Newsletter - Feb 2026

Vishnu Daya & Co. LLP

Chartered Accountants

Contents

Direct Tax – Press Release, Circulars and Notifications

Press Release, Circulars and Notifications issued by CBDT in the month of Feb 2026

1. **Seeking stakeholders' input on the proposed Income-tax Rules and related Forms relating to the Income Tax Act, 2025**

   The Income-tax Act, 2025 received the assent of the President in August 2025. The Act will come into effect from 1 April 2026. The corresponding Income-tax Rules and related Forms have been prepared after broad-based consultation to align with the provisions of the Income-tax Act, 2025. Before final notification of the Income Tax Rules and Forms, to encourage wider stakeholder participation, the proposed Income Tax Rules and Forms have been uploaded on the official website: www.incometaxindia.gov.in. Stakeholders are encouraged to study the same and make suggestions, which will be compiled and considered for review before final notification. As part of a wider consultative process, the Income tax Department invites inputs and suggestions from stakeholders in the following four categories: 1. Simplification of Language 2. Reduction of Litigation 3. Reduction of Compliance Burden 4. Identification of Redundant/Obsolete Rules and Forms To facilitate this, a utility has been launched on the e-filing portal, which can be accessed through the following link: https://eportal.incometax.gov.in/iec/foservices/#/pre-login/ita-comprehensive-reviewThe above link is live and accessible to all stakeholders from 04.02.2026 on thee-filing portal. Stakeholders can submit their inputs by entering their name and mobile number, followed by an OTP-based validation process. All suggestions should clearly specify the relevant provision of the proposed Income-tax Rules or the proposed Form no (including the specific rule, sub-rule, or form number) to which the recommendation pertains under the aforementioned four categories

   Click here to read /download the press release, dated 08th Feb 2026

2. **Governments of India and France sign the Amending Protocol to amend the India-France Double Taxation Avoidance Convention**

   During the recent visit of the President of France to India, the Government of the Republic of India and the Government of the French Republic have signed a Protocol amending the India- France Double Taxation Avoidance Convention, signed on 29 September 1992 ('India-France DTAC'). The Amending Protocol was signed by Mr. Ravi Agrawal, Chairperson, Central Board of Direct Taxes, Government of India, and Mr. Thierry Mathou, Ambassador of France to India, on behalf of their respective Governments. 2. The Amending Protocol provides full taxing rights in respect of capital gains arising from sale of shares of a company, to the jurisdiction where such company is a resident. The Amending Protocol also deletes the so-called Most-Favoured-Nation (MFN) Clause from the Protocol to the DTAC, thereby bringing to rest all issues relating to it. The Amending Protocol also modifies the taxation of income from dividends by replacing a single rate of 10% of tax with a split rate of 5%for those holding at least ten percent of capital and 15% of tax for all other cases. It also modifies the definition of 'Fees for Technical Services' by aligning it with the definition in India US Double Taxation Avoidance Agreement, and

expands the scope of 'Permanent Establishment' by adding Service PE. 3. The Amending Protocol also updates the provisions on Exchange of Information and introduces a new Article on Assistance in Collection of Taxes, as per international standards. This would enable and facilitate seamless exchange of information and strengthen mutual tax cooperation between India and France. The Amending Protocol also incorporates within the DTAC, the applicable provisions of BEPS Multilateral Instrument (MLI), that had already become applicable consequent to the signing and ratification of MLI by India and France. 4. The changes introduced through the Amending Protocol shall enter into effect subsequent to the completion of internal procedures under the laws of both the countries and subject to thetermsagreed between the two countries. 5. The Amending Protocol updates the India-France DTAC to the latest international standards, in a manner that balances the interests of both India and France, and updates it in accordance with international standards. The Amending Protocol will provide greater tax certainty to the taxpayers and boost flow of investment, technology and personnel between India and France, and thereby strengthen the economic relationship between the two countries

Click here to read /download the press release, dated 23rd Feb 2026

Direct Tax – Legal Rulings

1. **HC: Dismisses NRI's attempt to avoid DRP jurisdiction via Sec. 154; Applies amended "Eligible Assessee" definition u/s 144C(15)(b)(ii)**

   Motilal Jain Mahaveer Jain [TS-236-HC-2026(MAD)]

   Madras HC dismisses Assessee's writ petition challenging the impugned assessment order by holding the Assessee to be 'eligible assessee' under Section 144C(15)(b)(ii) and that the impugned assessment order is not barred by limitation by virtue of extension of limitation under Section 144C(13) read with Section 153, as Assessee had challenged the draft assessment order before the DRP; HC remarks that Assessee's attempt to abate the assessment proceedings initiated under Section 142(1) notice and thereafter Section 148 notice in the light of the residential status of the Assessee as NRI, cannot be countenanced; HC expounds that the definition of 'eligible assessee' under Section 144(15)(b) was amended by Finance Act, 2020, to include any non-resident not being a Company with effect from April 1, 2020 and since the Section 148 notice was issued on March 31, 2021, the amendmed definition is applicable to the present case; HC factually distinguished Gujarat HC judgment in *Pankaj Extrusion Limited* by observing that the same applies to the definition of 'eligible assessee' prior to the amendment vide Finance Act, 2020, thus not applicable to the present case; Thus, HC opines, "*the Petitioner is an "eligible assessee" within the meaning of amended definition "eligible assessee" in Section 144C(15)(b)(ii)*"; In this aforesaid backdrop, HC asserts, "*The attempt of the Petitioner to distance from the status as an "eligible assessee" by filing an application for rectification under Section 154 of the Income Tax Act, 1961 on 30.01.2023 which appears to be pending as on date was merely an afterthought after the Dispute Resolution Panel passed its order*"; Considering the fact that the Assessee also acquiesced in the proceedings by challenging the draft assessment order by filing objection before the DRP, HC emphasises, "*Petitioner is estopped from questioning the jurisdiction of the Respondent / Assessing Officer in view of Section 124(3) (a)(b) and (c) of the Income Tax Act, 1961 and Section 292BB of the Income Tax Act, 1961*"; HC further rejects Assessee's contention that the impugned assessment order was passed without a jurisdiction as transfer order under Section 127 was not passed, finding the same to be without merit; While dismissing the present writ petition, HC grants Assessee the liberty to assail the correctness of the conclusion in the impugned assessment order on merits before the ITAT within a period of thirty days from the date of receipt of a copy of this order:HC MAD

   Click here to read / download the copy of the ruling.

2. **HC: Sec. 40(a)(i) disallowance unsustainable on unclaimed external development charges paid to HUDA**

   Bharti Land Limited [TS-161-HC-2026(DEL)]

   Delhi HC dismisses Revenue's appeal and holds that no disallowance under Section 40(a)(i) could be made in respect of External Development Charges (EDC) paid to Haryana Development Authority (HUDA) since the Assessee had not claimed the said amount as an expenditure in profit & loss account; HC states that perusal of assessment order and the profit & loss account shows that AO had disallowed all expenditure on the ground that no revenue had accrued and that the EDC payment was not shown as an expenditure in the profit & loss account; HC opines that Section 40(a)(i) operates to disallow an expenditure otherwise allowable, in cases where TDS has not been deducted and in the absence of any claim for deduction, there could be no disallowance; HC holds that 'disallowance' presupposes that an expenditure has been

allowed or claimed and if an amount has neither been claimed nor allowed, it cannot be disallowed; HC notes that the issue of business loss was already held against the Revenue and therefore, the Revenue's appeal is liable to be dismissed;:HC DEL

Click here to read / download the copy of the ruling.

3. **ITAT: Non-deposit in Capital Gains scheme can't snatch Sec. 54F benefit when re-investment timely**

Satishchandra Jagdishchandra Gugale [TS-239-ITAT-2026(PUN)]

Pune ITAT deletes disallowance of deduction under Section 54F being the amount that was not deposited by the Assessee in capital gain account scheme and holds the Assessee entitled to the said deduction as he invested the whole of the sale consideration in purchase of residential house within a period of one year from the date of sale of original asset; Assessee invested the entire of the sale proceeds from sale of land of Rs.3.21 Cr in a residential flat, purchased for consideration of Rs. 4 Cr and claimed deduction under Section 54F, however Revenue denied the deduction of Rs. 91.45 Lacs and the same was confirmed by the CIT(A); ITAT elucidates that the real intention of the legislature is to get the amount of sale consideration invested in purchase of residential house within the prescribed period and not to get the amount deposited in capital gain accounts scheme; Thus, ITAT concurs with Assessee's contention that since whole of the consideration received on sale of land has already been invested within one year from the sale of the original asset, in purchase of residential flat, the real intention of the legislature is fulfilled and the deduction under Section 54F shall be allowed, by relying on Karnataka HC judgment in Ramchandra Rao; Thus sets aside the CIT(A) order confirming disallowance under Section 54F:ITAT PUN

Click here to read / download the copy of the ruling.

