

*kcm*Insight

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Dear Reader,

We are happy to present **kcmInsight**, comprising of important legislative changes in finance & market, direct & indirect tax laws, corporate & other regulatory laws, as well as recent important decisions on direct & indirect taxes.

We hope that we are able to provide you an insight on various updates and that you will find the same informative and useful.

Coverage

Detailed Analysis

Abbreviations

For detailed understanding or more information, send your queries to knowledge@kcmehtha.com

Finance & Market

International Tax

Transfer Pricing

Indirect Tax

BFSI

GRC

Finance & Market

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GSTN has issued an advisory making Table 3.2 of GSTR-3B non-editable and mandating that corrections be carried out through GSTR-1A

GSTN issued advisory introducing system-based interest calculation, auto-populated liability breakup, and ITC utilization flexibility in GSTR-3B

Notifications

Government extends valuation based on retail sale price (RSP) to pan masala and specified tobacco products

CGST Rules amended to introduce RSP-based valuation for pan masala and specified tobacco products and relax Rule 86B restrictions.



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Amended “relevant date” under Section 54 cannot be applied retrospectively to deny refund of accumulated ITC

GST exemption under Notification No. 16/2025 confined to individual health policies and the group insurance premiums remain taxable

IGST on ocean freight under reverse charge held unsustainable even for pre-amendment period and held that supreme Court ruling applies retrospectively

Unutilised ITC cannot be claimed as refund by transferor after amalgamation and credit must be transferred under Section 18(3) and Rule 41

Date of publication in Official Gazette determines enforceability of notification and held that, website upload has no legal effect

Late fee amnesty under Notification No. 7/2023 cannot be denied to taxpayers who filed GSTR-9 earlier and levy of general penalty under Section 125 unsustainable even where late fee is imposed

BFSI

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Trinity of Investing: Risk Profiling, Goal Setting and Asset Allocation

Introduction

Today's investor is spoiled for choice. There are thousands of mutual funds, stocks, bonds, ETFs, PMS strategies, and "new age" investment products. Financial news is available 24x7, social media is flooded with market opinions, and past return charts are only a click away. Yet, despite (or because of) this abundance of information and access, many investors feel confused, anxious, or dissatisfied with their investment decisions. The issue is that most investors focus on products before understanding them.

Successful investing does not begin with selecting the "best" fund or timing the market. It begins with three foundational questions:

1. *How much risk we can truly take?*
2. *What we are investing for, and by when?*
3. *How should our investments be structured to meet goals with discipline?*

By way of this article, we attempt to help investors understand Investment Trinity framework

behind portfolio building - one that aligns with *your* life, *your* goals, and *your* behaviour.

Risk Profiling: Understanding Yourself Before Understanding the Market

Risk is not just volatility. Many investors equate risk with market ups and downs. In reality, risk is the possibility of failing to meet your financial goals. Risk profiling helps investors answer a deeper question: *"What level of uncertainty can we live with and still stay invested?"*. True risk profiling has three layers –

Risk Capacity: Your Financial Ability to Take Risk

Risk capacity is objective. It depends on your financial situation, not emotions. Factors that influence risk capacity include:

- Stability and predictability of income
- Size of existing savings and investments
- Level of liabilities (home loan, personal loan, etc.)
- Emergency fund availability
- Time horizon for specific goals

An investor with stable income, low liabilities, and long-term goals generally has **higher risk capacity** than someone dependent on irregular income with near-term needs. As such, risk capacity answers the question *"Can one afford to take risk?"*.

Risk Tolerance: Your Emotional Comfort with Risk

Risk tolerance is psychological. It determines how we react when markets turn highly volatile. Key questions to ask yourself at this stage include:

- How did we feel during past market corrections or euphoria?
- Did we panic, ignore, become gullible or stay calm?
- Would a 20-30% fall in portfolio value cause sleepless nights?

Two investors with identical finances may behave very differently during market stress. Behaviour matters because poor decisions during volatility can permanently damage long-term outcomes. Risk tolerance answers the question

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"Will we stay invested even when things get uncomfortable?"

Risk Required: The Risk Needed to Achieve Your Goals

Sometimes, the return required to meet a goal demands exposure to growth assets, especially for long-term objectives like retirement or children's education. If the goal is ambitious and the time horizon is long-term, then avoiding risk altogether may itself become risky.

This creates a gap between what an investor *needs* to earn and what they *feel comfortable* earning. The solution is not forcing aggressive investments - but reworking expectations, timelines, or savings rates.

As such, an ideal portfolio lies where *risk capacity, tolerance, and required risk intersect*.

