

Assessee by jurisdictional HC decisions. It was further submitted that once the jurisdictional HC has taken a view on the issue, the same is binding on all subordinate authorities and accordingly no payment ought to have been directed as a condition for grant of stay.

On the other hand, the tax authorities contended that the CBDT Circulars merely provide discretion to reduce the amount of deposit below 20% and do not mandate grant of complete stay.

The Hon'ble Delhi HC observed that the flexibility provided under the CBDT Circulars permitting lower deposit cannot be interpreted to mean that in every case the AO / Competent Authority can insist upon deposit of 20% of the disputed demand. The Hon'ble HC further observed that where the issue is covered by jurisdictional HC rulings, the AO / Competent Authority deciding to stay applications under Section 220(6) of the Act is ordinarily expected to grant complete stay since decisions of the jurisdictional High Court are binding on all authorities.

Accordingly, the Hon'ble HC set aside the impugned orders directing deposit of 20% demand and granted stay on recovery proceedings till disposal of the appeals, thereby allowing the writ petition filed by the Assessee.

Cadence Design Systems India Pvt Ltd [TS-652-HC-2026(DEL)]

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3. *Non-Genuine Share Purchases result in Section 69 addition and denial of LTCG exemption*

Dinesh Kumar (HUF) ("the Assessee") filed the ROI for AY 2015-16 and claimed exemption under Section 10(38) of the Act in respect of long-term capital gains arising from sale of shares of listed company.

During the assessment proceedings, the AO noted that the assessee purchased shares in an off-market transaction via a broker on 17.08.2011, with payment made in cash. The shares were later dematerialized and sold during the year under consideration, with sale proceeds received through banking channels. The AO alleged that the transactions were part of a scheme wherein accommodation entries were taken or provided to generate bogus long-term capital gains through manipulation of the stock market and observed that the broker was non-existent and that the unprecedented increase in share price of the shares was not supported by the company's financial fundamentals. Accordingly, the AO disallowed the exemption claimed under Section 10(38) of the Act. Aggrieved, the Assessee filed an appeal before the CIT(A).

The CIT(A) observed that the purchase documents were unreliable, sale notes were initially issued in the name of a different person and were later modified, the transaction date of purchase preceded the date on which the sellers themselves acquired the shares and there was no evidence explaining the basis of the purchase price or providing proof of continuous holding. The CIT(A) also noted that despite the company being listed, the purchase was not routed through a recognised stock exchange, and payment was made in cash without supporting financial trail. Further, the broker was not traceable, and the entire transaction matched the pattern of penny-stock scams identified by investigative authorities. On these findings, the CIT(A) held that the Assessee failed to discharge the burden of proving genuineness and thus confirmed the LTCG addition under Section 69 of the Act. Aggrieved, the Assessee filed an appeal before the Hon'ble Delhi ITAT.

The Hon'ble ITAT observed that the shares were allegedly purchased in physical form through a non-existent broker and consideration was paid in cash. It further noted serious discrepancies and manipulation in the purchase documents, including contradictory sale notes and payment receipts, and the fact that the Assessee allegedly purchased shares even before the original holders acquired them. Applying the principles laid down in Sumati Dayal[4] v. CIT and CIT v. Durga Prasad More[5], the Hon'ble ITAT held that the transaction lacked genuineness and represented a bogus LTCG arrangement for tax evasion. Accordingly, the Hon'ble Delhi ITAT upheld the addition made by the AO by holding that the Assessee's claim of exempt LTCG under Section 10(38) of the Act on sale of shares of listed company was bogus and part of an accommodation entry scheme

Dinesh Kumar (HUF) [TS-617-ITAT-2026(DEL)]

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4. *Delete the addition under Section 56(2)(x) of the Act for redevelopment case stating that mere right to receive a property in future does not equate to the "receipt of immovable property" as contemplated under Section 56(2)(x) of the Act*

Snchalata Heramb Dhayagude ("the Assessee"), an individual, was a co-tenant along with her husband in premises situated at Savitri Niwas, Mumbai, which was subjected to redevelopment under an agreement dated 18.09.2017. Under the arrangement, the Assessee agreed to surrender her tenancy rights in exchange for a Permanent Alternate Accommodation ("PAA") on an ownership basis, along with rental compensation and

[4] *Sumati Dayal v CIT [TS-5013-SC-1995-O]*
[5] *CIT v. Durga Prasad More [TS-19-SC-1971]*

other benefits.

During the AY 2018-19, the construction of the redeveloped building was incomplete and possession of the PAA was not handed over to the Assessee.

The case was selected for scrutiny assessment, wherein the AO invoked provisions of Section 56(2)(x) of the Act on the ground that the Assessee had received immovable property without adequate consideration. The AO also considered another redevelopment arrangement relating to Bakul Niwas and treated the differential stamp duty values of both properties as taxable income under the head "Income from Other Sources," making an aggregate addition of INR 2.87 crores. Aggrieved, the Assessee filed an appeal before CIT(A).

The CIT(A) granted partial relief by deleting the addition relating to Bakul Niwas and sustaining an addition of INR 1.20 crores representing the Assessee's 50% share in the stamp duty value of the Savitri Niwas PAA. Aggrieved, the Assessee filed an appeal before Hon'ble Mumbai ITAT.

Aggrieved, the Assessee preferred an appeal before the Hon'ble Mumbai ITAT, contending that the possession of new premises was not received during the relevant year. It was submitted that the redevelopment arrangement constituted consideration for surrender of valuable tenancy rights. The Assessee further emphasized that the surrender of tenancy rights on the existing premises was to take effect only upon handover of possession of the immovable property to the Assessee in accordance with the agreement. Since the Assessee had not received possession of the new premises during the year under consideration, the tenancy rights on the original premises continued to subsist and had not been extinguished or transferred.

The Hon'ble ITAT observed that Section 56(2)(x) of the Act is a deeming provision and its applicability is conditional upon the "receipt" of immovable property during the relevant year. The Hon'ble ITAT clarified that "receipt" necessarily implies a real and effective transfer of the right to use, occupy, and enjoy the property, typically evidenced by possession or title.

Applying this principle, the Hon'ble ITAT held that in the present case, possession of the PAA had not been handed over and the building was still under construction. It further noted that, as per the agreement, surrender of tenancy rights and acquisition of ownership were simultaneous events contingent upon delivery of possession. Therefore, until possession was granted, the Assessee's existing rights could not be said to have been extinguished or transferred within the meaning of Section 2(47), and at best remained in a state of suspension.

The Hon'ble ITAT emphasized that a mere right to receive property in the future, contingent upon completion of construction, does not amount to "receipt" of immovable property for the purpose of Section 56(2)(x) of the Act. Accordingly, the ITAT held that the provisions of Section 56(2)(x) were prematurely invoked and deleted the addition sustained by the CIT(A).

Snchalata Heramb Dhayagude [TS-698-ITAT-2026(Mum)]

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5. ***Hon'ble Bangalore ITAT grants relief from imposition of penalty where wrongful exemption claim was made in good faith***

Renil E K Kumar ('the Assessee'), was an employee of Wipro Limited and had filed his ROI for AY 2022–23 declaring a total income of Rs. 84.27 lakhs. While filing the return, he claimed an exemption of Rs. 82.05 lakhs under Section 10(10CC) in respect of ESOP-related non-monetary perquisites based on Form 16 issued by his employer. During the scrutiny, the AO denied the exemption and initiated the penalty proceedings under Section 270A of the Act for under-reporting of income as a consequence of mis-reporting of income. However, the notice is issued under Section 274 of the Act for under-reporting of income.

The Assessee contended that on becoming aware that he is not eligible for the exemption, repaid back the refund amount granted at the time of passing of intimation under Section 143(1) of the Act and requested the AO not to initiate penalty proceedings. The Assessee further contended that due to his limited knowledge in taxation matters, he relied on the Form No.16 issued by the employer, and in good faith and under bona fide belief claimed the exemption. However, the AO opined that the Assessee had wrongly claimed exemption since he failed to furnish the documentary evidence that tax on the perquisites were paid by his employer on behalf of the Assessee. Accordingly, the AO concluded that the Assessee misreported his income. The AO also held that ignorance of law was not an excuse, especially where the Assessee was a senior executive at Wipro. Also, if the case had not been selected for scrutiny, there would have been loss of revenue. Therefore, the AO levied a 200% penalty for underreporting as a consequence of

misreporting under Section 270A of the Act.

Aggrieved, the Assessee filed an appeal before the CIT(A) who upheld the assessment order and dismissed the appeal. The CIT(A) observed that the Assessee has mis-reported the non-monetary perquisite and wrongfully claimed the exemption under Section 10(10CC) and the consequential tax refund. The CIT(A) also noted that the Assessee has not filed an appeal against the assessment order and therefore, the CIT(A) was of the view that the Assessee accepted the wrongful claim of exemption under Section 10(10CC) of the Act as well as wrongful claim of refund. Aggrieved, the Assessee filed an appeal before the Hon'ble Bangalore ITAT.

The Hon'ble ITAT observed that the AO did not mention the exact limb of misreporting under Section 270A(9) of the Act and mentioned that the Assessee misreported his income as per Section 270A(9)(a) of the Act and levied penalty of 200% of tax. The Hon'ble ITAT also noted that the Assessee had acted on the basis of Form 16 issued by the employer and genuinely believed that the amount was exempt, making his explanation bona fide and that his case falls under the exceptions provided under Section 270A(6)(a) of the Act.

The Hon'ble ITAT held that the Assessee had disclosed all material facts and there was no deliberate attempt to hide income or evade tax. The AO cannot jump straightaway with the charge of misreporting of income. Since the Assessee's explanation was found to be genuine, and the AO failed to prove that Assessee falls under particular limb of the fault, the Hon'ble ITAT directed deletion of the entire penalty of Rs. 51.20 lakhs. Accordingly, the appeal of the Assessee was allowed.

Renil E K Kumar [TS-685-ITAT-2026(BANG)]

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6. *Failure to record satisfaction in the assessment order renders 270A penalty void*

Shariq Javed ("the Assessee") filed his ROI for AY 2017-18 on 23.09.2017, declaring a total income of INR 2.13 crores, including Long-Term Capital Gains (LTCG) of INR 1.99 crores. The return was selected for scrutiny, and the AO completed the assessment by passing an order under Section 143(3) of the Act.

The AO initiated penalty proceedings under section 270A of the Act alleging 'under-reporting of income' by issuing a notice dated 16.12.2019 under Section 274 read with Section 270A of the Act. The Assessee contended that although the notice was dated 16.12.2019, it was neither signed manually/digitally nor issued on that date but was issued only on 30.12.2019. During the course of the penalty proceedings, the Assessee passed away on 09.02.2023. The AO then passed the penalty order under Section 270A dated 24.06.2025 in the hands of the Legal Representative of the deceased Assessee, levying a penalty of INR 12 lakhs, being 50% of the tax allegedly sought to be evaded for under-reporting of income.

Aggrieved by the penalty order, the Assessee filed an appeal before the CIT (A). The CIT(A) dismissed the Assessee's appeal. Aggrieved, the Assessee filed an appeal before the Hon'ble Chennai ITAT.

The Assessee challenged the jurisdiction of the AO to impose penalty under Section 270A, on the ground that the AO, during the assessment proceedings, neither directed nor recorded satisfaction that the Assessee had 'under-reported his income). The Hon'ble Chennai ITAT upon examination of the assessment order, the Hon'ble Chennai ITAT observed that the AO failed to record 'satisfaction/direction' that the Assessee had 'under-reported his income' and was therefore liable for penalty under Section 270A of the Act.

The Hon'ble ITAT further noted that while the notice was dated 16.12.2019, it was issued on 30.12.2019 i.e., after the completion of assessment. The Hon'ble ITAT held that the penalty proceedings were not initiated during the course of assessment proceedings, but 14 days after the framing of the assessment order, which fails to satisfy the legal requirements of Section 270A (1).

Accordingly, the Hon'ble ITAT held that in the absence of the AO recording satisfaction during the assessment proceedings, the initiation of penalty under Section 270A was legally unsustainable. The penalty order was therefore quashed, and the appeal of the Assessee was allowed.

Shariq Javed [TS-656-ITAT-2026(CHNY)]

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7. *Running a play school/kindergarten, falls in "education" under Section 2(15) of the Act, cites early childhood schooling as formal education system*

The Indian Institute of Model Education Society ("the Assessee") filed an application on 26.08.2025 seeking registration under Section 12A of the Act. The Assessee operates a preschool/play school catering to children of tender age.

During scrutiny, the CIT(E) observed that the documents furnished by the Assessee were insufficient to substantiate the activities of the Assessee. The CIT(E) observed that the primary activity of the

Assessee does not qualify as "education" under Section 2(15) of the Act. Reliance was placed on the judgment of the Hon'ble Supreme Court in Sole Trustee, Lok Sikshan Sansthan[6], wherein it was held that "education" connotes systematic instruction, normal schooling, or training aimed at preparing students for the work of life.

The CIT(E) further noted that the activities of the Assessee were largely informal, play-based learning and daycare services, lacking a structured curriculum and affiliation with any competent statutory educational authority. Also, it was observed that the funds of the Assessee were being utilized for the personal benefit of its members. Therefore, the CIT(E) rejected the said application for registration. Aggrieved, the Assessee filed an appeal before the Hon'ble Chandigarh ITAT.