4. **ITAT: Active Sec. 12AA registration protects Assessee despite missing approval details in ROI; Restores exemption claim**

Institute of Rehabilitation [TS-209-ITAT-2026(DEL)]

Delhi ITAT restores the issue pertaining to disallowance of exemption under Sections 11 and 12 on account of filing Form 10B beyond the prescribed timeline and for non-furnishing of requisite details of new approvals in the return of income, to the file of AO for denovo adjudication with the direction to consider the Form 10AB and returns of the Assessee; Placing reliance on SC judgment in *Anjana Foundation* wherein it was held filing of Form 10B is procedural requirement, ITAT reiterates the settled legal principle that the requirement to file Form No. 10B within due date is directory; ITAT opines, "*there cannot be disallowance u/ s 11 & 12 of the Actfor non filing of audit report in Form 10B, before due date*"; With respect to the issue of not mentioning the requisite details of registration/approval relevant to AY 2021-22, ITAT places reliance on co-ordinate bench ruling in Shambhu Dayal Modern School wherein it was held that when original registration under Section 12AA is still active the same protects the Assessee; In light of the fact that the Assessee's appeal was dismissed by the NFAC on the ground of delay in filing of appeal, ITAT considers Assessee's explanation for delay was caused due to passing away of a person on whom the Assessee depended for compliance, and hence was not aware of intimations under Section 143(1) disallowing exemption; Disagreeing with NFAC's view that associates, staff and CA's are only for assistance purpose and whole responsibility of income tax proceedings pertains only to the Assessee, ITAT emphasises that these observations may be relevant in the case of an individual, however, Assessee is a corporate body or a trust which certainly has to completely depend on its office bearers; ITAT further points

out that if the Assessee's interest could not be represented due to any exceptional circumstances, like in the present case, death of the concerned person, then Assessee should be benefitted, more so, in case like this where intimation under Section 143(1) was passed:ITAT DEL

Click here to read / download the copy of the ruling.

5. **ITAT: Denial of exemption u/s 11 unwarranted, if updated return filed within permissible time u/s 139(8)**

Indian Medical Association Pune Branch [TS-237-ITAT-2026(PUN)]

Pune ITAT allows Assessee's appeal observing that the Assessee admittedly filed its updated return u/s 139(8) for AY 2022-23 and claimed exemption u/s 11 within the permissible time outlined u/s 139(8); Therefore, ITAT holds that the claim for exemption cannot be denied on account of filing of updated return; ITAT notes that the Assessee filed its updated return u/s 139(8A) on Dec 18, 2013 declaring total income of Rs 7.72 Lakhs after claiming exemption u/s 11 and the CPC, while processing the return disallowed the said exemption and determined the total income of Rs. 3.45 Cr.; ITAT highlights that the Addl/JCIT(A) confirmed the CPC's denial of exemption on the ground that amendments introduced vide Finance Act, 2017, mandate charitable and religious trusts to file their return within the due date specified u/s 139(1) to claim exemption u/s 11; ITAT emphasizes JCIT's reasoning that the updated return facility u/s 139(8) only allows taxpayers to file or update returns within 24 months from the end of relevant AY and does not override the specific conditions for claiming exemptions or deductions such as those u/s 11 that require timely filing; Acceding to the Assessee's submissions, the Tribunal draws attention to the Memorandum explaining the Finance Bill, 2023; ITAT states that an identical issue was decided by the coordinate bench in Bishnupur Public Education Institute, wherein the exemption u/s 11 was allowed after considering the Memorandum explaining the Finance Bill, 2023:ITAT PUN

Click here to read / download the copy of the ruling.

6. **ITAT: Statutory audit requirement u/s 44AB is mandatory despite exempt income where turnover exceeds threshold**

Jalpaiguri Zilla Regulated Market Committee [TS-184-ITAT-2026(Kol)]

While partly allowing Assessee's appeal, Kolkata ITAT remands matter back to the CIT(A) and gives an opportunity to the Assessee to present its case regarding the reasonable cause that prevented it from getting an audit as per the statutory provision; Outlining provisions of Section 44AB(a), Tribunal states that the Assessee was required to get an audit report u/s 44AB in addition to the statutory audit, which in the present case had not been carried out; ITAT highlights Assessee's contention that its income is exempt and is not liable for audit u/s 271B; ITAT observes that "*perusal of Section 44AB as well 271B clearly shows that the requirement of audit and penal consequence are dehors the finding of the assessment proceedings relating to the computation of income and audit u/s 44AB is required on the basis of the turnover exceeding the threshold limit*"; Therefore, ITAT opines that despite the income being exempt, the audit report u/s 44AB on Form-3CD was required to be filed as the turnover had exceeded the specified the amount for the purpose of getting statutory audit; Emphasizing Assessee's submissions that it had reasonable cause for not getting the audit carried out, Tribunal remarks that no such reasonable cause was mentioned before it except for the fact that its income was exempt:ITAT Kol

Click here to read / download the copy of the ruling.

7. ITAT**: No addition u/s 68 in firm's hand where capital infusion validated through banking channels**

Shiva And Shiva [TS-187-ITAT-2026(DEL)]

Delhi ITAT dismisses Revenue's appeal observing that with the Assessee discharging its onus u/s 68 and the nature and source of contribution being undisputed, no addition can be made in the hands of the Assessee firm basis some doubts; Consequent to emphasizing on CIT(A) notation that the transaction of capital addition from all partners had taken place during FY 2019-20 through proper banking channels and all partners were regular tax assessees, holding valid PAN, ITAT opines that the "*source of the capital addition is not at all the forming part of any undisclosed sources*"; ITAT observes that no adverse comments or finding were recorded by the AO in the remand report; Outlining MP decision in *Metachem Industries* and Allahabad HC decision in *Jaiswal Motor Finance*, Tribunal states that in the present case each partner has personally confirmed its contribution and also furnished supporting evidence, therefore the addition in firm's hands is against the spirit of the well settled law; Further, Tribunal expresses that Assessee's contention needs to be accepted as the AO has conducted independent enquiries and found the documents to be in order; Highlighting the fact that the new counsel was appointed by the Assessee whose request for additional time was rejected and proceedings were concluded in a haste within the next 2 days i.e. Sep 21, 2022, even though the proceedings were to become time barred only on Sep 31, 2022, ITAT articulates that the term 'sufficient cause' has not been defined in the Statute and the Courts have interpreted the same to mean a cause which is beyond the control of the party invoking the aid of the provision of law and whether the same could have been avoided by means of due care; Tribunal opines that the meaning and limit of the word varies from facts to facts of each case and the same will be at the discretion of the authorities; Further, ITAT outlines that the term 'sufficient cause' is to be liberally construed to advance substantial justice, when no negligence, or any inaction, or want of bona fide is imputable to the party; Tribunal observes that the AO in its remand report accepted the stand of Assessee on merits, and therefore in the interest of natural justice the additional evidences submitted by the Assessee under Rule 46A were rightly admitted; As a result, ITAT renders that the Assessee discharged its onus u/s 68 by providing identity of lender, creditworthiness of lender, and genuineness of capital transaction; Emphasizing on second proviso to Section 68 which deals with 'source of source', Tribunal remarks that the said provisions cannot be invoked in the present case as the Assessee is a partnership firm and the provision apply to a private company:ITAT DEL

Click here to read / download the copy of the ruling.