Goal Setting: Giving Investments a Purpose

Money without a goal has no direction. Many investors state that they are investing for "wealth creation," but this is not a goal - it is a vague intention. Clear goals bring clarity, discipline, and emotional stability to investing.

Turning Life Goals into Financial Goals

Effective financial goals answer the following questions:

- What is the goal?
- How much money is required?
- By when is the money needed?
- Why does this goal matter to us?

Examples of well-defined goals:

- Retirement corpus of [xx] needed after [yy] years.
- Child's higher education expense required in [zz] years.
- Home purchase down payment planned in [xyz] years.

When goals are clearly understood and defined, investment decisions become process-driven rather than emotion-driven.

Time Horizon: The Most Important but Under-rated Factor

Time horizon is the backbone of portfolio construction.

- Short-term goals (up to 3 years): Capital protection matters more than returns.
- Medium-term goals (3-7 years): Balance required between growth and stability.
- Long-term goals (7+ years): Growth becomes critical; volatility can be tolerated.

Many investors make mistakes by using the same investment approach for all goals. This often leads to either taking excessive risk for short-term needs or being too conservative for long-term goals. As a key takeaway, the same investor can and should have different risk levels for different goals.

Accounting for Inflation: The Silent Risk

Inflation quietly erodes purchasing power. A goal that looks achievable today may fall short in real terms if inflation is ignored. For investors, this means:

- Future costs must be inflation-adjusted.
- Long-term goals require assets that can potentially outpace inflation.

Ignoring inflation is equivalent to underestimating the true cost of your dreams.

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Asset Allocation: The Real Engine for Portfolio Outcomes

Asset allocation is how your money is divided across broad asset classes such as equity, debt, commodities, physical assets, global investments, and so on. It is far more important than picking individual investments.

Why Asset Allocation Matters More Than Product Selection

Markets are generally unpredictable in the short term but become normalised if not more predictable over a longer time horizon. Asset allocation:

- Controls portfolio volatility
- Sets return expectations
- Helps investors remain disciplined during cycles

A well-allocated portfolio may not always be the best performer in a given year, but it is more likely to help investors stay invested long enough to meet their goals.

Equity and Debt: Different Roles, Not Competitors

From an investor's perspective:

- Equity is the growth engine. It is volatile but necessary for long-term wealth creation.
- Debt provides stability, predictability, and liquidity. It cushions the portfolio during market stress.

Neither is superior. Each serves a different purpose depending on the goal and time horizon.

Goal-Based Asset Allocation

Instead of one consolidated portfolio, many investors benefit from goal-based allocation:

- Separate buckets for different goals.
- Clear understanding of why each investment exists.
- Reduced temptation to exit during volatility.

This structure streamlines behaviour, which is often the biggest determinant of long-term success.

Investment Selection: Tools, Not the Strategy

Only after understanding risk and asset allocation does investment selection come into play. At this stage, the investor's mindset should be: *"Which instruments best implement my plan?"*

and not "Which product gave the highest return recently?"

Key principles investors should keep in mind:

- Diversification matters more than prediction.
- Costs compound just like returns.
- Consistency of process is more important than short-term outperformance.

Investments should serve the portfolio, not dominate it. Portfolio is akin to a team sport where different players (i.e., investments) contribute and excel at different points of time, while ultimately serving the portfolio outcome.

Review, Rebalancing, and Investor Behaviour

Even a well-constructed portfolio requires maintenance.

Periodic Review

Life changes - income, responsibilities, priorities, and timelines evolve. Portfolios must adapt accordingly.

Rebalancing

Over time, market movements distort asset allocation. Rebalancing:

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- Brings the portfolio back to its intended risk level.
- Encourages buying low and selling high systematically.

Behaviour: The Invisible Risk

Studies consistently show that investor behaviour - panic selling, overconfidence, chasing trends - is a major source of underperformance. A clear framework and predefined rules help investors:

- Avoid emotional decisions.
- Stay aligned with long-term goals.
- Navigate market cycles with confidence.

Conclusion: The Ideal Portfolio Is Personal, Not Perfect

There is nothing such as universally "best" portfolio. An ideal portfolio is one that:

- Reflects the investor's financial reality.
- Aligns with clearly defined life goals.
- Is built on sensible asset allocation.
- Allows the investor to stay invested through market cycles.

When risk profiling, goal setting, and investments are aligned, investing becomes less stressful and more purposeful. For investors, the real objective is not to beat the market every year but to reach their goals with discipline, clarity, and peace of mind.

Disclaimer: This article is meant for educative purposes only and should not be considered as investment recommendation.