Before the Hon'ble ITAT, the Assessee contended that there was a paradigm shift in the concept of education under the statutory and constitutional framework with the introduction of the National Education Policy, 2020, wherein Early Childhood Care and Education (ECCE) is recognized as part of school education. The Assessee is recognized by the Chandigarh Administration (Education Department) for running a pre-school.

It was further contended that the teachers were duly qualified NTT graduates, who are competent to impart nursery education. The Assessee submitted that nursery education is recognised as "education" under both the RTE Act and NEP 2020, as well as on the basis of decision of the Punjab & Haryana High Court in CIT(E) v. Infant Jesus Education Society[7].

The Hon'ble ITAT agreed with the Assessee's view that the National Education Policy, 2020 expressly recognizes ECCE, including pre-school and Anganwadi education, as a foundational component of the formal education system. Upon examining the statutory framework, policy developments, and relevant judicial precedents, the Hon'ble ITAT held that the activities of running a play school squarely fall within the ambit of "education" as defined under Section 2(15) of the Act. Consequently, the Assessee was held to be entitled to registration under Section 12A of the Act.

The Indian Institute of Model Education Society [TS-555-ITAT-2026(CHANDI)]

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8. *Reassessment proceedings quashed due to non-issuance of notice under Section 143(2) of the Act*

Arun Kumar Maurya ("the Assessee"), an individual, was subjected to reassessment proceedings for AY 2014–15 pursuant to a notice issued under Section 148 of the Act on 30.03.2021. In compliance therewith, the Assessee duly filed his return of income on 16.03.2022. Despite being fully aware of and having acknowledged the filing of the return, the reassessment proceedings were concluded by passing an order under Section 147 read with Section 143(3) on 19.03.2022, without issuing the mandatory notice under Section 143(2) of the Act. In the said order, the AO made additions under Sections 69 and 56(2)(vii)(b) of the Act and assessed the total income at approximately ₹4.40 crores.

Aggrieved, the Assessee filed an appeal before the CIT(A), however, the CIT(A) upheld the action of the AO and dismissed the appeal. On further appeal before the Hon'ble Lucknow ITAT, the Assessee raised additional legal grounds contending that the reassessment proceedings were void ab initio due to non-issuance of statutory notice under Section 143(2) of the Act, which is a jurisdictional precondition for making a valid assessment.

The tax authorities contended that Assessee had filed the return belatedly, which was well beyond the time prescribed in the notice under Section 148 of the Act. The Hon'ble ITAT observed that once a return of income is filed in response to a notice under Section 148, the AO is mandatorily required to follow the procedure prescribed under Sections 142 and 143(2) of the Act. It emphasized that issuance of notice under Section 143(2) is not a mere procedural requirement but a foundational jurisdictional condition for scrutinizing or disturbing the returned income. The Hon'ble ITAT further held that even delayed filing of return does not absolve the AO from this statutory obligation, and Section 292BB cannot cure the complete absence of such notice.

Thus, even though the return was filed belatedly, the AO was duty-bound to issue the notice before completing the reassessment. The Hon'ble ITAT relying on judicial precedents including the Hon'ble Supreme Court rulings in ACIT v. Hotel Blue Moon[8] and CIT v. Laxman Das Khandelwal[9], reiterated that failure to issue notice under Section 143(2) goes to the root of jurisdiction and renders the entire assessment invalid. Accordingly, the Hon'ble ITAT held that in the absence of issuance of notice under Section 143(2), the reassessment order passed under Section 147 read with Section 143(3) was legally unsustainable. The Hon'ble ITAT quashed the reassessment order in its entirety and allowed the appeal of the Assessee.

Arun Kumar Maurya [TS-681-ITAT-2026(LKW)]

[6] *Sole Trustee, Loka Shikshana Trust Vs. CIT [TS-5035-SC-1975-O]*
[7] *[TS-6702-HC-2016(Punjab & Haryana)-O]*
[8] *[TS-113-SC-2010-O]*
[9] *[TS-467-SC-2019]*

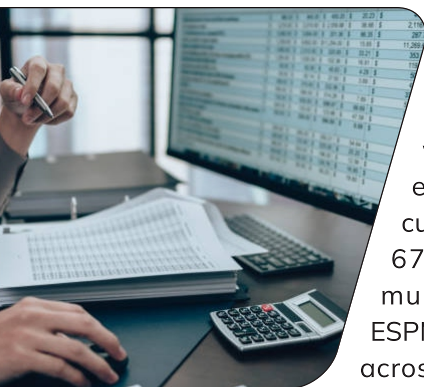
B. INTERNATIONAL TAXATION

1. *"Virtual service PE" not a recognized concept under the DTAA*

IMAX Theatre Services Ltd. ("the Assessee") is a tax resident of Canada and holds a valid TRC issued by the Canadian Government. It is engaged in providing maintenance services for IMAX theatre systems globally, including India. During the AY 2022-23, the Assessee earned revenue from maintenance services and the sale of related equipment to customers in India. These services were rendered primarily through remote access and through an independent Australian vendor whose employee made short visits to customer sites in India.

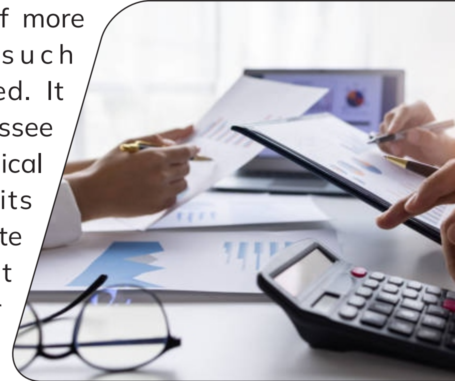
The Assessee reported income of INR 5.9 crores from maintenance services and INR 19 lakhs from the sale of glass to Indian customers. In the assessment order, the AO alleged that the Assessee had both a Fixed Place PE and a Service PE in India under Article 5 of the India–Canada DTAA. On that basis, the AO attributed income from maintenance services and sale of goods to the alleged PE and applied Rule 10 to estimate profits at rate of 25% resulting in an addition of INR 1.52 crore. The Hon'ble DRP upheld the proposal of AO regarding existence of a PE. However, in the draft order, the profit rate was reduced from 25% to 12.5%, thereby restricting the addition to INR 76.25 lakhs

Aggrieved, the Assessee filed an appeal before the Hon'ble Delhi ITAT, contending that it had neither a Fixed Place PE nor a Service PE in India. The Assessee argued that mere remote access to customers' systems for troubleshooting and maintenance does not satisfy the "place of business" or "disposal" test, as such access was limited, conditional, and always subject to the customers' control.



As regards the alleged Service PE, the Assessee argued that the services were rendered by employee, who visited customer premises for only 67 days and worked for multiple customers of M/s ESPM, the Australian vendor, across jurisdictions including India. Since the on-site presence did not exceed 90 days and the services were not furnished by an employee of the Assessee (as the personnel was an employee of Australian vendor), the Assessee contended that no Service PE could be constituted.

Upon examination of facts, the Hon'ble ITAT held that none of conditions relating to employee of Assessee rendering services in India as well as physical presence of more than 90 days by such employee were fulfilled. It was noted that the Assessee did not have any physical location in India at its disposal, and mere remote access to equipment located at customer premises could not be equated with having a place of business. The Hon'ble ITAT emphasized that limited access for maintenance purposes does not amount to control or disposal of premises.



With respect to Service PE, the Hon'ble ITAT held that the requirement of furnishing services in India through employees or other personnel for more than 90 days was not met, since the on-site presence was limited to 67 days. The Hon'ble ITAT also rejected the tax authority's argument that remote services created a "virtual service PE," observing that no such concept is recognized under the DTAA. Relying on judicial precedents including Clifford Chance (Delhi HC)[10] and Ernst & Young (ITAT)[11], it held that physical presence is necessary to constitute a Service PE, and that virtual or remote service delivery cannot be read into treaty provisions absent express language.

Accordingly, the Hon'ble ITAT held that the Assessee had neither a Fixed Place PE nor a Service PE in India. As a result, no income could be attributed to India, and Rule 10 had no application for profit estimation.

IMAX Theatre Services Ltd [TS-688-ITAT-2026(DEL)]

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2. *Taxpayers can choose between DTAA or Act for each independent transaction*

Alibaba.Com Singapore E Commerce Private Limited ('the Assessee') is engaged in the business of providing B2B online marketplace services on the Alibaba.com international website connecting small and medium-sized buyers and sellers. During the AY 2022-23, the Assessee has filed its ROI in India showing capital gain income earned from multiple sale transactions of shares of private limited company. The Assessee being the tax resident of Singapore claimed capital gain

[10] [TS-1603-HC-2025(DEL)]
[11] [TS-6601-ITAT-2026(Delhi)-O]

exemption under Article 13(4) of India-Singapore DTAA. Further, on the transactions where the Assessee has incurred capital loss, it is the accordance with the provision of the Act carried forward the losses to set off against the taxable gains, being more beneficial under Section 90 of the Act. However, the AO disallowed the loss claimed by the Assessee on the grounds that the Assessee has to either opt provisions of the Act or DTAA to compute the income under the head of capital gains. It further alleged that DTAA does not distinguish multiple sale transactions of shares as separate sources of income and hence, the treatment for capital gain and capital loss should be uniform either under the Act or DTAA. Since the Assessee has set off the losses against other taxable transactions, the AO accordingly made an addition on account of non-disclosure of income under the head capital gains under the Act at the time of filing the ROI.

On further appeal before the Hon'ble DRP, the Hon'ble DRP held that the approach adopted by the Assessee of segregating capital gains transactions and selectively applying the provisions of the Act or DTAA is not tenable and directed the AO to compute the net capital gains by netting all the gains and losses to calculate the single income taxable under the head income from capital gains. Aggrieved, the Assessee filed an appeal before the Hon'ble Mumbai ITAT.

The Hon'ble ITAT relying on the decision of the coordinate bench in the case of Prashant Kothari[12] v. Int. tax Ward, which further relied on the decision of Matrix Partners India Investment Holdings LLC v. DCIT[13] and Joint CIT v. Montgomery Emerging Markets Fund[14] held that each sale transaction giving rise to capital gain or loss constitutes a separate source of income which allows the Assessee to either avail loss under the provisions of the Act or claim exemption under the articles of DTAA, whichever is more beneficial.

It held that all transactions giving rise to capital gain/loss being separate sources of income are not required to be compulsorily aggregated and subjected uniformly either to the provisions of the Act or DTAA for computation of Income under the head Capital Gains.

It further held that since the capital gain exempted under DTAA is governed by Article 13(4) of the India-Singapore DTAA, the income shall not form part of the taxable income in India and due to compulsory aggregation such gains cannot be made indirectly taxable under the Act for the purpose of setting off losses arising from other transactions.

Hence, the Hon'ble ITAT directed the tax authorities to grant the levy of treaty benefit claimed by the Assessee and delete the addition made on account of non-disclosure of capital gains under the Act.

Alibaba.Com Singapore E Commerce Private Limited [TS-680-ITAT-2026(Mum)]

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3. *Retrospective amendment on taxability of indirect transfer of shares is not applicable in case of withholding of tax on payments already made to foreign shareholders in the pre-amendment period.*

TATA Industries Ltd ('the Assessee') entered into an agreement with US shareholders (NCWS and MMM Holdings) to purchase the share of the Mauritius company which further held shares of the Indian companies for consideration of USD 150 million. The Assessee made the payment to the US entities without deducting TDS. The AO alleged that since the shares of Mauritius company derived its value from Indian assets, provisions of indirect transfer of shares would apply and that the Assessee has not deducted the TDS under Section 195(2) of the Act. Accordingly, the AO passed an order under section 201(1)/201(1A) of the Act treating Assessee in default for non-withholding of tax on payment to foreign entities.

Aggrieved by the order, the Assessee filed an appeal before the CIT(A). The Assessee further relying on the Apex court decision in the case of Vodafone International Holdings BV[15] Vs. Union of India filed an additional grounds of appeal claiming that at the time of making the payment to the foreign shareholders, the income taxability laws applied only on direct transfer of shares located in India and that the taxability on indirect transfer of shares was introduced in form of Explanations 4 and 5 to Section 9(1)(i) by Finance Act 2012 retrospectively. The Assessee also prayed for refund of tax paid pursuant to demand issued under section 156 of the Act as the US shareholders discharged their capital gains liability pursuant to the assessment order under section 143(3) r.w.s 147 of the Act without claiming the credit for the taxes paid by the Assessee.

The CIT(A) relying on the decision of Hon'ble Mumbai Tribunal in case of WNS Capital Investment Limited[16] observed that application under section 195(2) of the

[12] *[TS-693-ITAT-2025(Mum)]*
[13] *[TS-85-ITAT-2025(Mum)]*
[14] *[TS-33-ITAT-2006(Mum)]*
[15] *[TS-23-SC-2012]*
[16] *[TS-320-ITAT-2021(Mum)]*

Act is required only when the income is chargeable to tax or in the case of composite payment involving income element. Since the transaction of sale of shares held outside India was not liable to tax before the Finance Act 2012 amendment, application under section 195(2) of the Act was not required. The Hon'ble CIT(A) relying on the Apex court decision in case of Vodafone International Holdings (supra) quashed the order passed under Section 201(1A) of the Act by the Ld. AO on the grounds that the Assessee was not required to withhold tax on the payment made to the US shareholders as the laws prevailing at the time of making the payment did not purport to cover income arising from indirect transfer of capital asset situated in India. Further relying on the decision of Apex court in case of GE India Technology Centre Pvt. Ltd.[17] Vs CIT and Engineering Analysis Centre of Excellence[18] Vs. CIT held that since the non- resident was not required to pay tax on the alleged transaction, no withholding of the same was required to be done by the Assessee and accordingly directed to refund the tax amount paid by the Assessee pursuant to demand raised under Section 156 of the Act.