8. **HC: Denies DTVsV benefit to taxpayers under assessments stemming from search u/s 132/132A**

Radha Madhav Eco-Industrial Park [TS-232-HC-2026(GUJ)]

Dismissing the Assessee's civil application petitions, Gujarat HC observes that the legislative intention explicitly bars the benefit of the Direct Tax Vivad se Vishwas Scheme (DTVsV Scheme) to those Assessees against whom incriminating material is found during the search u/s 132/132A, and whose income is found to have escaped assessment resulting in tax arrears; HC notes Assessees's contention that it is entitled to avail the benefit of DTVsV Scheme in view of the clarifications issued vide *Circular No. 12 dated October 15, 2024* and Circular No.19 December 16, 2024; Highlighting provisions of Section 96(1) of the Finance Act, 2024 (DTVsV Scheme), HC states that the DTVsV Scheme does not apply to tax arrears that relate or emanate from an assessment order where the assessment was made u/s 143(3), 144, 147, 153, or 153C on the basis of a search initiated u/s 132 or 132A; Emphasizing that the additions have been made on the basis of the incriminating materials that were found during the course of search

undertaken u/s 132 & 132A from the searched persons, and the assessment order has been passed u/s 147, HC observes that there is no cavil of such proposition and Assessees's entire case hinges on the clarificatory circulars dated October 15, 2024 and December 16, 2024; HC opines that Assessees's submission does not merit acceptance as Item No.6 in Circular dated October 15, 2024 only clarifies the type of assessments that are to be considered on the basis of the search and nowhere mentions that if a search is conducted prior to April 1, 2021 under any of the provisions then the Assessee will be entitled to the benefit of DTVsV Scheme; Therefore, HC remarks that the shelter sought by the Assessees under this clarification is futile; Having considered the contents of Circular dated December 16, 2024, HC observes that if it is to accept Assessees's plea, then the same would run contrary to the provisions of Section 96 of DTVsV; Emphasizing that legislature has clarified its affirmative intention and debarred certain Assessees, HC states that mere reference to provisions of Section 147/148 does not ipso facto lead to the conclusion that the assessment u/s 147/148 that have been passed exclusively after analyzing the incriminating material found during the search, will deem to be excluded; HC asserts that if intention of the legislature was to exclude the same then the same would have found its place u/s 96 or any other provisions of DTVsV Scheme:HC GUJ

Click here to read / download the copy of the ruling.

9. **ITAT: ITAT: Despite salary credit in NRE account, affirms non-taxability for services rendered outside India**

Kaushal Ganpatbhai Patel [TS-157-ITAT-2026(Ahd)]

Ahmedabad ITAT allows Assessee's appeal and deletes the addition of Rs. 44.24 Lacs in the hands of the non-resident Assessee by holding that the salary received in Assessee's NRE Account in India, towards his employment outside of India, does not tantamount to receipt of salary in India, thus, the same is not liable to tax in India under Section 5(2)(a); ITAT places reliance on Agra ITAT ruling in *Arvind Singh Chauhan*, wherein it was held that as the constructive receipt of salary took place at the place of rendering employment and the deposit of the same in the NRE bank account in India was only an application of the salary received outside India, the same is not taxable in India; Assessee, a non-resident Indian under Section 6, earned salary income from his employer, VJP Company, Seychelles which was received in his NRE account; ITAT observes that the salary earned from services rendered outside India, accrued outside India and was to be treated as received outside India; ITAT further remarks that the deposit of the said salary in the NRE Account was a mere application of the salary received outside India and not receipt of income of the Assessee, so as to qualify for taxation In India under Section 5(2)(a); Thus, Tribunal rejects Revenue's contention that since the salary was credited to the Assesse's NRE account in India, it was to be treated as income received in India, hence taxable in terms of Section 5(2)(a):ITAT Ahd

Click here to read / download the copy of the ruling.

10. **ITAT: No DAPE under Article 5(5) of India-Germany DTAA as Indian branch have no involvement in direct business**

General Reinsurance AG [TS-151-ITAT-2026(Mum)]

While partly allowing Assessee's (General Reinsurance AG) appeals, Mumbai ITAT renders that Assessee neither has any business connection u/s 9(1)(i) nor the Indian branch constitutes as PE within the meaning of Article 5(1) and 5(5) of India-Germany DTAA (DTAA); ITAT outlines that Assessee, a tax resident of Germany had a wholly owned subsidiary in India (Gen Re Support Services Mumbai Private Limited - GSSMPL) till 2017, and established its Indian branch that commenced operations from

Aug 1, 2017, pursuant to IRDAI approval; Tribunal emphasizes that Assessee had two stream of incomes, one arising out of its direct business and the other arising out of conduct of business by the Indian branch attributable to the Indian operations; ITAT states that the income of Indian branch has been considered as being fully attributable to the operations of Indian branch and has been fully offered to tax in respective AYs; Noting DRP's observation on DAPE, Tribunal points out lower authorities allegation that the Indian Branch is Assessee's PE, as it exercise indirect authority to negotiate and enter into contract on behalf of the Assessee, etc.; ITAT observes that this issue already stands settled in Assessee's favour by the coordinate bench decision in Assessee's own case for AY 2015-16 and AY 2017-18; ITAT observes that no portion of income, if any, comprised in the reinsurance premium earned by the Assessee is taxable in India; Highlighting various facts, Tribunal opines that the Indian branch is a part and parcel of Assessee and not a separate legal person, and therefore the question of Indian branch being an agent of Assessee does not arise; ITAT articulates that the Indian branch has no involvement in Assessee's direct business segment, therefore no income from Assessee's direct business is attributable to the Indian branch; Further, ITAT states that there is no question of treating the Indian branch as Assessee's DAPE under Article 5(5) of the DTAA as the Indian branch did not negotiate and finalize the reinsurance contracts for the period prior to Aug 1, 2017, given the same were executed by the Assessee outside India:ITAT Mum

Click here to read / download the copy of the ruling.

MCA Updates

1. **MCA provides further Extension for Annual Filings of FY 2024-25 MCA Introduces Companies Compliance Facilitation Scheme, 2026 (CCFS-2026)**

The Ministry of Corporate Affairs (MCA) has issued General Circular No. 01/2026 dated 24th February 2026, announcing the Companies Compliance Facilitation Scheme, 2026 (CCFS-2026). The Scheme is aimed at providing relief to companies that have delayed filing their Annual Returns and Financial Statements, and to facilitate inactive companies to opt for dormancy or closure at reduced fees

The Ministry of Corporate Affairs (MCA) has introduced the Companies Compliance Facilitation Scheme, 2026 (CCFS-2026) through General Circular No. 01/2026 dated 24th February 2026. The Scheme aims to help companies that have delayed filing their Annual Returns and Financial Statements, as well as inactive companies, by allowing them to complete pending filings, opt for dormancy, or apply for closure at reduced fees. The Scheme will be in force from 15th April 2026 to 15th July 2026.

Under CCFS-2026, companies can: complete pending filings by paying 10% of the additional fees, file for dormant status under Section 455 by paying half the normal fees, or apply for striking off their company by paying 25% of the normal fees. Companies filing under the Scheme will also be protected from penalties for delayed filings, provided no adjudication proceedings have been initiated before filing. Companies not availing the Scheme within the period will remain liable for regular penalties and actions under the Companies Act.

Reference of MCA Update:
MCA Notification 24.02.2026 Companies Compliance Facilitation Scheme

2. **MCA Invites Comments on Draft Amendment for Minimum Capital Requirement for Registered Valuers Organisations (RVOs)**

The Ministry of Corporate Affairs (MCA) has released a draft notification proposing an amendment to Rule 12(1) of the Companies (Registered Valuers and Valuation) Rules, 2017.
This amendment clarifies the eligibility criteria for recognition of Registered Valuers Organisations (RVOs) under the Companies Act, 2013, and proposes a minimum paid-up share capital requirement.

- Registered Valuers Organisations (RVOs): Currently, an RVO must be registered as a Section 8 company under the Companies Act, 2013 (or Section 25 under the Companies Act, 1956), with the sole objective of regulating valuers of one or more asset classes, and must comply with bye-laws as per Annexure III. However, no minimum share capital criteria exist at present.

- Proposed Amendment: It is proposed to introduce a minimum paid-up share capital of ₹25 lakh for RVOs. Existing RVOs will be given time up to 31st March, 2028 to comply with the new requirement.

Stakeholders are invited to submit their suggestions or comments, along with brief justification, on the draft amendment through the e-Consultation Module on the MCA website (www.mca.gov.in) by 5th March, 2026.

Reference of MCA Update:
MCA Notification 02.02.2026 Comments on Draft Amendment

Indirect Tax Updates

GST & Customs Updates

Notifications:

1. Notification No. 60/2025-26 dated 23 February 2026*:*

   The Directorate General of Foreign Trade (DGFT) has issued Notification No. 60/2025-26 dated 23 February 2026 to rationalise the benefits available under the Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme. The notification has been issued under Section 5 of the Foreign Trade (Development and Regulation) Act, 1992 read with Para 1.02 of the Foreign Trade Policy 2023.