Sources of Information: News articles, publicly available research reports, AI based tools.

[Coverage](#)


Contributed by

Mr. Chinmay Naik and Mr. Nirant Doshi

For detailed understanding or more information, send your queries to knowledge@kcmehta.com

Indian Rulings

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Physical footprint in India necessary to constitute 'Service PE' under DTAA, no deeming of Virtual Service PE

Ernst and Young LLP [W.P.(C) No. 16158 of 2025 – Order dated January 14, 2026 (Delhi HC)]

The case pertains to application made under Section 195(2) of ITA, seeking Nil Withholding-tax certificate for proposed remittances to Ernst & Young (EMEIA) Services Ltd, UK. Considering that the services were not in the nature of make available services, it was accepted that the same did not fall within the definition of FTS as per Article 13(2) of India – UK DTAA. In light of the same, taxpayer was of the view that no tax should be withheld in India on the proposed remittances to the UK resident.

The AO rejected the taxpayer's plea stating that the contention of the applicant that it does not have a PE in India is not tenable. The AO contended that the DTAA does not expressly require physical presence of employees in India and only mandates furnishing of services through employees or other personnel. As per tax authorities, the taxpayer provided services to its affiliate in India for a period exceeding 30 days in a 12 months period and that NR constituted

virtual service PE in India as per Article 5(2)(k) of India – UK DTAA and accordingly determined withholding tax rate of 5.25% based on position adopted in the case of the taxpayer for earlier AY.

The case of the taxpayer travelled through the Delhi HC wherein the Hon'ble Delhi HC ruled in favour of the taxpayer holding that the words 'within a Contracting State' and 'through employees or other personnel' contemplated rendition of services by personnel of non-resident enterprise within India, mandating a fixed nexus and physical footprint within India. Following the decision of Delhi HC in the case of Clifford Chance in context of virtual service PE under India-Singapore DTAA, the HC held that the term 'within' in the DTAA had a territorial connotation and virtual PE, without physical presence cannot be artificially read into the treaty provisions in absence of explicit inclusion of the same in the DTAA. AO's rejection of Nil Withholding Tax Certificate was held unsustainable and impugned order was set aside and remanded back for fresh consideration.

The case once again highlights the need for evolution of traditional tax treaties which restricted

taxable nexus in source jurisdictions based on physical presence. While OECD's BEPS Action Plan 1 intended to focus on Digital Economy, at present, the same is only addressed partially under Pillar One of BEPS 2.0 on reallocating taxing rights, which is currently applicable only to large MNEs. In countries such as Saudi Arabia, the concept of a Virtual Service PE exists under domestic law. However, the Government of Saudi Arabia has clarified that where a DTAA is in place with another country, the provisions of the DTAA will prevail to the extent they are more beneficial to the taxpayer.

Strategic Non-Resident Claim of Binny Bansal, co-founder of Flipkart is not entertained

Binny Bansal [ITA No. 571/Bang/2023 – Order dated January 09, 2026 (Bangalore ITAT)]

The taxpayer, a prominent entrepreneur and co-founder of Flipkart, claimed the status of NR for AY 2020-21. During FY 2019-20, his stay in India amounted to 147 days. In each of the four AYs preceding AY 2020-21, he was a Resident in India. The taxpayer was employed with the Flipkart Group in India until November 2018. Thereafter, he left India to take up employment in Singapore with X to 10 X PTE Limited, where he

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continued to remain employed throughout FY 2019-20. Post that he has left that company and joined another company registered in Singapore.

To substantiate his claim of NR status, the taxpayer invoked both limbs of the relaxation under Explanation 1 to Section 6(1)(c) of ITA wherein he contended that:

- Being an Indian citizen residing outside India, he has visited India during the relevant year constituted only a visit, thereby attracting Explanation 1(b) and;
- having left India for the purpose of employment abroad, his case falls under Explanation 1(a)

In either circumstance, the statutory threshold of 60 days under Section 6(1)(c) stands extended to 182 days. Since the taxpayer's stay in India during FY 2019-20 was limited to 147 days, as per his contentions, he qualifies as a NR for AY 2020-21. Additionally, he has also claimed that he is resident of Singapore by invoking Article 4 (Tie Breaker) of India-Singapore DTAA.

The Hon'ble DRP as well as AO has not considered the submission made by the taxpayer and treated the taxpayer as resident of India by providing their respective findings. Accordingly, the taxpayer has filed an appeal before the Hon'ble bench of Bangalore ITAT wherein after considering facts and submissions by rival parties, denied the taxpayer's claim of NR status for AY 2020-21 in light of the below findings.