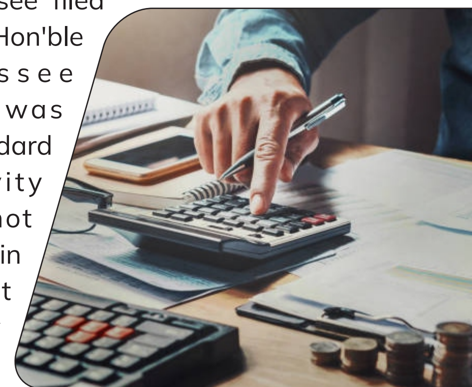
On further appeal by the tax authorities before the Hon'ble Mumbai ITAT, the Hon'ble ITAT relying on the above-mentioned decisions, upheld the order of the Hon'ble CIT(A) and dismissed the appeal of the tax authorities.

TATA Industries Ltd. [TS-677-ITAT-2026(Mum)]

4. *Rejection of royalty characterisation for cross-border voice termination services.*

Reliance Jio Infocomm USA Inc. ("the Assessee"), is engaged in the business of providing international voice termination services and supporting the international long-distance voice and data services business of its 100% holding Company, Reliance Jio Infocomm Limited ("RJIL"). The Assessee had entered into a Reciprocal Carrier Service Agreement with RJIL for facilitating connectivity of voice calls originating from / terminating into RJIL's network in India. The Assessee filed its ROI for the AY 2020-21 declaring its income from provision of technical support services from RJIL. However, the income from the provision of voice termination services of INR 23.20 Crores was not offered to tax. During the scrutiny proceedings, the AO opined that the Assessee had established Point of Presence ("PoP") infrastructure in the USA comprising telecom switches, routers, hubs and other telecom infrastructure equipment for facilitating inbound and outbound call connectivity.

The AO further noted that outbound calls originating in India were carried by RJIL up to the Assessee's PoP in the USA, after which the Assessee routed such calls through relevant telecom operators outside India. Similarly, for inbound services, the Assessee received calls from overseas telecom operators and handed over the calls to RJIL for final termination in India. The AO also observed that the Assessee owned and maintained the relevant telecom infrastructure and assumed infrastructure and technology-related risks in connection with such services. Therefore, the AO opined that the consideration received by the Assessee for provision of voice termination services constituted "process royalty" under Section 9(1)(vi) of the Act as well as Article 12 of the India-USA DTAA. The AO placed reliance on Explanation 6 to Section 9(1)(vi) and observed that the expression "process" includes transmission by satellite, cable, optic fibre or similar technology. Further, the AO opined that the Assessee was using specialised and sensitive telecom processes and infrastructure for rendering such services and, accordingly, the receipts were taxable as royalty in India.



Aggrieved, the Assessee filed objections before the Hon'ble DRP. The Assessee contended that it was merely rendering standard telecom connectivity services and had not transferred any right in any process, equipment or intellectual property to RJIL. The Assessee further submitted that under Article 12 of the India-USA DTAA, only payments for use of a secret process would qualify as royalty and mere rendition of telecom services could not be characterised as royalty. However, the Hon'ble DRP upheld the findings of the AO by treating the receipts in the nature of process royalty taxable in India. The AO passed the final assessment order taxing the receipts as royalty under the Act and the India-USA DTAA.

Aggrieved, the Assessee filed an appeal before the Hon'ble Mumbai ITAT. Before the Hon'ble ITAT, the Assessee reiterated that the arrangement merely involved provision of standard telecom services and there was no grant of any right to use any process to RJIL. The Assessee further contended that the process employed by it was neither secret nor made available to RJIL and, therefore, the receipts could not be characterised as royalty under Article 12 of the India-USA DTAA. In support of this contention, the Assessee

[17] [TS-201-SC-2010]
[18] [TS-106-SC-2021]

relied on the decision of RJIL[19]. Also, it was observed in the case of Vodafone Idea Limited[20] that payments made to a non-resident telecom operator cannot be regarded as taxable royalty for the use of a "right" or "process."

The Hon'ble ITAT examined the nature of telecom connectivity and voice termination services rendered by the Assessee as well as the terms of the Reciprocal Carrier Service Agreement. The Hon'ble ITAT observed that the Assessee merely facilitated carriage and routing of voice calls through its telecom infrastructure and there was no transfer of any right in any process or equipment to RJIL. The Hon'ble ITAT further observed that under the India-USA DTAA, only consideration for use of a "secret process" could qualify as royalty and the services rendered by the Assessee did not satisfy such condition.

Accordingly, the Hon'ble ITAT held that the receipts earned by the Assessee from voice termination services to RJIL could not be characterised as royalty either under the Act or under Article 12 of the India-USA DTAA. Consequently, the additions made by the AO treating the receipts as "process royalty" were deleted and the appeal of the Assessee was allowed.

Reliance Jio Infocomm USA Inc. [TS-563-ITAT-2026(Mum)]

II. TRANSFER PRICING

1. ***Adoption of 50:50 split for guarantee commission between guarantor and the borrower under interest saving approach; granted***

ACG Associated Capsules Private Limited ("the Assessee"), is engaged in the manufacturing business and had entered into international transactions with its AEs. The Assessee filed its ROI for AYs 2010-11. Subsequently, its case was selected for scrutiny. During the first round of TP proceedings, the TPO examined the corporate guarantees provided by the Assessee on behalf of its AEs and determined the ALP of the guarantee commission at 4.03%. Aggrieved, the Assessee preferred objections before the appellate authorities, pursuant to which the guarantee commission rate was

reduced to 0.70%. On further appeal, the Hon'ble Mumbai ITAT restored the matter back to the file of the TPO vide order dated 04.12.2023 with directions to determine the ALP by applying the "interest saving approach". Thereafter, the TPO applied the interest saving approach and computed interest savings at 1.10%, which was attributed entirely to the Assessee. Accordingly, the TPO proposed TP adjustments on account of corporate guarantee commission amounting to INR 29.47 lakhs for AY 2010-11. The AO incorporated the TP adjustments in the draft assessment order. Aggrieved, the Assessee filed objections before the Hon'ble DRP which rejected the objections raised by the Assessee and upheld the approach adopted by the TPO.

Aggrieved, the Assessee filed an appeal before the Hon'ble Mumbai ITAT. Before the Hon'ble ITAT, the Assessee relied upon the judicial precedents in the cases of Dabur India Limited[21] and Reliance Industries Limited[22], wherein the coordinate benches had adopted a 50:50 allocation of interest savings between the guarantor and borrower while applying the interest saving approach. Per contra, the tax authorities contended that the 50:50 allocation cannot be treated as a standard rule and that allocation of benefits depends upon FAR analysis and the specific facts of each case.

The Hon'ble ITAT observed that the Assessee had furnished the requisite details before the TPO and that the interest savings arising from the guarantee transaction could not be wholly attributed to the guarantor alone. The Hon'ble ITAT accepted the contention of the Assessee and directed the TPO/AO to adopt a 50:50 split of the interest savings between the Assessee and its AE for determining the ALP of the corporate guarantee commission under the interest saving approach. However, the Hon'ble ITAT cautioned that the 50:50 split should not be construed as a standard rule and that the same would depend upon the facts and circumstances of each case, as also noted in the Rangachary Committee Report.

Apart from the TP issue, the Assessee also challenged the adjustment made while computing book profits under Section 115JB of the Act, wherein the AO had added the Section 14A disallowance while computing

[19] *Reliance Jio Infocomm Ltd [TS-8508-ITAT-2019(Mumbai)-O]*
[20] *Vodafone Idea Ltd. [TS-5448-HC-2023(Karnataka)-O] / [TS-5240-SC-2025-O]*
[21] *Dabur India Ltd [TS-82-ITAT-2021(DEL)-TP]*
[22] *Reliance Industries Ltd. [TS-8009-ITAT-2022(Mumbai)-O]*

MAT liability. In this regard, the Hon'ble ITAT relied upon the Special Bench ruling in Vireet Investment Private Limited[23] and held that computation under clause (f) of Explanation 1 to Section 115JB has to be made independently without resorting to Section 14A read with Rule 8D of the Rules. Accordingly, the issue was restored to the file of the AO for fresh computation. Accordingly, the appeal was partly allowed by the Hon'ble Mumbai ITAT.

ACG Associated Capsules Pvt Ltd [TS-358-ITAT-2026(Mum)-TP]

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2. Bright Line Test cannot be used for TP benchmarking; sustains deletion of royalty adjustment

Sony India Private Limited ("the Assessee"), is engaged in the business of electronic and electrical products and had entered into international transactions with its AEs, including royalty payments and AMP-related transactions. The Assessee filed its ROI for AYs 2017-18. Subsequently, the case of the Assessee was selected for scrutiny and referred to the TPO for determination of the ALP of the above-mentioned international transactions.

During the TP proceedings, the TPO examined the AMP expenditure incurred by the Assessee and applied the BLT as an economic/statistical tool for determining the alleged brand promotion services rendered by the Assessee to its foreign AE. Further, the TPO also examined the royalty payments made by the Assessee to its AE, i.e., Sony Corp, and determined the ALP of the royalty transaction at NIL on the ground that the Assessee had failed to demonstrate tangible commercial benefits from the royalty payment. The AO further contended that the licensed patents and know-how was effectively owned by third parties and not by the AE. Accordingly, TP adjustments were proposed in relation to AMP as well as royalty transactions.

Aggrieved, the Assessee filed an appeal before the Hon'ble ITAT. The Hon'ble ITAT deleted the TP adjustments made in relation to BLT as well as royalty payments by relying upon earlier judicial precedents rendered in the Assessee's own case by the Hon'ble Delhi HC[24]. Pursuant thereto, the Tax Authorities filed an appeal before the Hon'ble Delhi HC challenging the findings of the Hon'ble ITAT.

Before the Hon'ble Delhi HC, the Tax Authorities contended that the Hon'ble ITAT erred in holding that the BLT is not permissible in law. The Tax Authorities argued that BLT was not adopted as an independent method for determining the ALP but merely as an economic/statistical tool for identifying the cost of services allegedly rendered by the Indian entity to its foreign AE. Further, with respect to royalty payments, the Revenue contended that the Assessee had failed to establish commercial rationale and economic benefit corresponding to the royalty paid to Sony Corp. It was also argued that third-party manufacturers were the ultimate users of the licensed intangibles and, therefore, the royalty payment by the Assessee was not justified.

Per contra, the Assessee submitted that all the issues raised by the Tax Authorities already stood concluded in favour of the Assessee by earlier judgments of this HC in the Assessee's own case (supra). The Assessee specifically submitted that the Hon'ble High Court had already held that the BLT is not prescribed under the Act or the Rules framed thereunder and, therefore, cannot be adopted for TP analysis. Further, the issues relating to royalty adjustment and methodology for determination of royalty had also already been adjudicated in favour of the Assessee.

While adjudicating the matter, the Hon'ble Delhi HC observed that the Tax Authorities was unable to dispute the position decided in the above judgements. The Hon'ble HC further noted that the Tax Authorities could not place on record any contrary judgment of the Hon'ble SC overruling the earlier decisions rendered in the Assessee's own case.

Accordingly, the Hon'ble Delhi HC held that since the BLT is not contemplated under the Act or the Rules, the same cannot be adopted for determining the ALP. Further, with respect to royalty payments, the Hon'ble High Court upheld the findings rendered in the Assessee's own earlier cases. Consequently, the appeal filed by the Tax Authorities was dismissed in entirety.

Sony India Pvt. Ltd [TS-374-HC-2026(DEL)-TP]

III. GOODS AND SERVICES TAX / CUSTOMS

1.Customs – Case Laws

1.1 Foreign exporter cannot be made liable for misdeclaration by Indian importer; extra-territorial applicability of the Customs Act introduced only with effect from 29 March 2018 cannot be applied retrospectively

The Petitioner, a German entity (Karl Mayer Stoll Textilmaschinenfabrik GmbH) engaged in the

[23] *Vireet Investment Private Limited [TS-272-ITAT-2017(DEL)]*
[24] *Sony India Private Limited, [TS-6328-HC-2023(Delhi)-O]*

manufacture and sale of textile machinery, and its Indian group company providing technical and support services in relation to installation, start-up and warranty cover for machines delivered to India. During June 2014 to May 2017, the German entity had sold warp knitting machines to certain Indian importers. The DRI, Ludhiana initiated investigation alleging that the Indian importers had mis declared the machines as "fully-fashioned high-speed knitting machines" and claimed exemption under Notification No. 12/2012-CE dated 17 March 2012 and Notification No. 16/2015 dated 01 April 2015. While OIO passed in respect of 9 Indian importers had dropped the SCNs against the foreign exporter for want of jurisdiction, the Department issued fresh SCNs to the Petitioner between 11 June 2019 and 18 May 2021, alleging that they had aided and abetted the importers in perpetrating the import fraud, and proposing penalties under Sections 112 and 114AA of the Customs Act.