   As per the notification, the RoDTEP rates for all HS lines listed in Appendix 4R and Appendix 4RE have been restricted to 50% of the existing notified rates. In addition, wherever value caps are prescribed, such caps will also be limited to 50% of the previously notified value caps.

   This change is effective immediately, resulting in exporters receiving only 50% of the earlier RoDTEP benefits. Exporters may therefore need to review their export pricing and incentive calculations for shipments going forward.

   Click here to read / download the copy of the Notification.

2. **Corrigendum dated 24.02.2026 to Notification No. 60/2025-26**

DGFT clarified that the reduction of RoDTEP rates to 50% will not apply to exports falling under ITC HS Chapters 01 to 24. Accordingly, agricultural and food sector exports under these chapters will continue to receive RoDTEP benefits at the earlier notified rates.

Click here to read / download the copy of the Notification.

3. **Trade Notice No. 32/2025-26 dated 06.03.2026 – Support for Emerging Export Opportunities**

   DGFT launched an intervention under the Export Promotion Mission (EPM – Niryat Protsahan) to support exporters in accessing emerging and under-served export markets. The scheme proposes risk-sharing support backed by EXIM Bank to improve availability of trade finance for exporters dealing with such markets.

   Click here to read / download the copy of the Notification.

4. **Trade Notice No. 31/2025-26 dated 06.03.2026 – Credit Assistance for E-Commerce Exporters**

   DGFT introduced a mechanism to improve working capital access for MSMEs engaged in cross-border e-commerce exports. Credit facilities such as cash credit and overdraft extended by banks to eligible exporters may receive credit guarantee coverage along with possible interest support.

   Click here to read / download the copy of the Notification.

5. **Trade Notice No. 29/2025-26 dated 20.02.2026 – LIFT Initiative**

   The Logistics Interventions for Freight & Transport (LIFT) initiative aims to address logistics disadvantages faced by exporters located in regions with lower export intensity. The programme focuses on

reducing freight and logistics costs for MSME exporters.

Click here to read / download the copy of the Notification.

6. **Trade Notice No. 28/2025-26 dated 20.02.2026 – FLOW Initiative**

The Facilitating Logistics, Overseas Warehousing & Fulfilment (FLOW) initiative supports exporters in establishing overseas logistics infrastructure such as warehousing, storage and distribution facilities to enhance delivery efficiency and reduce logistics costs.

Click here to read / download the copy of the Notification.

7. **Trade Notice No. 27/2025-26 dated 20.02.2026 – INSIGHT Initiative**

INSIGHT (Integrated Support for Trade Intelligence & Facilitation) aims to strengthen exporter preparedness through market intelligence, capacity building, district-level export facilitation and research initiatives to improve export competitiveness.

Click here to read / download the copy of the Notification.

8. **Trade Notice No. 26/2025-26 dated 20.02.2026 – TRACE Initiative**

TRACE (Trade Regulations, Accreditation & Compliance Enablement) provides support to exporters, particularly MSMEs, for meeting international regulatory requirements through assistance for testing, certification, inspection and compliance with foreign standards.

Click here to read / download the copy of the Notification.

9. **Trade Notice No. 25/2025-26 dated 20.02.2026 – Support for Alternative Trade Instruments**

This initiative promotes alternative export financing mechanisms such as export factoring to supplement conventional bank credit. Support is provided for both recourse and non-recourse factoring arrangements with RBI or IFSCA regulated entities.

Click here to read / download the copy of the Notification.

10. **Public Notice No. 51/2025-26 dated 06.03.2026 – Extension of Export Obligation Period**

DGFT extended the export obligation period up to 31 August 2026 for specified Advance Authorisations and EPCG Authorisations whose export obligation period was expiring between 01 March 2026 and 31 May 2026. The extension is automatic and does not require any application or payment of composition fee.

Click here to read / download the copy of the Notification.

Indirect Tax – Legal Rulings

1. 2026-TIOL-293-CESTAT-CHD

Jindal Stainless Ltd Vs CCE & GST

CX - The appellant, engaged in manufacture of slabs, blooms and ingots, set up a captive power plant using furnace oil and other inputs on which CENVAT credit was availed - Since electricity generated was fluctuating and unsuitable for direct use in furnaces and mills, appellant entered into synchronization/wheeling agreements with Haryana State Electricity Board (HSEB)/DHBVNL, whereby entire electricity generated was injected into grid and in return stable electricity was drawn from grid after adjustment and payment of differential amount plus 10% wheeling charges - Department denied CENVAT credit of Rs. 6,58,08,706/- for the period January 1999 to December 2004 with interest and multiple penalties alleging that electricity generated was not used within the factory but cleared to the grid - In the first round, Tribunal allowed the appeal, but Punjab & Haryana High Court remanded the matter directing examination of whether electricity was sold to the Board - Tribunal analysed the definition of "sale" under Section 2(h) of Central Excise Act, 1944 as transfer of possession for cash, deferred payment or other valuable consideration and held that though the Electricity Act correspondence stated that captive power plant could not "sell" electricity, such restriction is irrelevant for interpretation under Central Excise law - The entire electricity generated is admittedly unsuitable for use within the factory as per feasibility report and is transferred to the grid, and in return usable electricity is received; such arrangement constituted barter/exchange, which is a form of sale since electricity received from grid is "valuable consideration" - Relying on Maruti Suzuki Ltd. 2009-TIOL-94-SC-CX , Gujarat Narmada Valley Fertilizers, Vikram Cement 2006-TIOL-150-SC-CX , Tribunal held that credit is admissible only to the extent electricity generated is used within factory of production and not where electricity is cleared/sold/wheeled out to grid for consideration - On facts, Tribunal concluded that entire electricity generated is transferred to grid and not used in factory and therefore inputs (furnace oil) are not used "in or in relation to manufacture of final products within the factory," rendering credit inadmissible - However, on limitation, Tribunal accepted that issue involved interpretation, earlier Tribunal orders were in favour of appellant, declarations were filed and department had knowledge through correspondence and audits - Hence extended period is not invocable and penalties are not sustainable - Accordingly, demand is restricted to normal period without penalty in terms of settled law: CESTAT

- Appeal partly allowed: CHANDIGARH CESTAT

2. 2026-TIOL-294-CESTAT-AHM

Dynamic Ship Recyclers Pvt Ltd Vs Customs

Cus - The lead appellant imported a vessel for breaking under Bill of Entry and paid customs duty on vessel (CTH 89.08), bunkers (CTH 27.10) and consumables - Dispute arose regarding classification of fuel and oil contained in bunker tanks - Earlier CESTAT orders held that oil contained in bunker tanks in the engine room is classifiable under CTH 8908 along with the vessel - Consequently, Final Assessment Order reassessed duty, resulting in excess payment and refund claim under Section 27 of Customs Act, 1962 - Department rejected refund invoking unjust enrichment on the ground that duty was debited to expenditure and not shown as receivable and that CA certificate and financial records were not furnished in prescribed format relying also on Circular 7/2008-Cus - Tribunal observed that the only surviving issue is applicability of unjust enrichment - It is noted from comparative table placed on record that bunkers were sold at a price substantially below the import value on which duty was assessed and paid - Therefore, appellant had not recovered even import price of bunkers, much less the duty component - Sales invoices showed recovery only of GST on local sale and not customs duty - Mere

debit of duty to Profit & Loss Account does not automatically establish passing on of incidence, especially where sale price is below assessed import value - Tribunal found force in reliance placed on Business Overseas Corporation 2014-TIOL-3199-CESTAT-DEL , wherein it is held that when goods are sold at loss and CA certificate certifies non-passing of duty, burden shifts to Revenue - If Revenue fails to rebut with evidence, unjust enrichment is rebutted - Tribunal also referred to Flow Tech Power, Equinox Solutions Ltd , reiterating that production of Chartered Accountant certificate shifts onus to department - Tribunal categorically observed that not only was a CA certificate produced certifying that incidence of customs duty is not passed on but additionally the fact of sale below cost/import value is on record - This factual matrix sufficiently rebuts the statutory presumption under unjust enrichment - The department, despite such evidence, failed to bring any tangible material to prove recovery of duty from buyers - Therefore, rejection of refund merely on accounting treatment is unsustainable: CESTAT

- Appeals allowed: AHMEDABAD CESTAT

3. 2026-TIOL-354-HC-ALL-GST

Anand And Anand (Law Firm) Vs Pr.CCGST

GST - Os-in-O dated 31.10.2023 came to be passed rejecting the refund - Respondent no.3, Joint Commissioner, CGST (Appeals) proceeded to tender finding in favour of the petitioner regarding the condition for export of service as fulfilled by the petitioner, yet remanded the matter to the adjudicating authority for redetermining the place of supply of services to qualify as to whether the services of the writ petitioner as export of service after examining the documents - Questioning the order passed by the appellate authority, the present petition is filed - Petitioner submits that the order passed by the appellate authority cannot be sustained insofar as it relates to remanding the matter back to the original authority, particularly when there is no power or provision of remand in that regard - Reliance is placed on the decision dated 04.09.2025 in their own case wherein provisions contained in s.107(11) came to be considered and wherein it was found that the remand was unsustainable and appellate authority was to itself decide the appeals on merits in accordance with law; that the said judgment is inter se binding upon the respondents - Counsel for Revenue submits that once the GST Tribunal is in operation, then it is always open for the writ petitioners to file an appeal before the said forum and the writ petition is not maintainable.