- The objective of underlying Explanation 1(b) to Section 6(1)(c) is to provide relaxation for NRIs who have made investments in India and who, for purposes of supervision and control of such investments, find it necessary to visit India frequently. This intent was clarified vide CBDT Circular No. 684 dated June 10, 1994. Referring to decisions of co-ordinate benches, the ITAT further observed that the expression "being outside India" is applicable only to individuals who are already non-residents. It does not remove the difficulty of determining NR status but rather imposes restrictions on retaining such status. Consequently, the ITAT held that clause (b) of Explanation 1 applies exclusively to NRs, and therefore the threshold of 60 days cannot be extended to

182 days for determining the residential status of the taxpayer in the present case.

- To rebut the taxpayer's contention that he had left India for the purpose of employment, the Hon'ble bench of Bangalore ITAT observed that the relaxation under Explanation 1(a) to Section 6(1)(c) is applicable only in the previous year in which an Indian citizen actually departs from India for employment abroad. In the present case, the facts clearly establish that the taxpayer left India for employment in FY 2018-19, and not in FY 2019-20. Consequently, the ITAT held that Explanation 1(a) cannot be invoked for AY 2020-21, and therefore the threshold of 60 days cannot be extended to 182 days for determining the taxpayer's residential status.
- Additionally, when the taxpayer has resigned from one Singapore company to join another Singapore company and visited Indian in between such shift from one company to another company didn't help to invoke Explanation 1(a) as the provisions applies only to the person who are leaving India and not visiting India. Furthermore, the lower authorities have also justified that

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the taxpayer's departure did not constitute leaving for employment in its true sense but was a strategic arrangement to manage his stay.

- On the application of Article 4 of India-Singapore DTAA, the Hon'ble bench of Bangalore ITAT state that the residential status of the taxpayer is required to be determined in a sequence of Permanent Home Test, Centre of vital interest, Habitual abode and Nationality.
- Permanent Home Test** – The taxpayer is having home in Bangalore in his own name and also having rented premise in Singapore where he is currently employed. Accordingly, the taxpayer is having permanent home available in both the countries.
- Centre of Vital Interest** – The ITAT found that the taxpayer has immovable property in India, bank accounts, shares and securities, loan and advances in India. These investments are made in India prior to shifting to Singapore. Further, the taxpayer has also invested outside India in shares and securities, loans and advances, bank balance after he has moved to Singapore. So as to arrive at the conclusion, the Hon'ble bench of

Bangalore ITAT has requested from the taxpayer for details of "Investment made in India" and "Investments made in Singapore". However, every time the taxpayer has provided details of "Investment made outside India" and categorically avoided providing details of "Investment made in Singapore". Further, the taxpayer is having permanent home in India and not in Singapore. Accordingly, looking to the major economic interest, it is apparent that it is more closer in India than Singapore or anywhere else as no details of "Investment in Singapore" only is provided. Further, after analysing personal relationship as well as economic relationship, ITAT opines that centre of vital interest ought to be seen throughout the AY and not only at the end of the AY, hence, rejected taxpayer's arguments that the same be seen after taxpayer shifted to Singapore.

- Habitual abode** – Considered as India as he was resident in India in prior years and during the year also, he stayed in India for 141 days.
- At last, the Hon'ble bench of Bangalore ITAT considered that, the taxpayer is said to be resident of India as per ITA as well as tie

breaker rule as provided under Article 4(2) of the DTAA.

From the facts of the case, it is evident that the taxpayer sought to establish NR status by managing his stay in India and invoking multiple statutory relaxations. However, the factual matrix did not support his claim, and the ITAT rightly rejected such tax planning. The ruling underscores that residential status is determined not only by numerical presence but also by the underlying purpose and economic conduct. Importantly, the decision is highly fact-specific and does not represent a broader change in law; the adverse outcome arose from the inconsistency between the taxpayer's employment/visitor assertions and his actual circumstances. While the taxpayer raised technical grounds relating to Section 144C and jurisdictional issues, these were ultimately ancillary to the core finding on residency. Where a taxpayer can demonstrate clear evidence, such as a documented employment contract or genuine long-term relocation, details of investments in Singapore or the country of which he is claiming to be resident, the 182-day threshold may still be successfully invoked. In this case, however, the Tribunal did not engage in a detailed analysis of

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legislative intent, as the facts overwhelmingly contradicted the taxpayer's claimed non-resident status.