Aggrieved by the above action, the Petitioners filed a Writ Petition whereby the issues before the Hon'ble Bombay High Court were whether the Designated Officer had jurisdiction to issue show cause notices to a foreign exporter for transactions that took place prior to 29 March 2018 (when sub-section (2) of Section 1 of the Customs Act was amended by the Finance Act, 2018 to expand extra-territorial reach), and whether penalties under Sections 112 and 114AA could be imposed on the foreign exporter for the alleged misdeclaration of imports by the Indian importers.

The Hon'ble Court held that the responsibility post-importation of goods in India rests entirely with the importer, and the foreign exporter cannot be made liable for the violation. The privity of the foreign exporter qua the goods ends when the goods are shipped to the satisfaction of the Indian importer; thereafter, the obligations under Sections 17, 46 and 111(m) of the Customs Act fall on the importer. Even otherwise, the alleged misdeclaration occurred prior to 2018, and the extra-territorial applicability of the Customs Act introduced by the Finance Act, 2018 with effect from 29 March 2018 cannot operate retrospectively.

The Hon'ble Court further held that since no role had been attributed to the foreign exporter in the alleged misdeclaration, and the Department had not produced any evidence of an active role in perpetrating the fraud and the essential ingredients of Section 112 were not satisfied. Thus, penalty under Section 114AA, which is imposable for knowingly or intentionally making, signing or using false declarations, also could not be imposed since the importation and related compliance was solely the responsibility of the Indian importers. The Hon'ble Court quashed the SCNs and observed that responsibility for classification, declaration and payment of customs duty rests entirely with the importer once goods enter India.

Karl Mayer Stoll Textilmaschinenfabrik GmbH v. Union of India, Hon'ble Bombay High Court, decided on 15 April 2026, [TS-90-HC-2026(BOM)-Cust]

1.2 CESTAT order summarily rejecting Department's stay application without addressing the presumption under Section 123 of the Customs Act is a cryptic and non-speaking order; remanded for de novo consideration

On 28 March 2019, the Customs (Preventive) unit conducted a search at the Assesse's business premises and recovered three foreign-marked gold bars (bearing markings SUISSE, PAMP) weighing 2755.200 grams and valued at approximately Rs. 89,87,462. Acting on a reasonable belief that the bullion had been smuggled into India through unauthorized routes, the officers seized the gold under Section 110 of the Customs Act.

During investigation, the Assessee's defense shifted from acquisition through Swansukha Jewellers Pvt. Ltd. (categorically refuted by the alleged seller) to a "gold exchange" with his brother, an arrangement not reflected in the statutory ledger accounts for FY 2018-19. The Adjudicating Authority ordered absolute confiscation due to the Assessee's failure to discharge the burden of proof under Section 123 of the Customs Act. The Commissioner (Appeals) reversed this finding vide order dated 8 November 2024. The Department's consequential stay application before CESTAT was summarily rejected vide Miscellaneous Order dated 4 July 2025 with the bare observation that the impugned order was "not ex facie illegal or without jurisdiction".

The issue before the Hon'ble Calcutta High Court was whether CESTAT was legally justified in dismissing the stay application involving significant revenue and serious allegations of smuggling through a summary, non-speaking order, without providing independent reasoning or addressing the statutory mandate of Section 123 of the Customs Act.

The Hon'ble Court held that reasons are the "live links" between the mind of the adjudicator and the

controversy at hand, and that an order devoid of such reasoning is a “shell without a kernel”. The Hon'ble Court observed that CESTAT's conclusion failed to engage with the Revenue's evidence regarding the refuted procurement documents or the statutory reversal of the burden of proof under Section 123 of the Customs Act. In matters involving foreign-origin bullion, the statutory presumption casting the burden of proving licit importation upon the possessor is a pivotal legal factor, and the Tribunal's failure to address it indicated non-application of mind.

The Hon'ble Court, while relying on the decision of the Hon'ble Supreme Court in the matter of Sheikh Mohd. Omer v. Collector of Customs[25], noted that any breach of import conditions constitutes a “prohibition” rendering the goods liable to confiscation. Such a cryptic approach was not a judgment but a mere fiat, depriving the Hon'ble Court of the opportunity to understand the rationale behind the refusal of a stay in a high-stakes revenue matter. The impugned order was quashed and the matter remanded for de novo consideration of the stay application and the appeal on merits with a direction to pass a reasoned and speaking order within six weeks. Pending fresh decision, the operation of the Order-in-Appeal dated 8 November 2024 was stayed and the seized gold was to remain in Customs custody.

Principal Commissioner of Customs (Preventive) v. Litan Karmakar, Hon'ble Calcutta High Court, decided on 9 April 2026, [TS-169-HC-2026(CAL)-Cust]

2. Customs – Notifications, Circulars

2.1 Instruction No. 6/2026-Customs dated 27 April 2026

The CBIC has clarified the eligibility of duty drawback under Section 74 of the Customs Act, for goods supplied by SEZ units to DTA's and subsequently re-exported.

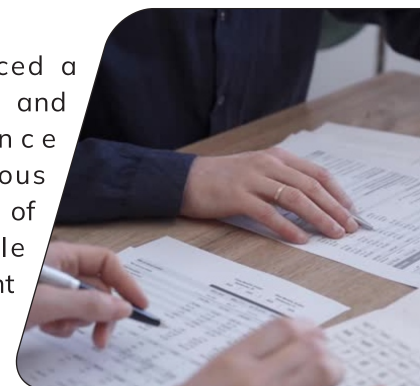
For the purposes of trade operations and levy of duties, an SEZ is treated as a foreign territory within India. In terms of Section 2(o) and Section 30 of the SEZ Act, 2005, movement of goods from an SEZ to the DTA is deemed to constitute an “import”.

Accordingly, drawback under Section 74 of the Customs Act shall be admissible on the re-export of duty-paid goods, provided that such goods are easily identifiable and were previously imported into India. The Board further noted that certain field formations had denied drawback claims on the ground that clearance of goods from an SEZ to the DTA did not qualify as an import. The present instruction clarifies the legal position and mandates grant of drawback in such cases.

Implications:

- **Resolution of Audit Objections:** The instruction addresses Audit Para 5.8 of Report No. 33 of 2025 relating to inconsistent processing of drawback claims.
- **Financial Relief for DTA Units:** Duties paid at the time of clearance from the SEZ, including anti-dumping duty and safeguard duty, shall be eligible for drawback upon re-export.
- **Uniform Implementation:** The instruction ensures consistent treatment across customs formations with respect to goods originating from SEZs.

2.2 Circular No. 24/2026-Customs dated 14 May 2026



The CBIC has introduced a mandatory identification and expedited clearance mechanism for hazardous cargo with the objective of facilitating trade while ensuring safety and efficient handling of such goods.

Importers are required to declare hazardous cargo at the item level in the Bill of Entry where the goods fall under the specified Chapters listed in Annexure-A to the Circular. The Indian Customs EDI System (ICES) will automatically flag such Bills of Entry to the assessing and out-of-charge officers to enable prompt identification and expedited processing of hazardous consignments. The Circular covers a comprehensive list of 68 hazardous chemicals/items, including Triflic Acid, Bromine, and Acetonitrile, identified based on industry feedback. The facility is proposed to be implemented across all customs formations with effect from 1 July 2026.

Implications:

- **Enhanced Logistics:** The measure will result in reducing the dwell time for sensitive and hazardous chemicals at ports and ICDs.
- **Risk Management:** Modification of Risk Management System (RMS) by the National Customs Targeting Centre (NCTC) will provide better facilitation for identified hazardous goods.
- **Safety Compliance:** Ensures that officers are

[25] [1983 (13) E.L.T. 1439 (S.C.)]

immediately aware of the nature of the cargo during physical examination or handling.

2.3 Instruction No. 3/2026-Customs dated 23 April 2026

The Board has prescribed a Standard Operating Procedure (SOP) for handling cases involving smuggling or customs violations by foreign diplomats, while ensuring compliance with India's international obligations under the Vienna Convention.

The Instruction clarifies that the personal baggage of diplomatic agents shall not ordinarily be subjected to inspection unless there are serious grounds to suspect the presence of prohibited or non-official articles. Any such inspection may be undertaken only with the prior approval of the jurisdictional Principal Commissioner of Customs or the Additional Director General, DRI. The Instruction further reiterates that diplomatic bags, protected under Article 27 of the Vienna Convention, cannot be opened, detained, or examined without the express consent of the sending State. It also emphasizes that diplomatic agents enjoy immunity from criminal jurisdiction and cannot be arrested or detained, irrespective of the nature of the offence. In cases involving inspection or seizure, immediate intimation is required to be furnished to the Protocol Division of the Ministry of External Affairs (MEA) and the Board.

Implications:

- **Treaty Compliance:** Ensures field officers do not violate the Diplomatic Relations (Vienna Convention) Act, 1972.
- **Sensitive Enforcement:** Prioritizes "personal inviolability" while allowing for the seizure of contraband found in personal baggage.
- **Conflict Avoidance:** Provides a clear procedure for returning unopened diplomatic bags to their origin if consent to open is refused.

2.4 Instruction No. 5/2026-Customs dated 23 April 2026

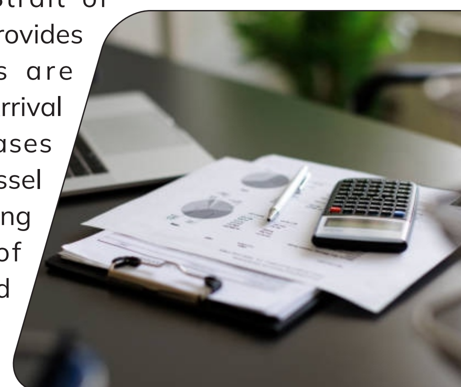
The CBIC has mandated time-bound processing of RoDTEP and RoSCTL scrolls to address delays in claim disbursal and reduce hardship faced by exporters. The Instruction has been issued in response to audit observations highlighting considerable delays in the generation of RoSCTL scrolls and settlement of export incentive claims. In order to streamline the process, the Board has extended the existing three-day timeline prescribed for Duty Drawback under Instruction No. 21/2020 to the processing of RoDTEP and RoSCTL claims as well. Accordingly, field formations have been directed to ensure strict compliance with the requirement of generating scrolls under these schemes within three days.

Implications:

- **Improved Cash Flow:** Faster disbursal of rightful claims provides immediate liquidity to exporters.
- **Administrative Accountability:** Sets a measurable benchmark for the Drawback Division to monitor field formation performance.
- **Uniformity:** Standardizes the processing speed for all major export incentive and rebate schemes.

2.5 Circular 25/2026- Customs dated 14 May 2026 read with Circular No. 21/2026-Customs dated 15 April 2026

The Board has prescribed emergency procedures for handling export cargo containers that were offloaded at foreign ports and returned to India owing to maritime disruptions in the Strait of Hormuz. The Circular provides that shipping lines are required to file a Sea Arrival Manifest (SAM) in cases involving changes in vessel particulars or Bill of Lading details. In respect of factory-stuffed containers, the integrity of RFID e-seals or Customs bottle seals is required to be verified with the details available in the original Shipping Bill. The Circular further permits offloading of returned containers at the port terminal without filing a Bill of Entry, subject to the condition that the seals remain intact. It also facilitates "Back to Town" procedures for return of cargo in accordance with the prescribed guidelines. The relaxations, initially valid up to 30 April 2026, have been extended until 30 June 2026 in view of the continuing maritime disruptions.



GST – Case Laws

1.1 ITC for FY 2019-20 cannot be denied solely on the ground of limitation under Section 16(4) where returns were filed before 30.11.2021; Section 16(5) overrides Section 16(4) by way of a non-obstante clause

The Assessee, ABE Security Mechanics (P.) Ltd., was

issued a SCN dated 5 December 2023 and thereafter an Order-in-Original dated 22 February 2024 by which its claim of ITC for FY 2019-20 was rejected solely on the ground of limitation under Section 16(4) of the CGST Act. The appeal filed against the said order was also rejected on the ground of delay without entering into the merits. The Assessee contended before the Hon'ble Karnataka High Court that the claim required reconsideration in light of the amendment made to Section 16 by the Finance (No. 2) Act, 2024, which inserted sub-section (5) with retrospective effect from 1 July 2017 vide Notification No. 17/2024-Central Tax dated 27 September 2024 and subsequently clarified by Circular No. 237/31/2024-GST dated 15 October 2024. The Assessee's GSTR-3B returns for FY 2019-20 had been filed on 30 September 2020, well within the extended date of 30 November 2021 prescribed under Section 16(5).

The issue before the Hon'ble Court was whether the Assessee's claim of ITC for FY 2019-20, which was rejected solely on grounds of limitation under Section 16(4), could be sustained in view of the retrospective insertion of Section 16(5) of the CGST Act with a non-obstante clause.