Held: Since it has not been disputed by the counsel for the Revenue that the matter could not have been remitted back to the adjudicating authority, thus in the opinion of the Court, it would not be appropriate to relegate the writ petitioner to approach the appellate authority, i.e. GST Tribunal - Accordingly, the objection regarding relegating for preferring appeal before GST Tribunal is declined - Resultantly, the writ petitions are being decided in the following terms: (a) Later part of the judgment and order whereby matter has been remitted back to the adjudicating authority are set aside; (b) The writ petition is disposed of with an observation to the Joint Commissioner, CGST (Appeals), Noida to decide the appeal in accordance with law within a period of two months - Petitions disposed of: High Court [para 14, 16]

- Petitions disposed of : ALLAHABAD HIGH COURT

4. 2026-TIOL-290-CESTAT-HYD

Shri Sainath Industry Pvt Ltd Vs CC

Cus - The Appellant is in appeal against the Order-in-Appeal whereby the Commissioner (Appeals) dismissed their appeal against the Order-in-Original - The Appellants is engaged in exporting iron ore under contracts specifying Fe percentage, moisture and other parameters, with the final price to be determined based on these values - The provisional assessment was made as some values were not determined at the time of export - The appellant submitted final invoice, Bank Realisation Certificate (BRC) and test reports for finalisation of Shipping Bill - The Adjudicating Authority accepted the Fe content but applied a higher moisture content than declared for computing duty - Refunds were granted, but the appellant was dissatisfied with the calculation and appealed.

Held - The Bench observes that the export value has to be determined in terms of Section 14 of the Customs Act read with Customs Valuation Rules,

and the transaction value reflected in final invoices supported by BRC cannot be discarded without valid grounds - The re-computation based on moisture content from CRCL was not justified, as the final price and invoices were determined in accordance with the contract and CIQ report - The Bench holds that the transaction value as per the invoices and BRC should be accepted for computing duty and refund - Relying on precedents including Bonai Industries , Rungta Mines , Feegrade Vs CC and Vibhutigadda Mines Vs CC , the Bench concludes that the moisture content determined by CIQ, not CRCL, should be applied for raising invoices and calculating export value - The order of the Commissioner (Appeals) is set aside, and the matter is remanded to the Original Adjudicating Authority to re-work the admissible refund based on transaction value: CESTAT

- Case remanded: HYDERABAD CESTAT

5. 2026-TIOL-288-CESTAT-AHM

Patel Labour Contractors Pvt Ltd Vs CCE

ST - The appellant is registered under service tax and is subjected to audit for period 2005-06 to 2009-10, pursuant to which a SCN was issued alleging non-declaration of taxable receipts in ST-3 returns and proposing demand of service tax amounting to Rs.70,21,924/- along with interest and penalties - The demand was confirmed by adjudicating authority - Against the said order, appellant filed appeal before the Tribunal, which directed pre-deposit of Rs.7,00,000/- pursuant to which appellant deposited Rs.7,10,000/- in December 2013 - Subsequently, Tribunal vide Final Order set aside the demand itself as time-barred - Consequent to setting aside of demand, appellant filed a refund claim of pre-deposit amount of Rs.7,10,000/- along with interest of Rs.3,15,051/- - Refund was sanctioned, but interest was denied on the ground that the deposit was made prior to 2014 and as per unamended Section 35FF, interest was payable only if refund was delayed beyond three months from the date of appellate order - It is noted that the principle governing interest on refund is no longer res integra - Relying on the law laid down by Supreme Court in Sandvik Asia Limited 2006-TIOL-07-SC-IT , it is observed that whenever the Revenue retains amounts belonging to assessee without authority of law, the assessee is entitled to be compensated by way of interest for the period of such retention - This principle has been consistently applied in service tax matters, including by Chandigarh Bench in Fujikawa Power and Kenzo International 2019-TIOL-3661-CESTAT-CHD , wherein reliance was placed on Sandvik Asia Limited to hold that interest is payable from the date of deposit till the date of refund - As regards to rate of interest, Tribunal relied on the judgment in Sony Pictures Networks India Pvt. Limited 2017-TIOL-1102-HC-KERALA-CUS , wherein it is held that interest on refund of pre-deposit is payable at 12% per annum - Same view has been followed in Riba Textiles Limited 2020-TIOL-932-CESTAT-CHD , which was affirmed by Punjab & Haryana High Court 2022-TIOL-382-HC-P&H-CX , as well as in Indore Treasure Market City Pvt. Limited 2024-TIOL-397-CESTAT-DEL - A ppellant is entitled to interest on the refunded pre-deposit amount from the date of deposit till the date of refund at the rate of 12% per annum, notwithstanding the fact that the deposit was made prior to 2014: CESTAT

- Appeal allowed: AHMEDABAD CESTAT

6. 2026-TIOL-10-SC-CT

CCT Vs Vikram Cement

Sales Tax - Commissioner is challenging the judgment dated 01.09.2010 of the Madhya Pradesh High Court whereby the entire proceedings of reassessment initiated under Section 19(1) of Madhya Pradesh General Sales Tax Act, 1958 was set aside as barred by limitation - Tax component undisputedly involved in the present appeals is Rs.25,47,448/- .

Held: Competent Authority, by virtue of the power conferred under Section 120 and based on the recommendations of GST Council, the monetary limit has been fixed at Rs.2 crores for filing of the Appeal/Application/Special Leave Petition [Circular 207/1/2024-GST] - Submission of Counsel for Revenue that by virtue of the repealing section namely Section 174(2)(f), the pending appeal which has been pursued under the old Act would survive and the monetary limit fixed in the Circular would be inapplicable, is an attractive argument which requires to be considered for the purposes of

outright rejection, inasmuch as the Circular [Para 3(i)] itself is explicit and clear, namely it would clearly indicate that pursuing the pending appeal or for filing of the appeals the monetary limit fixed would be attracted; that even in respect of pending appeals relating to CGST, SGST/UTGST, IGST and Compensation Cess, the monetary limit fixed would be applicable - On the ground of present appeals tax component being less than the monetary limit fixed under the afore-stated circular, Bench is of the considered view that the present appeals have to be dismissed on the ground of bar contained thereunder: Supreme Court [para 3, 4, 5, 7]

- Appeal dismissed: SUPREME COURT OF INDIA

7. 2026-TIOL-353-HC-KERALA-GST

Dhanlaxmi Bank Ltd Vs State of Kerala

GST - The present batch of writ petitions were filed to assail Show Cause Notices (SCN) issued u/s 73 and u/s 74 of the CGST Act 2017, in a composite, single form covering multiple assessment years - The Petitioners' counsel claimed that the issues involved in the present petitions, already stood settled vide judgments of this High Court in the cases of M/s.Lakshmi Mobile Accessories v. Joint Commissioner (Intelligence & Enforcement) - 2025-TIOL-850-HC-KERALA-GST and Tharayil Medicals v. The Deputy Commissioner - 2025-TIOL-828-HC-KERALA-GST - The Departmental counsels asserted that issuing a composite SCN covering multiple assessment years - It was further canvassed that there were judgments of the Delhi High Court upholding such composite notices, and that these judgments had been further sustained by the Supreme Court, which had dismissed SLPs filed against the judgments of the Delhi High Court.