The Hon'ble Court held that Section 16(5), which begins with a non-obstante clause overriding sub-section (4), entitles a registered person to claim ITC for the financial years 2017-18 to 2020-21 if the returns under Section 39 are filed up to 30 November 2021. Following its own earlier decision in Manjunatha Exports v. Deputy Commissioner of Central Tax[26], the Hon'ble Court observed that the legislative development inserting Section 16(5), read with Notification No. 17/2024-Central Tax \ and Circular No. 237/31/2024-GST, affirms that ITC claims availed through GSTR-3B returns filed up to 30 November 2021 are permissible. Since the Assessee had filed the returns for FY 2019-20 on 30 September 2020, it was entitled to claim ITC. The Order-in-Original and the SCN were set aside and the matter remitted to the respondent for reconsideration in accordance with the observations.

ABE Security Mechanics (P.) Ltd. v. Superintendent of Central Tax, Hon'ble Karnataka High Court, decided on 22 April 2026, [TS(DB)-GST-HC(KAR)-2026-509]

[26] [TS(DB)-GST-HC(KAR)-2026-266]

1.2 Demand-cum-show cause notice issued beyond even the extended period of limitation under Section 73 of the Finance Act, 1994 is void; writ petition maintainable notwithstanding alternative remedy

The Assessee, Mahesh Kumar Chanani, a proprietorship concern engaged in execution of works contracts, asserted that its services were exempt under the Mega Exemption Notification issued under the Finance Act, 1994. Notwithstanding such exemption, a Demand-cum-Show Cause Notice dated 11 April 2022 was issued under Section 73(1) of the Finance Act for FY 2016-17, alleging non-payment of service tax of Rs. 26,57,349.90. The Adjudicating Authority confirmed the demand vide an order dated 24 April 2024. Aggrieved, the Assessee invoked the writ jurisdiction of the Hon'ble Gauhati High Court, contending that the notice itself was ex facie barred by limitation under Section 73(1) of the Finance Act, even on the extended period of five years invocable in cases of fraud, suppression or wilful misstatement.

The issues before the Hon'ble Court were whether an adjudicating order founded upon a demand notice that is ex facie barred by limitation can be sustained in law, whether such defect strikes at the very jurisdiction of the authority, and whether the availability of an alternative appellate remedy under Section 107 of the CGST Act, operates as a bar to writ jurisdiction under Article 226 of the Constitution of India.

The Hon'ble Court held that limitation under Section 73(1) of the Finance Act, is not merely a matter of procedural convenience but a substantive fetter on jurisdiction, and once the statutory period expires, the authority stands divested of the power to initiate proceedings. The Hon'ble Court relied extensively on the Hon'ble Supreme Court's decision in Calcutta Discount Company Ltd. v. ITO[27], which authoritatively settled that where limitation conditions the assumption of power, it partakes the character of a jurisdictional fact. The Hon'ble Court further followed Whirlpool Corporation v. Registrar of Trade Marks[28], which held that notwithstanding the availability of an alternative remedy, a writ petition is maintainable where the proceedings are wholly without jurisdiction. The principles in State of Punjab v. Bhatinda District Cooperative Milk Producers Union Ltd.[29] were also referred to, reiterating that the question of limitation being jurisdictional makes the writ petition maintainable. The Hon'ble Court held that the Demand-cum-Show Cause Notice dated 11 April 2022

[27] [TS-2-SC-1960-O]
[28] (1998) 8 SCC 1
[29] (2007) 11 SCC 363

pertaining to FY 2016-17 was beyond even the extended period of limitation. Thus, the proceedings initiated thereunder were without jurisdiction, and the impugned adjudicating order was liable to be set aside. The writ petition was accordingly allowed.

Mahesh Kumar Chanani v. Union of India, Hon'ble Gauhati High Court, decided on 4 May 2026, WP(C)/5050/2024

1.3 Provisional attachment under Section 83 lapses on expiry of one year by operation of Section 83(2); cash credit accounts cannot be provisionally attached

The Assessee challenged the freezing of its bank accounts vide order dated 12 March 2025 passed under Section 83 of the MGST Act, which had attached five bank accounts including two cash credit facilities (with State Bank of India and Bank of Maharashtra), two current accounts, and a fixed deposit relating to the Lavasa City case. The Assessee contended before the Hon'ble Bombay High Court that the said action was ex facie without jurisdiction, arbitrary, and in clear contravention of the provisions of the MGST Act and Rules. It was specifically argued that by virtue of Section 83(2) of the CGST Act, the maximum period of one year for which a provisional attachment can subsist had already lapsed.

The issue before the Hon'ble Court was whether the provisional attachment under Section 83 of the MGST/CGST Act, 2017 continued to operate when the statutory period of one year prescribed under Section 83(2) had elapsed, and whether cash credit accounts could be subjected to provisional attachment under that provision.

The Hon'ble Court held that by operation of Section 83(2) of the CGST Act, the provisional attachment dated 12 March 2025 had ceased to have effect, and the freezing of all five operational bank accounts (including the cash credit accounts) stood lapsed. The Hon'ble Court further observed that, in any event, it is settled law that cash credit accounts cannot be provisionally attached under Section 83, as they represent a credit facility rather than the property of the Assessee. The Assessee was held free to operate its bank accounts, with respective banks directed to act on the authenticated copy of the order.

Darwin Platform Infrastructure Ltd. v. Joint Commissioner of State Tax, Investigation-A, Mumbai, Hon'ble Bombay High Court, decided on 30 April 2026, [TS(DB)-GST-HC(BOM)-2026-401]

1.4 Constitutional validity of Section 16(2)(c) of the CGST Act upheld; ITC being a statutory concession and not a vested right, denial of ITC for supplier's non-payment is neither ultra vires nor liable to be read down

A batch of writ petitions led by Maruti Enterprise (covering over sixty linked Special Civil Applications spanning 2014 to 2026) was filed before the Hon'ble Gujarat High Court by purchasing dealers assailing the constitutional validity of Section 16(2)(c) of the CGST Act, and in the alternative seeking that the provision be read down to apply only to fraudulent or collusive transactions and not to bona fide purchasers. The Assessees contended that they had satisfied conditions provided under Section 16(2) (a), (aa), (b) and (ba) but were being denied ITC solely because the supplier had failed to deposit the tax with the Government. They pleaded with the impossibility of verifying a supplier's GSTR-3B and tax payment, and challenged the provision on grounds of violation of Articles 14, 19(1)(g), 265 and 300A of the Constitution of India. The Revenue countered that ITC is a statutory concession with conditions, and pointed to Sections 41, 53, 155 of the CGST Act and Rule 37A of the CGST Rules, which together provide a mechanism for reversal and re-availment.

The issues before the Hon'ble Court were whether Section 16(2)(c) of the CGST Act, is constitutionally invalid for violating Articles 14, 19(1)(g), 265 and 300A by denying ITC to bona fide purchasers on account of supplier default, and whether the provision should be read down to confine its operation to fraudulent or collusive transactions.

The Hon'ble Court rejected the constitutional challenge. It observed that the Statement of Objects and Reasons of the CGST Bill, 2017 tied ITC to “taxes paid”, and Section 16(2)(c) validly links credit to actual payment by the supplier. The Hon'ble Court observed that Section 41(2), read with Rule 37A of the CGST Rules, provides a complete mechanism for the recipient to reverse and re-avail ITC once the supplier eventually pays, thereby protecting revenue while preserving the recipient's remedy. The Hon'ble Court emphasised that ITC is a statutory concession and not a vested right, relying on the Hon'ble Supreme Court's decision in ALD Automotive (P.) Ltd. v. CTO[30], which held that conditions

[30] [TS-560-SC-2018-VAT]

of a concession must be strictly complied with. On the doctrine of reading down, the Hon'ble Court relied on Authorised Officer, CBI v. Shanmugavelu[31] to hold that reading down is a tool to salvage constitutionality only where a provision otherwise conflicts with constitutional principles – which was not the case here. The Hon'ble Court further observed that taxing statutes must be interpreted literally, iand equitable considerations are out of place. The Hon'ble Court distinguished On Quest Merchandising India (P.) Ltd. v. Government of NCT of Delhi[32] and Sahil Enterprises v. Union of India[33], noting that the GST framework with its inter-State settlement design renders VAT-era judgments inapplicable. The Hon'ble Court acknowledged the difficulties faced by genuine purchasers and observed that the Government should undertake a comprehensive re-evaluation, implement real-time payment verification, and pursue defaulting suppliers, instead of compelling honest purchasers to undertake cumbersome reversal procedures.

The Court rejected the contention that Section 16(2)(c) should be read down only to cases involving collusion or fraud, holding that the provision was clear, unambiguous and incapable of such restricted interpretation. It was further held that mere hardship or practical difficulty faced by purchasing dealers cannot be a ground to invalidate a taxing provision. Accordingly, the Court upheld the constitutional validity of Section 16(2)(c) of the CGST Act and dismissed the batch of petitions challenging the said provision.

Maruti Enterprise v. Union of India, Hon'ble Gujarat High Court, [TS-312-HC(GUJ)-2026-GST] (lead matter) with connected petitions, decided on 1 May 2026

1.5 Appellate authority under MGST Act exceeded jurisdiction by importing MVAT J1/J2 mismatch into Section 140 transitional ITC adjudication; impugned order quashed and remanded

The Assessee had claimed transitional ITC through Form GST TRAN-1 under the MGST Act. The Adjudicating Authority found the credit prima facie admissible but deducted an amount of Rs. 6,53,343 using an MVAT J1/J2 mismatch report and recomputed the dues. The Joint Commissioner of State Tax partly allowed the Assessee's appeal and confirmed the deduction on the basis of the said mismatch. The Assessee invoked the writ jurisdiction of the Hon'ble Bombay High Court, contending that the Appellate Authority's jurisdiction was confined to adjudication under Section 140 of the MGST Act, and that the finding regarding a system-generated MVAT J1/J2 mismatch was beyond such jurisdiction, pertaining to an inquiry under the Maharashtra Value Added Tax Act, 2005.

The issue before the Hon'ble Court was whether the Appellate Authority, while adjudicating a claim for transitional credit under Section 140 of the MGST/CGST Act, could import findings based on an MVAT J1/J2 mismatch report, which fell outside the statutory scope of Section 140 and related to assessment under the MVAT Act, 2002.

The Hon'ble Court held that the observations of the Appellate Authority lacked clarity and were vague, and that there was substance in the Assessee's contention that such findings fell outside the scope of Section 140 of the MGST Act, which is restricted to transitional credit. The jurisdiction under Section 140 is compartmentalized, and issues falling within the realm of the MVAT Act could not be imported into TRAN-1 adjudication. The Hon'ble Court held that the appeal required independent and appropriate consideration strictly within the ambit of Section 140. The impugned order was quashed and set aside, and the proceedings were restored to the file of the appellate authority for fresh disposal within eight weeks, after affording an opportunity of hearing.

Gunjan Surgical and Scientific Co. v. State of Maharashtra, Bombay High Court, decided on 23 April 2026, [TS(DB)-GST-HC(BOM)-2026-392]

1.6 Bail denied in fake invoicing case involving large-scale tax evasion and bogus e-way bills

The Assessee, Hansraj Gurjar, was arrested by the DGGI, Jaipur Zonal Unit for offences under Section 132(1)(a), (f), (h) and (l) of the CGST Act. The prosecution case was that the Assessee was part of a well-organised syndicate engaged in large-scale GST evasion. In connivance with the co-accused, the Assessee was alleged to have created and operated multiple fake firms by misusing identities of other persons, generating bogus invoices, e-way bills and transport documents without actual supply of goods, thereby facilitating wrongful availment and passing on of inadmissible ITC. Investigation under Section 67(2) of the CGST Act revealed clandestine supply of marble

[31] [LSI-75-SC-2024(NDEL)]
[32] [TS-314-HC-2017(DEL)-VAT]
[33] [TS-02-HC(TRI)-2026-GST]

and granite valued at approximately Rs. 63 crore, with tax evasion of Rs. 48,41,21,094. The movement of goods shown through fictitious transport entities including M/s Shri Mahadev Transport Company and M/s Har Har Mahadev Logistics, was found to be non-existent. The Assessee's prior bail applications had been rejected by the Trial Court and by the Additional Sessions Judge. The Assessee approached the Hon'ble Rajasthan High Court contending custody since 13 August 2025, completion of investigation, documentary nature of evidence, and entitlement to default bail under Section 480(6) of the Bharatiya Nagarik Suraksha Sanhita, 2023 (BNSS), as well as the first-time-offender proviso under Section 479 BNSS.

The issues before the Hon'ble Court were whether the Assessee was entitled to be enlarged on bail under Section 483 BNSS considering the gravity and magnitude of the alleged offence, the parity with co-accused, and whether the sixty-day clause under Section 480(6) BNSS or the first-time-offender proviso under Section 479 BNSS conferred any absolute right to bail.

The Hon'ble Court held that the prima facie material on record demonstrated the Assessee's active role within a structured syndicate generating sham invoices and e-way bills; the offence reflected a deep-rooted economic conspiracy causing substantial loss to the public exchequer and required a strict approach to bail. The Hon'ble Court held that Section 480(6) BNSS does not create an absolute or indefeasible right to bail in non-bailable cases; bail remains discretionary, guided by the nature of accusations, supporting material, societal impact, conduct of the accused, and risk of tampering. On the first-time-offender proviso under Section 479 BNSS, the Hon'ble Court noted that lawful detention could extend up to one-third of the maximum punishment before entitlement to bail under that provision arises. The Hon'ble Court further observed that mere length of incarceration, absent other mitigating factors, could not constitute a determinative ground for release, especially in a serious economic offence causing substantial revenue loss. Parity with similarly placed co-accused whose bail had also been rejected militated against release. The bail application was accordingly dismissed.

Hansraj Gurjar v. Union of India, Rajasthan High Court, decided on 18 April 2026, [TS-282-HC(RAJ)-2026-GST]

1.7 Section 74 SCN issued to reopen issues already decided by AAR and in Section 104 proceedings, without any fresh material or finding of fraud, suppression or wilful misstatement, is without jurisdiction and liable to be quashed

The Assessee had obtained an Advance Ruling dated 1 June 2022 from the Rajasthan Authority for classifying its product "Keer Kokil" (unmanufactured tobacco pre-mixed with lime, with addition of aroma and menthol for freshness, prepared either by machines or manually) as "unmanufactured tobacco" under CTH 2401 2090, attracting GST at 28% and Compensation Cess at 71%. The Jurisdictional Officer confirmed in his comments that the product falls under unmanufactured tobacco. After about eleven months, the Department initiated an investigation and filed a complaint before the AAR under Section 104, alleging that the Advance Ruling had been obtained by misrepresentation and suppression of facts. The AAR, rejected the complaint and reaffirmed the Advance Ruling. A subsequent appeal under Section 100 was dismissed as not maintainable.

Despite this, the Department issued 2 SCN's dated 08.08.2024 under Section 74 of the CGST Act, and Sections 11A, 11AA and 11AC of the Central Excise Act, 1944, proposing a demand of GST of Rs. 195,06,61,336 and Central Excise Duty of Rs. 71,34,39,871 along with interest and equivalent penalty, on the same allegations of fraud, misrepresentation and suppression of facts.

The issue before the Hon'ble Rajasthan High Court was whether the impugned SCN's issued under Section 74 of the CGST Act, by reopening issues already decided by the AAR and in Section 104 proceedings, without any fresh material or independent finding of fraud, suppression or wilful misstatement, could be sustained.

The Hon'ble Court held that interference at the stage of SCN is permissible where the notice suffers from patent lack of jurisdiction, reflects non-application of mind, or is issued with a pre-determined approach amounting to abuse of process of law. On the merits, the Hon'ble Court observed that

all material facts relating to the manufacturing process, use of machines, and addition of aroma and menthol had already been disclosed and considered both by the AAR and the Jurisdictional Officer, who had concurrently held the product to be "unmanufactured tobacco". The Department's allegations of fraud and suppression had been considered and rejected in Section 104 proceedings, and the said order has attained finality. In the absence of any fresh material and without any independent finding of fraud, wilful misstatement, or suppression of facts at any stage, the jurisdictional preconditions for invoking Section 74 of the CGST Act, were not satisfied. The attempt to revive allegations of fraud and suppression that had already been rejected and attained finality was impermissible. The impugned show cause notices were quashed at the threshold.

Gyankeer Tobacco Products (P.) Ltd. v. Additional Commissioner, Central Excise and Central Goods and Services Tax Commissionerate, Rajasthan High Court, decided on 16 April 2026, [TS(DB)-GST-HC(RAJ)-2026-508]

1.8 Filing of GSTR-9 without GSTR-9C treated as incomplete annual return and late fee held payable

The Assessee registered person under the TNGST Act with an annual turnover exceeding Rs. 5 crore, faced an assessment order dated 4 December 2025 passed under Section 73 of the TNGST Act, levying late fee of Rs. 84,700 each for CGST and SGST (totaling to Rs. 1,69,400) on account of belated filing of the reconciliation statement in Form GSTR-9C for the assessment year 2021-22. The due date for filing the annual return in Form GSTR-9 was 31 December 2022 and the Assessee filed Form GSTR-9 with a thirteen-day delay on 13 January 2023 and paid the applicable late fee. However, the Assessee did not file Form GSTR-9C along with the annual return and the same was filed only on 9 May 2025. Treating the date of filing of Form GSTR-9C as the date of effective filing of the annual return, the respondent computed the delay and levied the late fee under Section 47 of the TNGST Act.

The issue before the Hon'ble Madras High Court was whether a late fee can be levied under Section 47 of the CGST/TNGST Act, 2017 for non-filing of Form GSTR-9C within time, considering that Section 44 read with Rule 80(3) of the CGST Rules, 2017 mandates filing of the reconciliation statement "along with the annual return" for persons with turnover exceeding Rs. 5 crore.

The Hon'ble Court held that the phrase "may include a self-certified reconciliation statement" in Section 44 (as substituted by the Finance Act, 2021 with effect from 1 August 2021) expands the content of an "annual return", and Rule 80(3) of the CGST Rules, specifies the cases where that component must be furnished. The words "along with the annual return" in Rule 80(3) are mandatory. The Hon'ble Court, relying on the decision in the matter of Commissioner of Customs v. Caryaire Equipment India Pvt. Ltd.[34], observed that the word "includes" ordinarily widens meaning. A perusal of Form GSTR-9C showed that the registered person must self-reconcile turnover, tax paid and ITC based on the audited annual financial statement, and only such reconciliation completes the annual return. The Hon'ble Court therefore held that filing GSTR-9 without GSTR-9C amounted to non-filing of returns as required under Section 44, attracting the late fee under Section 47.

On the amnesty plea, the Hon'ble Court observed that Notification No. 08/2025-Central Tax dated 23 January 2025 read with Circular No. 246/03/2025-GST dated 30 October 2025 waived late fee in excess of that on Form GSTR-9 only where Form GSTR-9C was filed on or before 31 March 2025. Since the Assessee filed Form GSTR-9C only on 9 May 2025, the amnesty was unavailable. Accordingly, the writ petition was dismissed with liberty to pursue the statutory appellate remedy on factual aspects.

Tvl. Madhu Agencies v. State Tax Officer, Madras High Court, decided on 16 April 2026, [TS-271-HC(MAD)-2026-GST]

1.9 Corporate guarantees issued without consideration to group entities by a company not in the business of providing guarantees do not amount to "supply" under GST; constitutional challenge to Rule 28(2) and related CBIC circulars rejected

The Assessee is engaged in the construction of national and state highways under projects awarded by the NHAI and State Corporations. As a pre-condition under sanction letters from the State Bank of India and the Bank of Maharashtra, the Assessee executed three corporate guarantees for securing term loans aggregating to over Rs. 2,000 crore in favour of three group special purpose entities (DPJ Pollachi HAM

[34] (2012) 4 SCC 645

Project Pvt. Ltd., D P Jain Bangalore Chennai Expressways Pvt. Ltd., and D P Jain TOT Toll Roads Pvt. Ltd.). Each deed expressly stated that the corporate guarantor had not received and would not receive any security, fee, commission or any consideration from the borrower. Despite a prior investigation by the Assistant Commissioner of State Tax for the period 2017-18 to 2022-23 not raising any corporate guarantee issue, the DGGI subsequently issued summons and a SCN alleging non-payment of GST on these guarantees, relying on Circular No. 204/16/2023-GST dated 27 October 2023, Circular No. 225/19/2024-GST dated 11 July 2024, Notification No. 52/2023-Central Tax dated 26 October 2023 (inserting Rule 28(2) of the CGST Rules, 2017) and Notification No. 12/2024-Central Tax dated 10 July 2024.

The issues before the Hon'ble Bombay High Court were whether corporate guarantees issued by the Assessee without any consideration to its group entities amount to a "supply" under Section 7 of the CGST Act, 2017 attracting GST. And whether the impugned Rule 28(2) of the CGST/MGST Rules, prescribing deemed valuation at 1% per annum on the guaranteed amount or actual consideration, whichever is higher, and the related CBIC circulars were ultra vires the parent Act or constitutionally invalid.

On the supply issue, the Hon'ble Court held that the Assessee was not engaged in the business of providing guarantees and had merely issued in-house corporate guarantees to support its group entities. Bank guarantees are banking services offered to customers, whereas corporate guarantees provided to group entities are not customer-facing transactions. The core attribute of supply is consideration, which was expressly absent by virtue of the contractual clauses. Following the Hon'ble Supreme Court's decision in Commissioner of CGST and Central Excise v. Edelweiss Financial Services Ltd.[35], the Hon'ble Court held that issuance of corporate guarantees without consideration falls outside the scope of "supply" and outside the levy of GST. Thus, the SCN demanding GST was accordingly quashed.

On the constitutional challenge to Rule 28(2) and the CBIC circulars, the Hon'ble Court held that the scope for judicial interference against fiscal measures should be minimal and a strong presumption of constitutionality applies. Relying on R.K. Garg v. Union of India[36] and Hoechst Pharmaceuticals Ltd. v. State of Bihar[37], the Hon'ble Court held that economic legislation is empiric and the Legislature enjoys wide latitude in taxation and classification. Mere crudities, inequities, or heavy burden do not render a tax measure invalid. The challenge to Rule 28(2) and the circulars was held unsustainable and the prayers to strike them down were rejected.

D P Jain & Co. Infrastructure (P.) Ltd. v. Union of India, Bombay High Court, decided on 6 May 2026, [TS-333-HC(BOM)-2026-GST]

1.10 Best judgment assessment deemed withdrawn upon subsequent filing of returns and payment of dues

The Assessee, a registered person under the APGST Act, had not filed its GSTR-3B returns for March 2024, April 2024 and August 2024. Consequently, the Assistant Commissioner of State Tax passed best judgment assessment orders under Section 62 of the APGST Act for these periods determining tax liabilities of Rs. 1,17,443, Rs. 1,17,444 and Rs. 2,41,398 respectively. The Assessee subsequently filed the GSTR-3B returns on 28 September 2024, 29 September 2024 and 7 July 2025 along with payment of tax, interest and late fee. The delay in filing the August 2024 return was explained by the fact that the Assessee's registration had been cancelled with retrospective effect from 31 July 2024 and was revived only on 26 June 2025 by the Appellate Authority.

The issue before the Hon'ble Andhra Pradesh High Court was whether the best judgment assessments under Section 62 of the APGST/CGST Act, 2017 stood deemed withdrawn by operation of Section 62(2) once the GSTR-3B returns were subsequently filed along with payment of tax, interest and late fee, and whether the delay in filing the August 2024 return required condonation in view of the temporary cancellation and subsequent revival of registration.

The Hon'ble Court held that Section 62(2) of the APGST Act, stipulates that any order of assessment passed under Section 62 is deemed to have been withdrawn upon the necessary returns being filed by the registered person along with payment of tax, interest and late fee.

In the present case, the Assessee has taken the necessary steps by filing the GSTR-3B returns and making the payments. The delay in the filing of the return for August 2024 was satisfactorily explained by the registration having been cancelled and subsequently revived and required condonation to effectuate Section 62(2). The Hon'ble Court declared

[35] [TS-136-SC-2023-ST]

[36] [TS-5017-SC-1981-O]

[37] 1984 taxmann.com 835 (SC)

that the assessment orders shall be deemed to have been withdrawn, and the respondents could not recover any tax on the basis of these assessment orders.

Surya Sreebhavani Infrastructure (P.) Ltd. v. Assistant Commissioner of State Tax, Andhra Pradesh High Court, decided on 6 May 2026, [TS(DB)-GST-HC(AP)-2026-510]

IV. REGULATORY UPDATES

A. SEBI

1. *Discontinuation of Investor Risk Reduction Access (IRRA) platform*

Circular / Notification	Circular No. HO/38/44/12(3)2025-MIRSD-TPD1/I/10705/2026
Date	07 May 2026
Effective From	07 May 2026

The Securities and Exchange Board of India ("SEBI"), vide its circular dated December 30, 2022, had introduced the Investor Risk Reduction Access ("IRRA") platform for Stock Brokers. The IRRA platform was designed to provide Stock Brokers with an alternative access mechanism for trading in the event of disruption in the trading services offered by them. The platform was operationalized with effect from October 01, 2023.

Subsequently, SEBI has implemented various technology-driven measures aimed at strengthening the business continuity and operational resilience framework for Stock Brokers. These measures, inter alia, include operationalization of Business Continuity Planning and Disaster Recovery ("BCP-DR") requirements, enhancement of Cyber Security and Cyber Resilience frameworks, implementation of Market Security Operations Centre ("M-SoC"), and strengthening of the technical glitch framework.

Further, Stock Exchanges also provide an alternative contingency trading mechanism for Stock Brokers in the form of the Contingency Pool Trading facility. This facility enables Stock Brokers to square off outstanding open positions of their clients during instances of business disruption. The mechanism operates through the exchange's internal network infrastructure within its physical premises, wherein broker-allocated dedicated terminals remain seamlessly connected to the Stock Exchange trading platform.

The aforesaid regulatory and technological initiatives were introduced with the objective of ensuring operational continuity and seamless trading services for investors through Stock Brokers. In this regard, Stock Exchanges have informed SEBI that the IRRA platform has become structurally redundant. Since its operationalization, the platform has not been utilized by Stock Brokers, primarily on account of the implementation of robust regulatory safeguards, significant technological advancements in trading operations, and the availability of the Contingency Pool Trading facility.