Held - Binding nature of SLPs dismissed in limine - When it comes to the question of the decisions rendered by the High Court of Delhi, which is Vallabh Textiles v. Additional/Joint Commissioner, CGST Delhi East Commissionerate and Others which was followed again by the Delhi High Court in Ambika Traders v. Additional Commissioner, Adjudication DGGSTI, CGST Delhi North - 2025-TIOL-1247-HC-DEL-GST and the orders passed in SLP upholding the said decisions, it is to be noted that the orders passed in the said SLPs were not speaking orders, so as to treat those as precedents - In the judgment passed in the case of State of Orissa and Another v. Dhirendra Sundar Das and Others it was held by the Supreme Court that an order dismissing the SLP in limine simply implies that the case was not worthy of examination by the Supreme Court for a reason other than merits of the case - It was further held that such in limine dismissal at threshold without indicating any reasons does not constitute any declaration of law or binding precedent under Article 141 - This view was re-iterated by the Supreme Court in the judgments of Khoday Distilaries Ltd. And Others v. Sri Mahadeshwara Sahakara Sakkare Karkhane Ltd. - 2019-TIOL-139-SC-MISC-LB Kollengal, Kunhayammed and Others v. State of Kerala - 2002-TIOL-50-SC-LMT-LB and Indian Oil Corporation Ltd. v. State of Bihar and Others - 2002-TIOL-399-SC-LMT - Considering the orders passed in the SLP cited by the Departmental Counsel, there is no detailed discussion with regard to the merits of the findings or the questions of law, by the Supreme Court - Hence, the fact that the view taken by the Delhi High Court was not interfered with by the Supreme Court by dismissing the SLP, per se cannot be a ground to take a differing view in the present case - Moreover, in Abdu Rahiman v. District Collector, Malappuram and Another it was held that merely because of the reason that the judgment rendered by the Division Bench is stayed by the Supreme Court, it does not lose its binding precedent and the single Judge is bound to follow the judgment of the Division Bench which is under stay - Therefore, this Bench is found by the Division Bench judgments passed in M/s.Lakshmi Mobile Accessories v. Joint Commissioner (Intelligence & Enforcement) - 2025-TIOL-850-HC-KERALA-GST and Tharayil Medicals v. The Deputy Commissioner - 2025-TIOL-828-HC-KERALA-GST - The present writ petitions are disposed off by quashing the Show Cause Notices and consequent orders passed for multiple years - The Department is at liberty to issue fresh SCNs separately for the relevant AYs and complete the proceedings accordingly: HC

- Writ petitions allowed: KERALA HIGH COURT

8. 2026-TIOL-340-HC-AP-GST

Golden Traders Vs Deputy Assistant Commissioner Of State Tax

GST - In all these cases, proceedings have been initiated under Section 129 or Section 130 of the Central Goods and Services Act, 2017, on the ground that, there has been gross under-valuation of goods in transit.

Held : Various High Courts have in the cited cases held that the question of valuation cannot be undertaken under proceedings initiated under Section 129/under Section 130 of the G.S.T. Act - Whether the Authorities, of a check post, of a State, through which the goods are passing, while being transported from one State to another State, can confiscate or levy penalties on goods, which are in transit - The provisions of Section 129 & Section 130 of the G.S.T. Act are to ensure due compliance of the taxation laws - This is to ensure that there is no loss of revenue to the State where the tax is payable - In such a situation, the right or jurisdiction of the Tax Authorities of another State to levy penalties or to confiscate goods, on the ground of evasion of tax in another State does not appear to be a reasonable exercise of power - Court is, therefore, of the view that the goods, which have been seized or confiscated under various impugned orders, would require to be released - Manner of valuation conducted by the Officials has been extremely one-sided and would not withstand scrutiny - The Authorities simply sent some samples to an Organization in Karnataka for valuation - It appears that these samples were collected in the absence of the petitioners and without their participation in the collection of samples: High Court [para 6, 7, 8, 16]

- Petitions allowed: ANDHRA PRADESH HIGH COURT

9. 2026-TIOL-10-AAR-GST

Karam Chand Thapar And Bros (Coal Sales) Ltd

GST - Applicant has sought an advance ruling on the following questions viz. -

i) whether claims allowed by the Arbitral Tribunal vide the Arbitration Awards be termed as supply or not.

ii) whether claims allowed by the Arbitration Tribunal vide the Arbitration Awards be termed as liquidated damages or not.

iii) whether GST would be applicable, on the claims allowed vide Arbitration Awards and payment received pursuant to Conciliation Proceedings resulting into the Settlement Agreement, both during the GST regime.

iv) whether GST would be applicable for the cost of arbitration allowed vide Arbitration Award and received vide the Settlement Agreement, both during the GST regime.

v) If the answer to the above (iii), (iv) and /or (v) are in affirmative, then under what SAC and GST rate is the said liability to be discharged by the applicant and at what time.

vi) That for (vi) above, whether debit note / supplementary invoices or tax invoice need to be issued by the applicant to the contractor in order to recover and discharge the tax liability.

(vii) That the work got executed prior to GST Regime however the claim is received during the GST Regime. Under such circumstances what is the applicability of GST on the same

Held: GST - Claims allowed for extra expenditure by Arbitral Tribunal are to be considered as supply - However, claims allowed as reimbursement of expenditure are not considered as supply - GST is not applicable on the cost of arbitration allowed vide Arbitration Award and received vide the Settlement Agreement, however, the applicant is liable to discharge tax liability on the fees paid to the arbitrators under serial no. 20 vide Notification No. 11/2017-Central Tax (Rate) Dated 28.06.2017, as amended @ 9% CGST + 9% SGST: AAR

GST - SAC for the services under this application is 995422, the description being 'general construction services of harbours, waterways, dams, water mains and lines, irrigation and other water works' - It is covered by Entry No. 3(xii) of Notification No. 11/2017-Central Tax (Rate) Dated 28.06.2017, as amended and is to be taxed @ 9% CGST + 9% SGST: AAR GST - Insofar as work got executed prior to GST Regime however the claim is received during the GST Regime,

Section 142(2)(a) ibid creates the scope of applicability of GST on some of the receipts as discussed in the ruling in respect of the question concerned: AAR

- Application disposed of: AAR

10. 2026-TIOL-347-HC-ORISSA-GST

Rajendra Narayan Mohanty Vs Joint Commissioner of State Tax

GST - It came to the notice of the petitioner that on account of mistaken notion it deposited the taxes twice for the self-same transactions during the period 2019- 20; utilising Credit Ledger on 08.02.2021 while furnishing annual return and thereafter again by utilising Cash Ledger on 18.09.2022 - Hence, they filed an application in Form GST RFD-01, dated 23rd August, 2025 claiming refund to the tune of Rs.12,03,290/- - On 19th September, 2025, a Show-Cause Notice was issued alleging that the refund application is beyond the relevant date in contravention of explanation to Section 54(14)(2)(h) of the OGST/CGST Act, 2017 - An order came to be passed on 22nd October, 2025 refusing to grant relief claimed, hence the petition. Held: Under the discussed legal position[Delhi Metro Rail Corporation Ltd. - 2023-TIOL-1245-HC-DEL-GST ; Comsol Energy Private Limited - 2021-TIOL-1334-HC-AHM-GST , Union of India Vrs . ITC Ltd., (1993) Supp.1 SCR 272], it can safely be concluded that the period stipulated for making application under Section 54 of the GST Act is not applicable in the nature of claim for refund made by the petitioner - On perceiving that the petitioner has deposited the amounts twice, the Joint Commissioner of State Tax, CT & GST Circle, Cuttack-I East ought to have adhered to the provisions contained in Article 265 of the Constitution of India instead of rejecting the application for refund on the ground envisaged under sub-section (1) of Section 54 of the GST Act read with Clause (h) of Paragraph (2) of Explanation appended thereto - The Order dated 22.10.2025 in Form GST RFD- 06 indicates sole ground for rejection that the application for refund was filed beyond the period stipulated in sub-section (1) of Section 54 of the GST Act read with Clause (h) of Paragraph (2) of Explanation appended thereto - On account of mistaken notion the tax has been deposited twice, the case falls within the fold of Article 265 of the Constitution of India, but not under Section 54 of the GST Act - Therefore, the rejection of application for refund on the anvil of sub-section (1) of Section 54 read with Clause (h) of Paragraph (2) of Explanation appended thereto is inapplicable and thus, the Order rejecting the application for refund is liable to be quashed - Retaining the amount paid in excess of tax liability, by the State is hit by inhibition enshrined in Article 265 of the Constitution of India - There is no warrant for the authority concerned to retain the amounts found to have been deposited twice and reject the application for refund claimed by the petitioner - writ petition is allowed: High Court [para 5.5, 5.7, 5.8, 5.9, 5.11, 7, 8]