Accordingly, based on stakeholder feedback and the factors mentioned above, Stock Exchanges unanimously recommended discontinuation of the IRRA platform. Pursuant thereto, SEBI has decided to discontinue the IRRA platform with immediate effect. Simultaneously, Stock Exchanges may review and strengthen the framework governing the Contingency Pool Trading facility.

2. *SEBI (Infrastructure Investment Trusts) Regulations, 2014 ("InvIT Regulations")*

Circular / Notification	Circular No. SEBI/HO/DDHS/DDHS-PoD-2/I/11700/2026
Date	15 May 2026
Effective From	15 May 2026

Pursuant to the amendment dated April 17, 2026, an InvIT may permit its Net Borrowings to exceed forty-nine percent of the value of its assets.

Accordingly, the following shall be considered as permissible use of borrowing above forty-nine percent under Regulation 20(3)(b)(ii) of InvIT Regulations–

a. Capital expenditure made to enhance asset performance or for capacity augmentation;

b. Major maintenance expense in respect of Road Project, wherein

   I. Major maintenance expense shall mean expenditure incurred on maintenance of road project which is not routine maintenance and is in accordance with the obligations and requirements specified in the concession agreement;

   ii. Road Project shall mean a project in the 'Roads and bridges' infrastructure sub-sector as mentioned in the notification of the Ministry of Finance dated September 19, 2025 and shall

include any amendments or additions made thereto.

c. Refinancing of debt, by the InvIT, SPV or Holdco, subject to the following conditions:

I. the original debt which is being refinanced was utilized for the purposes permitted under Regulation 20(3)(b)(ii) of the InvIT Regulations;

ii. only the principal portion of debt is refinanced i.e. any accumulated interest or any charges or fees by whatever name called shall not be refinanced.

3. CASE LAW UNDER THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

Reference	WTM/KCV/CFD/02/2026-27
Date	18 May 2026

Regulations 3, 4 and 5 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SAST Regulations") lay down the regulatory framework governing substantial acquisition of shares, voting rights and control in listed entities. Regulation 3 requires an acquirer to make an open offer upon acquisition of 25% or more voting rights in a target company. Regulation 4 mandates an open offer in cases involving acquisition of control, whether directly or indirectly, while Regulation 5 extends such obligations to indirect acquisitions of shares, voting rights or control through acquisition of another entity holding stake in the target company.

In this context, the Securities and Exchange Board of India ("SEBI"), granted exemption to the Neterwala Family Trust from complying with the open offer requirements prescribed under Regulations 3(1), 4 and 5 of the SAST Regulations in relation to the proposed indirect acquisition of shares and voting rights in Uni Abex Alloy Products Limited.

The Acquirer Trust submitted that the proposed transaction was purely a non-commercial internal family arrangement undertaken for succession planning, consolidation of promoter holdings and long-term preservation of promoter control. It was further submitted that there would be no change in the management or effective control of the Target Company and that the aggregate promoter shareholding as well as public shareholding would remain unchanged before and after the proposed acquisition.

The Acquirer Trust also confirmed compliance with the conditions prescribed under Chapter 8 of SEBI Master Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2023/31 dated February 16, 2023, including that:

- The trustees and beneficiaries comprised only promoters, immediate relatives and lineal descendants;
- No beneficial interest in the Trust would be transferred or encumbered;
- There was no layering in the trust structure; and
- All obligations and liabilities under the SEBI Act and regulations would continue to remain applicable.

SEBI observed that:

- The proposed acquisition constituted an indirect acquisition attracting Regulations 3, 4 and 5 of the SAST Regulations;
- The transaction was an internal promoter family reorganization intended for succession planning and family welfare;
- There would be no change in control, promoter shareholding or public shareholding of the Target Company; and
- The Target Company would continue to comply with Minimum Public Shareholding requirements.

Accordingly, SEBI granted exemption from the obligation to make an open offer under the SAST Regulations, subject to compliance with conditions including filing of post-acquisition reports, adherence to disclosures and undertakings made before SEBI, and continued compliance with applicable SEBI regulations and the SEBI Master Circular.

B. Labour Law Update — The Code on Wages, 2019

Your Salary Is About to Change: Understanding the 50% Wage Rule

Introduction

India's labour law landscape is undergoing its most significant structural transformation in decades. The four Labour Codes — the Code on Wages, 2019; the Industrial Relations Code, 2020; the Code on Social Security, 2020; and the Occupational Safety, Health and Working Conditions Code, 2020 — represent a consolidation of over 29 central labour laws into a rationalised, modern framework. Of these, the Code on

Wages, 2019 is particularly consequential in its day-to-day impact on both employers and employees across all sectors of the economy.

One of the most significant provisions introduced by the Code is the minimum threshold for "wages" as a proportion of total Cost to Company ("CTC"), commonly referred to as the 50% Wage Rule. This rule mandates that the basic pay component of an employee's salary must constitute no less than 50% of their total CTC. Its practical consequence is to limit the structural flexibility that employers have traditionally exercised in designing salary packages — specifically, the practice of keeping basic pay artificially low while padding CTC through a variety of allowances.

The legal position under the existing regime permitted employers considerable latitude in structuring compensation. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the Payment of Gratuity Act, 1972, among others, compute statutory obligations as a percentage of "basic wages," creating an incentive to suppress that component. The 50% Wage Rule directly disrupts this practice by setting a statutory floor on basic pay. Once the Code on Wages comes into full force, salary restructuring will be compulsory for most organisations, with significant financial and compliance implications across the board.

Impact of the 50% Wage Rule Under the Code on Wages, 2019

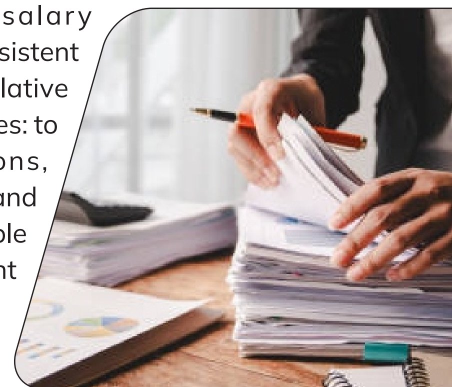
An employee's CTC is the total annual cost borne by the employer, which includes basic pay, various allowances (house rent allowance, special allowance, conveyance allowance, etc.), and employer contributions toward statutory benefits like Provident Fund and Gratuity. The basic pay is the fixed core component on which those statutory contributions are computed. Over the years, it became standard practice to keep basic pay at 30–40% of CTC and distribute the remainder as allowances, reducing the employer's statutory contribution burden while giving employees a higher take-home salary.

What Does the Rule Require : The rule requires that basic pay must be at least 50% of total CTC. If an employer pays a CTC of ₹1,00,000 per month, the basic pay cannot be less than ₹50,000. The total CTC does not change, but its internal composition must now conform to this statutory threshold. Allowances that previously served to depress the basic pay component will need to be recalibrated.

What Changes for Employees: For employees, the immediate effect is that Provident Fund contributions — both the employee's own deduction and the employer's matching contribution, each at 12% of basic pay — will increase. A higher basic pay means more money is routed toward PF every month, which reduces in-hand take-home salary in the short term but significantly increases the PF corpus and Gratuity entitlement over the long term. There is also a tax dimension: as allowances like HRA reduce relative to a higher basic pay, the tax-exempt component of salary may shrink, potentially increasing taxable income for some employees.

What Changes for Employers: For employers, the rule directly increases statutory costs — higher employer PF contributions, higher Gratuity liability, and, in some industries, higher contributions toward other statutory benefits. For large-workforce organisations, this increase is considerable and must be factored into workforce planning, budgeting, and employment contract templates. Non-compliance carries financial penalties under the Code, making early restructuring not merely prudent but legally necessary.

The Broader Structural Reform: The 50% Wage Rule is not merely a technical amendment to salary computation. It is a structural reform to how wages are defined and paid in India. By embedding a statutory minimum for the basic pay component, the Code seeks to ensure that the long-term, statutory entitlements of workers — particularly PF and Gratuity — are not eroded by creative salary structuring. This is consistent with the broader legislative intent of the Labour Codes: to consolidate protections, reduce fragmentation, and establish a more equitable baseline for employment across the formal sector.



Concluding Remarks

The 50% Wage Rule under the Code on Wages, 2019 represents a long-overdue correction to a structural distortion in India's compensation practices. For decades, the gap between CTC and take-home pay has been widened by a proliferation of allowances designed primarily to minimise statutory contribution obligations. While this arrangement offered short-term take-home benefits to employees, it systematically undermined the social security foundation that these statutory schemes were designed to provide. The reform is, in our professional view, both necessary and correct in its direction.

That said, the transitional challenges are real and should not be underestimated. The rule will have its most acute impact on SMEs and labour-intensive

industries, where wage bills are the dominant operating cost and statutory contributions represent a significant proportion of total employer liability. These sectors will require careful planning, and we would strongly recommend that they begin internal modelling immediately, rather than waiting for the Code to be notified in force.

For larger organisations and multinationals, the exercise is more nuanced but equally urgent. Compensation architecture that has been built over many years — across multiple grades, bands, and geographies — will need to be reviewed holistically. Employment contracts, offer letters, and HR policy documents will all require revision. This is not merely a payroll exercise: it has implications for collective bargaining, employment contracts, tax planning, and employee relations.

From a policy perspective, we observe that the Code's silent enforcement timeline — it has been passed but not yet notified in force at the central level — has created a degree of preparedness fatigue among employers. Many organisations have deprioritised compliance planning on the assumption that enforcement is distant. We caution against this approach. When the Code does come into force, the compliance window is unlikely to be generous, and organisations that have not restructured will face simultaneous payroll, legal, and employee communication challenges under time pressure.

It is recommended that all covered establishments undertake an immediate audit of their current salary structures, model the financial impact of the 50% Wage Rule across workforce categories, and reconsider the employment contracts within the ambit of the Code.

C. Arbitration and Conciliation

1. ***Scope of Judicial Review Under Sections 34 & 37 of the Arbitration and Conciliation Act, 1996***

Gayatri Balasamy v. ISG Novasoft Technologies Ltd., Civil Appeal of 2025 (arising out of S.L.P.(C) Nos. 15336–15337 of 2021), decided on 30 April 2025 (SC):When and why finality matters.

When two parties have a dispute and agree to resolve it through arbitration, a neutral arbitrator hears both sides and gives a decision — that decision is called an arbitral award. The whole point of choosing arbitration over courts is that it is faster, private, and final. Once an award is given, it is meant to stick. If courts could freely re-examine arbitral awards, the entire purpose of arbitration would be defeated. Parties would simply use the courts as a second chance to relitigate what the arbitrator already decided. The law is designed to prevent this.

Interpretationally, section 34 gives a party a narrow right to go to court and ask for an award to be set aside — but only on very specific grounds: a party was legally incapable of entering the arbitration; the arbitration agreement was not valid; a party was not given proper notice or could not present its case; the arbitrator decided matters never referred to them; the arbitrator was not properly appointed; or the award violates the public policy of India (which includes fraud, corruption, or obvious illegality in domestic cases). These grounds are exhaustive — the list is closed. There is no room for a court to say it would have decided differently, or that the arbitrator made a factual or legal error.

In light of the above legal matrix, the Supreme Court has reinforced that Section 34 is not an appellate provision. A court under Section 34 does not sit above the arbitrator and re-examine the merits of the dispute. It only checks whether one of the specific statutory grounds for interference has been made out.

Most importantly, the Court held that in situations involving post-award developments such as compromise or abandonment of claims. It recognises that circumstances may arise where, despite an arbitral award having been passed, parties may either settle their disputes or a successful party may choose to abandon certain claims. In such cases, the court is empowered to give effect to such compromise or abandonment "only where the affected portion of the award is severable", i.e., it constitutes an independent and standalone part that is not inextricably linked with the rest of the award. Applying the principle of severability, the court may accordingly uphold the remaining portions of the award while severing the compromised or abandoned part. However, where the compromise or abandonment is "inseparably intertwined with the core findings of the award and affects its fundamental structure (the "warp and woof")", the court cannot selectively modify or preserve parts of the award. In such situations, the only recourse available to the court is to set aside the award in its entirety. Further, in cases where a settlement between parties is itself not severable, the appropriate course

would be to treat the Section 34 proceedings as not pressed and dismiss the application, in light of the settlement. Importantly, the judgement also reflects a judicial divergence of opinion: while another view supports a broader power of the Section 34 court, including modification of post-award interest and even invoking Article 142 of the Constitution of India to modify awards in appropriate cases, the judgement in question expressly disagrees. According to this view, Section 34 does not contemplate any power of modification, and even the exercise of extraordinary constitutional powers to alter arbitral awards is not justified, thereby reinforcing a strict, limited, and non-interventionist scope of judicial review over arbitral awards.

Section 37 Applicability: Section 37 deals with appeals from orders made under Section 34. If a court decides a Section 34 challenge and one party is unhappy, they can appeal that court decision under Section 37. However, the same principle applies at the appellate stage as well — the appellate court is not conducting a fresh review of the original award; it is only examining whether the court below applied Section 34 correctly. It cannot substitute its own view on the merits of the arbitral dispute.

Practical aspect: These ruling matters because it sends a clear signal against what lawyers sometimes call speculative challenges — cases where a losing party challenges an award not because the law was violated, but simply to delay enforcement or to get a second bite at the apple. By firmly closing the door on consent-based expansion of judicial review, the Supreme Court has reinforced that arbitration in India is meant to produce final, enforceable decisions.

For businesses and parties who choose arbitration, this ruling strengthens confidence that an award they win will not be easily undone in court. For lawyers advising clients, it clarifies that cleverly drafted consent clauses cannot create wider rights of judicial review than the statute provides.

Concluding Remarks

Supreme Court's decision in our view, is a timely and necessary restatement of first principles. India's arbitration ecosystem has long grappled with a paradox: while the legislation clearly intends minimal judicial intervention, the judiciary has not always applied the statutory limits with uniform rigour. Each expansive Section 34 judgment — however well-intentioned — has sent a signal to losing parties that persistence in courts may be rewarded. That signal has now been firmly corrected. In conclusion, the position that emerges is that a court exercising jurisdiction under Section 34 adopts a **strict and limited approach**, intervening only within narrowly defined boundaries. While it may give effect to post-award developments such as compromise or abandonment, this is permissible only **where the affected portion of the award is clearly severable.** If the compromise or abandonment is inseparably linked to the core of the award, the court cannot modify or selectively uphold it, and the only option is to set aside the award in its entirety or treat the proceedings as not pressed. Overall, the framework reinforces that Section 34 **is not a forum for modification,** but one of minimal judicial interference, preserving the finality and integrity of arbitral awards.

From a practitioner's perspective, advising clients who have lost an arbitration must now be considerably more candid in their assessment of Section 34 prospects. Framing a factual or legal disagreement with the arbitrator as a "public policy" challenge is no longer a viable strategy — courts will be less sympathetic. Broadly, this ruling is positive for India's commercial reputation as an arbitration-friendly seat. International parties and foreign investors who consider India as a seat of arbitration or as a place of enforcement of foreign awards have consistently flagged judicial delay and overreach as concerns. A Supreme Court judgment that unequivocally limits the scope of Section 34 review contributes to the credibility of Indian arbitration and moves us closer to alignment with best international practice. The finality of an arbitral award is not merely a procedural preference; it is the very promise that arbitration makes to those who choose it over litigation.

V. COMPLIANCE CALENDAR FOR JUNE 2026

A. Income tax

Sr. No.	Due Dates	Concerned (reporting) Period	Compliance Detail	Applicable to
01	7th June	May 2026	TDS / TCS Payment	Non-Government Deductors
02	15th June	Qtr. 1 (Tax Year 26-27)	Advance tax payment	All Assessee
03	30th June	FY 2025-26	Equalization Levy Statement	All Deductors
04	30th June	May 2026	**Form 141 -** For Section 393 (Erstwhile Section 194-IA, Section 194-IB, Section 194M, Section 194S)	All Deductors

B. Goods and Service Tax

Sr. No.	Due Dates	Concerned (reporting) Period	Compliance Detail	Applicable to
01	10th June	May 2026	GSTR – 7 (TDS)	Person required to deduct TDS under GST
02	10th June	May 2026	GSTR – 8 (TCS)	Person required to collect TCS under GST
03	11th June	May 2026	GSTR 1	a) Taxable persons having annual turnover > INR 5 crores in FY 2024-25 b) Taxable persons having annual turnover ≤ INR 5 crores in FY 2024-25 and not opted for Quarterly Return Monthly Payment (QRMP) Scheme
04	13th June	May 2026	GSTR – 6 (ISD)	Person registered as ISD
05	20th June	May 2026	GSTR – 3B	a) Taxable persons having annual turnover > INR 5 crores in FY 2024-25 b) Taxable persons having annual turnover ≤ INR 5 crores in FY 2024-25 and not opted for QRMP scheme
06	13th June	May 2026	GSTR - 5 (NRTP)	Non-resident taxable person (NRTP)
07	20th June		GSTR - 5A (OIDAR)	OIDAR services provider
08	25th June		QRMP scheme-Monthly payment	Aggregate Turnover is up to INR 5 crores

C. Provident Fund (PF) / Employee State Insurance Corporation (ESIC)

Sr. No.	Due Dates	Concerned (reporting) Period	Compliance Detail	Applicable to
01	15th June	May 2026	PF/ESIC Payment	All Assessee to whom respective laws of PF / ESIC are applicable
02	15th June	May 2026	ESIC Monthly Return	
03	25th June	May 2026	PF Monthly Return	

D. FEMA Compliance

Sr. No.	Due Dates	Particulars	Concerned (reporting) Period	Applicable to
01	7th June	ECB 2 Return (External Commercial Borrowing)	May 2026	All Indian Borrowers who have non-resident lenders
02	30th June	F.Y. 2025-26	Form DPT - 3 Return of Deposits	All companies (Excl. Government Companies)

GLOSSARY

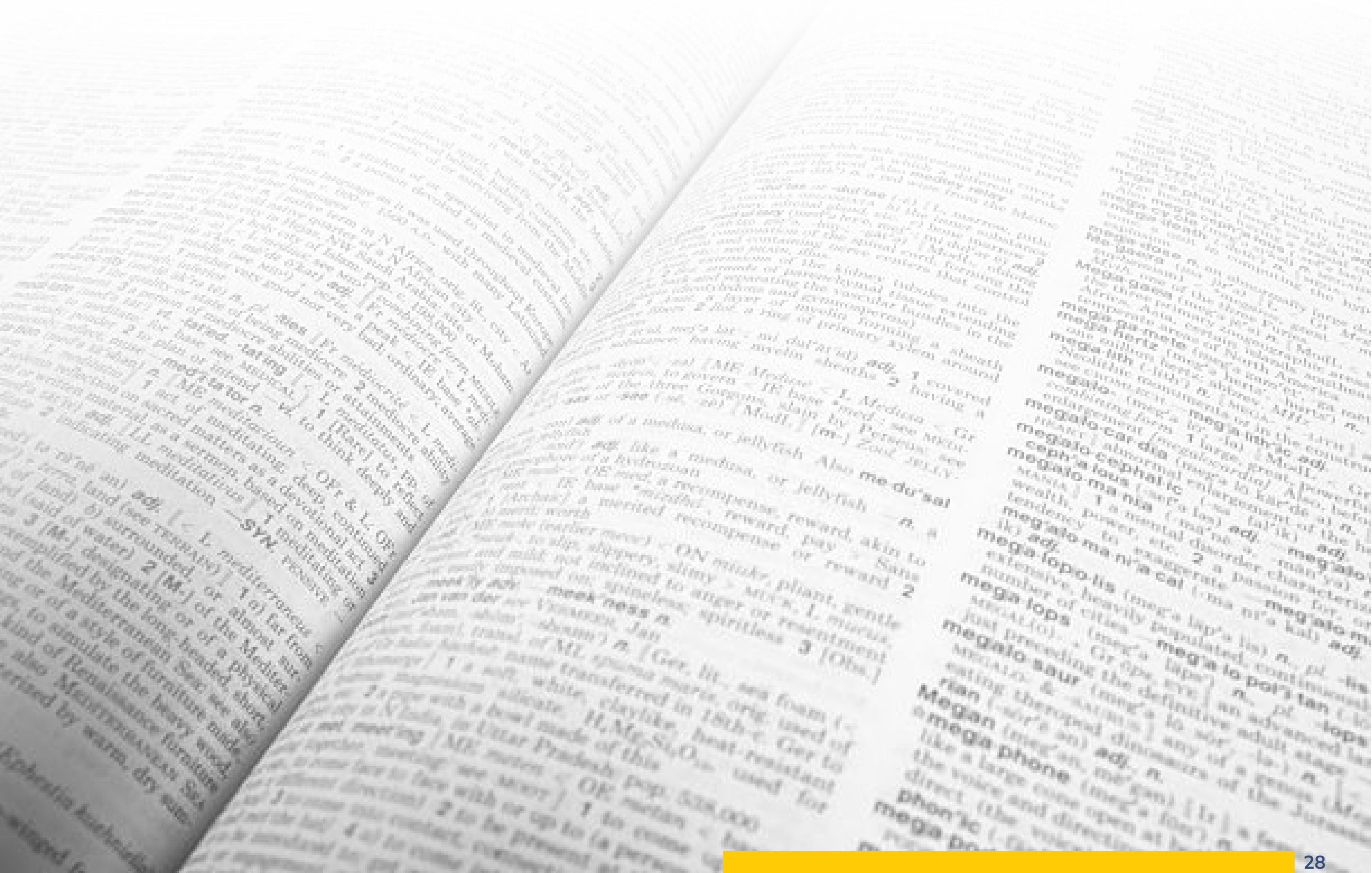
ABBREVIATION	FULL FORM
AAR	Authority for Advance Ruling
ACIT	Assistant Commissioner Of Income Tax
Act	Income-Tax Act, 1961
AE	Associated Enterprise
ALP	Arms Length Price
AMP	Advertisement, Marketing, and Promotion
AO	Assessing Officer
APGST	Andhra Pradesh Goods And Service Tax
AY	Assessment Year
B2B	Business To Business
BCP-DR	Business Continuity Planning and Disaster Recovery
BLT	Bright Line Test
BNSS	Bharatiya Nagarik Suraksha Sanhita
CBDT	Central Board Of Direct Taxes
CBIC	Central Board of Indirect Taxes and Customs
CESTAT	Customs, Excise and Service Tax Appellate Tribunal.
CGST	Central Goods And Service Tax
CIT	Commissioner Of Income-Tax
CIT (E)	Commissioner Of Income Tax (Exemption)
CIT(Appeals) / CIT(A)	Commissioner Of Income-Tax (Appeals)
CTC	Cost to Company
DCIT	Deputy Commissioner Of Income Tax
DGGI	Directorate General of Goods and Services Tax Intelligence.
DRI	Directorate of Revenue Intelligence
DRP	Dispute Resolution Panel
DTA	Domestic Tariff Area
DTAA	Double Taxation Avoidance Agreement
ECB	External Commercial Borrowings
ECCE	Early Childhood Care and Education
ESOP	Employee Stock Option Plan
ESIC	Employee State Insurance Corporation
FAR	Functions, Asset And Risk Analysis
FY	Financial Year
GST	Goods & Services Tax
GSTR	Goods And ServicesTax Return
HC	High Court
Hon'ble	Honourable

GLOSSARY

ABBREVIATION	FULL FORM
HRA	House Rent Allowance
HUF	Hindu Undivided Family
ICD	Inland Container Depot
ICES	Indian Customs EDI System
INR	Indian Rupee
InvIT	Infrastructure Investment Trusts
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
ITO	Income Tax Official
ISD	Input Service Distributor
IRRA	Investor Risk Reduction Access
LTCG	Long Term Capital Gains
MAT	Minimum Alternate Tax
MEA	Ministry of External Affairs
MGST Act	Maharastra Goods And Services Tax Act
M-SoC	Market Security Operations Centre
MVAT	Maharashtra Value Added Tax Act
NCTC	National Customs Targeting Centre
NEP	National Education Policy
NHAI	National Highways Authority of India.
NRTP	Non-Resident Taxable Person
NTT	Nursery Teachers Training Institute
OIDAR	Online Information and Database Access or Retrieval.
OIO	Order-in-Original
PAA	Permanent Alternate Accommodation
PCIT	Principal Commissioner of Income Tax.
PE	Permanent Establishment
PF	Provident Fund
PoP	Point of Presence
QRMP	Quarterly Return Monthly Scheme
RFID	Radio Frequency Identification
RMS	Risk Management System
ROI	Return Of Income
RoDTEP	Remission of Duties and Taxes on Export Products
RoSCTL	Refund of State and Central Taxes & Levies.
RTE Act	Right To Education Act
SAST	Substantial Acquisition of Shares and Takeovers

GLOSSARY

ABBREVIATION	FULL FORM
SAM	Sea Arrival Manifest
SC	Supreme Court
SCN	Show Cause Notice
SEBI	Securities And Exchange Board Of India
SEZ	Special Economic Zone
SGST	State Goods And Services Tax
SMEs	Small And Medium Enterprises
SOP	Standard Operating Procedure
SPV	Special Purpose Vehicle
TCS	Tax Collected At Source
TDS	Tax Deducted At Source
TNGST Act	Tamil Nadu Goods and Services Tax Act
TP	Transfer Pricing
TPO	Transfer Pricing Officer
TRC	Tax Residency Certificate.
USD	US Dollars
VAT	Value Added Tax



BHUTA SHAH & CO LLP
CHARTERED ACCOUNTANTS

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Bhuta Shah & Co LLP (BSC) is a dynamic professional Chartered Accountants firm with a distinctive blend of skill sets, experience and expertise. Established in the year 1986, we operate from our Head Office in Nariman Point, Mumbai while having 6 offices across India in Mumbai, Pune, Ahmedabad and New Delhi.

We offer our clients a wide range of services including Audit & Assurance, Direct Taxation, Indirect Taxation, Transaction Advisory, Corporate Finance, Corporate Advisory, Risk Advisory, Cyber Security and Resolution & Insolvency Advisory.

We provide services to a diverse set of leading Indian and Multinational Clients, including FPIs, Mutual Funds, Large Banks, Broking Institutions, Listed Companies including Pharmaceutical Companies, Manufacturing Companies, Insurance Companies, Realty Companies, Jewellery Companies, Hospitals and several other Large and Medium Businesses.

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