- Petition allowed: ORISSA HIGH COURT

11. 2026-TIOL-275-CESTAT-DEL

Mining Engineer Department Of Mines & Geology Bharatpur Vs CCGST

ST - The appellant, a Mining Engineer in Department of Mines & Geology, Rajasthan, is engaged in grant of mining leases for extraction and sale of minerals and in collection of royalty, dead rent and excess royalty in accordance with statutory mining laws - Department issued a SCN alleging that such collections were in nature of rent for allowing the use of vacant land and hence taxable under "Renting of Immovable Property Service", culminating in confirmation of service tax demand of Rs 3,47,87,620/- along with interest and penalty - Issue is no longer res integra as it had already been decided in favour of appellant in its own earlier case - Following the consistent view taken by Tribunal in appellant's own case, it is held that royalty and dead rent collected for mining leases cannot be subjected to service tax either as renting of immovable property or otherwise and accordingly the impugned order is set aside: CESTAT

- Appeal allowed: DELHI CESTAT

12. 2026-TIOL-332-HC-KAR-GST

Prime Perfumery Works Vs Asstt. CCT

GST - Petitioners seeks a direction for quashing the refund rejection order and to direct the 1st

Respondent to Issue refund sanction order - The only one ground on which respondents rejected refund of the petitioner is that the petitioner had not submitted a bond/LUT (Letter of Undertaking) or in Form GST RFD-11 to the jurisdictional Commissioner prior to export of the goods, as per Rule 96(A) of the CGST Rules. Held : Non-furnishing/non-submission of LUT/Bond in terms of Rule 96-A of the CGST Rules is not an incurable defect nor can the same be said to be mandatory especially when the respondents themselves have permitted the petitioner to file such LUTs/bonds even subsequent to export and the same is permitted to be allowed on ex post facto basis taking into account facts and circumstances of each case including the purpose for availing refund as sought for by the petitioner - However, the respondent No.1 while rejecting refund claim of the petitioner has neither considered nor appreciated the said Circular dated 15.03.2018 and consequently, Bench deems it just and appropriate to set aside the impugned refund rejection order dated 31.01.2024 and remit the matter back to the first respondent for reconsideration afresh in accordance with law - Petition allowed: High Court [para 6, 7]

- Petition allowed: KARNATAKA HIGH COURT

13. 2026-TIOL-331-HC-KAR-GST

Micro Labs Ltd Vs Joint CCGST

GST - The petitioner, engaged in the manufacture and supply of pharmaceutical products, procures various services which are utilised by all the State GST registrations of the petitioner - The petitioner is also registered as an Input Service Distributor (ISD) under Section 20 of the CGST Act in the State of Karnataka for distribution of common input tax credits to units in other States - The ISD registration of the petitioner at Bangalore availed Input Tax Credit (ITC) of the GST paid on receipt of common services in Karnataka and subsequently, the same was transferred to other State GST registrations on the basis of the turn over of each State - The said distribution of ITC by the ISD was in relation to the common services, on which GST was paid under Forward Charge Mechanism (FCM) i.e., GST was collected and paid to the exchequer by the supplier and the said distribution of ITC through ISD mechanism is not in dispute - The Head office of the petitioner at Bangalore also distributed ITC relating to certain common services on which GST was paid under Reverse Charge Mechanism (RCM) and such common services included both domestic and imported services viz., legal consultancy, GTA services, sponsorship services, Government services, OIDAR services etc - The Invoices relating to common services on which GST was to be paid under RCM could not be reported by ISD and therefore, the ITC relating to such common services was distributed by the regular GST registration of the petitioner in Bangalore by crosscharging the same to different units on issuance of tax invoices as per Section 31 of the CGST Act - The DGGI initiated investigation against the Amritsar Unit of the petitioner and recorded statements of its office bearers, in pursuance of which, the said investigation was further extended against all units of the petitioner across India - Thereafter, the respondents issued an intimation under Section 74(5) of the CGST Act to the petitioner for the tax period / financial years July 2017 to March 2022 - Subsequently, the respondents issued a common show cause notice to the petitioner and its 19 other units demanding reversal of ITC - Meanwhile, the Ministry of Finance issued a Circular No. 199/11/2023-GST , which clarified that distribution of common credit through ISD is not mandatory and the same can be transferred by raising Tax Invoices as per Section 31 of the CGST Act - The respondents confirmed the demands raised in the show cause notice against the petitioner. Held - The Head Office of the petitioner is in Bangalore and it procures various common input services, which are centrally utilised by the Head Office as well as all the branch offices all over India - The ITC on such input services is retained / transferred to Branch offices by the petitioner as per the proportionate turn over of the branch offices - The units of the petitioner in other States including the Amritsar Unit were availing ITC on the invoices issued by the Head office i.e., the petitioner without receipt of underlying services and that common credit, if any, has to be necessary transferred through ISD mechanism and the same cannot be crossed/charged by a regular GST registration of the petitioner who ought to have distributed common ITC through ISD and that there was no underlying supply provided by the petitioner when they raised tax invoices under Section 31 of the CGST Act to

distribute common ITC - GST on such input services is paid either under FCM or RCM and for the purpose of transfer of ITC relating to common input services, the CGST contemplates distribution through ITC mechanism - However, during the financial years i.e., 2017-18 to 2021-22, the petitioner could not have procure input services on which GST was payable under RCM in view of the specific bar / prohibition in terms of the aforesaid definition of ISD under Section 2(61) of the CGST Act - Further, since the petitioner - ISD could not have procured input services leviable to GST under RCM, the petitioner could not have transferred ITC relating to such common services and accordingly, the ITC relating to common input services, on which, GST was paid under RCM was availed and distributed by the petitioner - company (Head office) by raising tax invoices under Section 31 of the CGST Act - The said lacunae in the definition of 'ISD' was rectified vide amendment through Finance Act, 2024 and the same was clarified by the CBIC which issued the Circular No. 199/11/2023-GST , which contemplated that the distribution of common credit through ISD was not mandatory and that the same can be transferred by raising tax invoices as per Section 31 of the CGST Act - So also, the common credit relating to input services payable under FCM was distributed by the petitioner through ISD and only common credit pertaining to input services on which tax was paid under RCM was distributed by raising tax invoices under Section 31 of the CGST Act - Out of the total common ITC, the amount retained by the petitioner (Head office) was not in dispute and only the common ITC distributed by the petitioner to its branch offices is being questioned by the respondents - Out of the total ITC on the common input services procured by the petitioner (Head office), only the eligible ITC was availed and the ineligible credit (as per Section 16/17 of the CGST Act) was not availed in the first instance - In the instant case, the respondents failed to consider and appreciate that the Circular clearly clarifies that distribution of common ITC through ISD mechanism was not mandatory and distribution of common credit by way of invoices raised under Section 31 of the CGST Act was correct, proper and permissible in law - Due to the specific bar / prohibition as per the definition of 'ISD' under Section 2(61) of the CGST Act prior to its amendment w.e.f. 01.04.2025, petitioner was unable to avail ITC of common services leviable to GST under RCM and it was for this reason that the ITC was transferred by the petitioner under Section 31 of the CGST Act, since the ITC was eligible as per Section 16/17 of the CGST Act, since the ineligible ITC was not availed in the first instance - The Circular dated 17.07.2023 clarifies that common ITC can be transferred either by ISD mechanism or by raising tax invoices as per Section 31 of the CGST Act and consequently, the common ITC distributed by the petitioner (Head office) to its branch offices was eligible and in view of the said Circular, the same was rightly distributed by raising tax invoices under Section 31 of the CGST Act, thereby, leading to the unmistakable conclusion that the impugned order which has been passed in complete / total disregard to the aforesaid Circular is illegal, arbitrary and without jurisdiction or authority of law and contrary to the provisions of the CGST Act as well as the binding Circular.

- Petition allowed: KARNATAKA HIGH COURT

FEMA Updates

1. **Reserve Bank of India has taken following measures to mitigate impact of trade disruptions on exports arising on account of global headwinds: Review of FDI Policy in Insurance Sector**

DIPP Press Note No. 1 (2026 Series) dated February 09, 2026

The Government has issued Press Note 1 (2026) to further liberalise the FDI framework for the insurance sector by allowing 100% foreign investment under the automatic route in Indian insurance companies, replacing the earlier 74% cap. This reform completes a gradual liberalisation journey (26% → 49% → 74% → 100%) aimed at deepening capital availability in the sector.

A separate 20% automatic FDI window for LIC has been introduced to provide clarity following its listing and to facilitate diversifi ed global institutional participation. Earlier, LIC did not have a dedicated entry in the FDI policy, creating interpretational gaps for foreign investors.

The Government has retained key safeguards such as IRDAI licensing, FEMA pricing norms and the requirement that at least one among the Chairperson/MD/CEO must be a resident Indian citizen. These conditions indicate that while ownership is liberalised, management control and regulatory oversight remain protected.

The policy intent is to increase insurance penetration, attract global insurers and long-term capital, strengthen competition, and support India's fi nancial inclusion and "Insurance for All by 2047" vision. The reform is also expected to bring advanced underwriting expertise, technology adoption, and improved risk management practices into the Indian insurance ecosystem.

2. Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026
A.P. (DIR Series) Circular No. 22 dated February 16, 2026

Provisions pertaining to ECB contained in Master Direction – External Commercial Borrowings, Trade Credits and Structured Obligations and related provisions pertaining to borrowing in Indian Rupees (INR) by persons resident in India contained in Master Direction – Borrowing and Lending transactions in Indian Rupee between Persons Resident in India and Non-Resident Indians/ Persons of Indian Origin have been reviewed and consolidated in the Regulations.
In view of the above, the following amendments are being made to the aforesaid master directions and Frequently Asked Questions (FAQs):

(a) Para 1 to 12 of Master Direction – External Commercial Borrowings, Trade Credits and Structured Obligations shall be deleted;
(b) Para 2 of Master Direction – Borrowing and Lending transactions in Indian 2 Rupee between Persons Resident in India and NonResident Indians/ Persons of Indian Origin shall be deleted; and
(c) Part I of FAQs on External Commercial Borrowings (ECB) and Trade Credits shall be deleted.

Key Following changes have been made to ECB provisions:

1. **Eligible borrowers list broadened** – Any person resident in India (other than an individual) that is incorporated, established or registered under a Central or State Act is an eligible borrower. So now even LLPs are allowed to borrow which was not allowed in earlier provisions.

2. **Borrowing Limit** – The borrowing limit has been increased to the higher of: (a) outstanding ECB up to USD 1 billion; or (b) total outstanding borrowings (external and domestic) up to 300% of the borrower's net worth as per the last audited balance sheet. Non-fund-based credit and funds raised through securities mandatorily convertible to equity are not to be included for computation of borrowing limits. Further, the borrowing limits specified under the Amended Regulations are not applicable to borrowers regulated by financial sector

regulators. The Amended Regulations now also permit convertibility from foreign currency to INR ECBs and vice versa, while previously conversion from INR to foreign currency ECBs was not permitted. It is also worth noting that the Amended Regulations do not include any requirement for mandatory hedging and it is left to borrowers and lenders to manage their foreign exchange risks.

3. **Minimum Average Maturity –** The minimum average maturity period ("**MAMP**") for ECBs has been standardized to 3 years, doing away with the multi-tiered MAMP structure where certain end-uses, such as working capital, general corporate purposes and repayment of rupee loans, were linked to longer MAMPs of up to 10 years. Eligible borrowers in the manufacturing sector are permitted to raise ECB with a MAMP of 1 to 3 years subject to the outstanding amount of such ECBs not exceeding USD 150 million.

The Amended Regulations have further clarified that MAMP requirements are not required to be met in case of: (i) conversion of ECB to equity, (ii) repayment of ECB using proceeds of non-debt instruments issued on repatriation basis; provided the proceeds are received after drawdown of the ECB; (iii) refinancing of ECB; (iv) waiver of debt by the lender; and (v) repayment of ECB, if required for corporate actions such as merger, demerger, acquisition of control etc. These relaxations are beneficial as the above situations are usually early prepayment events and non-applicability of MAMP would facilitate earlier closure of such facilities.

4. **Cost of borrowing –** The ceiling on all-in-cost as well as the ceiling on prepayment charges and penalties under the erstwhile regime have been removed, with the only requirement being that the cost of borrowing must be in line with prevailing market conditions. For ECBs with MAMP below 3 years, the all-in cost remains subject to trade credit ceilings. This is possibly the most significant change brought about by the Amended Regulations, which is likely to make ECBs commercially viable for a more diverse array of overseas lenders and also signals a more mature outlook of the RBI where treasury management is left open to the respective borrowers and creditors.

5. **Reporting –** The reporting is codified in Form ECB1 for LRN or changes and Form ECB2 for monthly transactions.

6. **Untraceable borrowers** - The "untraceable borrower" threshold has been tightened. Borrowers will be classified as "untraceable borrower" after 4 consecutive quarters (in contrast to 8 consecutive quarters under the previous regime) of non-reporting combined with unresponsiveness to communications and physical absence from registered addresses. Further, AD Banks are now required to report untraceable borrowers to both the RBI and the Directorate of Enforcement.

Apart from above key changes, another important change is made to Regulation 6(B)(vi) with reference to borrowing in INR by individuals. RBI has now specifi ed for such borrowings. As per the amended provision a person resident in India being an individual may borrow in INR from an NRI or a relative who is an OCI cardholder for use in India subject to following conditions:

a. The amount of loan should be received either by inward remittance from outside India or by debit to NRE/NRO/FCNR(B)/SNRR account of the lender; and
b. Borrowing shall be on non-repatriation basis i.e. payment of interest and repayment of loan shall be made only to NRO account of lender

For more changes and full revised regulation can be viewed at –
https://rbidocs.rbi.org.in/rdocs/notification/PDFs/BORO17122018141D6FF9D78A4F3BBB96BC74A6C11945.PDF

3. Reporting under Foreign Exchange Management Act, 1999 – Returns pertaining to External Commercial Borrowing (ECB)
A.P. (DIR Series) Circular No. 23 dated February 18, 2026

The Reserve Bank has issued the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026 dated February 09, 2026 (published in the official gazette on February 16, 2026) for revising the External Commercial Borrowing (ECB)

Framework. The forms for returns pertaining to ECB, prescribed under the Master Direction ibid, have been modified in light of the revised ECB Framework.

In view of the above, Part V - Annex I and Part V - Annex II of the Master Direction – Reporting under Foreign Exchange Management Act, 1999 shall be substituted with the format given at https://rbidocs.rbi.org.in/rdocs/content/pdfs/FormECB1_18022026_AN1.pdf (Form ECB 1 / Revised Form ECB 1) and https://rbidocs.rbi.org.in/rdocs/content/pdfs/FormECB2_18022026_AN2.pdf (Form ECB 2).

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

Our Office

Bangalore: GF No. 7 & 3rd Floor,
Karuna Complex, No. 337 Sampige Road,
Malleshwaram Bangalore – 560 003
Tel +91 80 2331 2779
Fax +91 80 2331 3725

About Us:
Vishnu Daya & Co LLP is a Professional Services Firm under which dedicated professionals have developed core competence in the field of audit, financial consulting services, financial advisory, risk management, direct and indirect taxation services to the clients. Each Partner is specialized in different service area. The services are structured differently in accordance with national laws, regulations, customary practice, and other factors. We continuously strive to improve these services to meet the growing expectations of our esteemed customers.

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In case of any clarification please reach us:

Name	Particulars	Mail ID	Mobile Number
Vishnu Moorthi H	Managing Partner	vishnu@vishnudaya.com	+91 9880 715 961
Dayananda K	Indirect Taxes / DGFT	daya@vishnudaya.com	+91 9845 025 682
Vinayak Hegde	Indirect Taxes	vinayaka@vishnudaya.com	+91 9902 586 492
Shankar D	Direct Taxes	shankar@vishnudaya.com	+91 9880 715 963
Anju Eldhose	Direct Taxes	anju.eldhose@vishnudaya.com	+91 9496 148 918
Manjula A	Direct Taxes	manjula@vishnudaya.com	+91 9740 854 009
Rakesh K	FEMA	rakesh@vishnudaya.com	+91 9008 047 675