Consultancy services qualify as professional services, not taxable in absence of PE

Vijay Mariappan Austin Prakash [ITA No. 89 (VIZ) of 2025 – Order dated December 5, 2025 (Vishakhapatnam ITAT)]

The taxpayer, a non-resident individual, was a salaried employee with Zerodha Broking Limited ('ZBL'), an Indian company for part of FY 2020-21, and post termination of his employment he was appointed as consultant for providing business advisory services with the same company for the remaining part of FY 2020-21 and onwards. The taxpayer filed his return of income claiming exemption on consultancy fees received from ZBL under India-UAE DTAA and also claimed refund of tax deducted by ZBL on the consultancy fees.

During the course of the assessment proceedings, basis the details furnished by the taxpayer, the AO made the following observations –

- Nature of services provided by the taxpayer as an employee on salary basis and the

services as per the consultancy agreement remain the same.

- The taxpayer has changed the source of income from salary to consultancy in order to avoid the taxability in India.
- The taxpayer is having a business connection in India on account of SEP
- Services rendered by the taxpayer does not fall within the definition of the "professional services" under India-UAE DTAA

Aggrieved by the above order, the taxpayer has filed objections before the Hon'ble DRP which were dismissed as considering it as time barred, resulting in an adverse order passed against the taxpayer. Subsequently, the aggrieved taxpayer filed an appeal against the impugned assessment order before the Hon'ble bench of Vishakhapatnam ITAT. Wherein the bench emphasized that the only solitary issue is with respect to the taxability of income in India, whether the beneficial provisions under section 90(2) of ITA can be invoked for availing the benefit of India-UAE DTAA.

Upon analysis of the facts, grounds and provision of ITA and the DTAA, the Hon'ble bench of Vishakhapatnam ITAT allowed the appeal in

favor of the taxpayer by providing following observations –

- Income from consultancy shall deemed to accrue or arise in India to the taxpayer since he has a business income in India on account of SEP exceeding threshold limit of Rs. 2 Crores.
- The professional services provided by the taxpayer are covered under Article 14 of DTAA. ITAT further added that meaning of professional service as provided under Article 14 of DTAA is inclusive.
- The taxpayer is entitled to avail the benefit under section 90(2) of ITA wherein the income of the taxpayer shall not be taxable in India in absence of PE in India.

In light of the decision of the Hon'ble ITAT, it is observed that the provision of services by a NR in India constitutes a business connection under ITA, subject to the prescribed threshold for SEP. Nevertheless, such income shall remain exempt from taxation in India in the absence of a PE as per relevant DTAA provisions. In the present case, the consultancy services rendered by NR qualify as business income under ITA and as professional services under the DTAA. However,

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since no PE exists in India, the said income is not taxable in India in accordance with section 90(2) of the ITA. Further, it is interesting to observe that the Hon'ble bench of ITAT has considered meaning of professional service as provided under Article 14 of India-UAE DTAA as inclusive and not exhaustive and given the benefit to the taxpayer by widening the meaning of professional service.

Payment for substantive right created to use trademark by virtue of agreement, constitutes Royalty under the ITA and DTAA

LG Electronics India (P.) Ltd. [W. P. (C) No. 15181 of 2004 – Order dated December 24, 2025 (Delhi HC)]

The taxpayer is a company incorporated in India and was part of the LG group of companies. Global Cricket Corporation Pvt. Ltd (GCC) is a tax resident of Singapore, which has an agreement with ICC to obtain commercial rights connected with the cricket match events owned by ICC, to appoint third party sponsors, suppliers, broadcasters and other licensees. The taxpayer entered into a global partnership agreement with GCC, for acquiring advertising and promotional

rights in a cricket event to display its trademark on certain advertising sites at the ICC hosted venue and other places.

The taxpayer made an application u/s 195 of ITA to the AO for remitting payment to GCC without deduction of tax which was rejected by the AO on the basis that the payment was in the nature of royalty for acquisition of rights (to use ICC trademark for a fee) to exploit the commercial potential of the events and accordingly the AO directed the taxpayer to deduct tax at the rate of 10%.

Upon an application filed by the taxpayer under section 264 of the ITA against the impugned order passed under section 195, the tax authority issued a revised order. It was observed that the agreement between the taxpayer and GCC indicated that:

- The payment made by the taxpayer was towards booking of advertising space along with the right to use ICC trademarks.
- Partial relief was granted by apportioning a portion of the payment attributable to the right to use the trademark, which was characterized as royalty under Section 9(1)(vi), Explanation 2(i) of the Act.

- In line with the provisions of the India–Singapore DTAA, the taxpayer was directed to withhold tax on the said royalty component.

Subsequently, aggrieved by the revised 195 order, the taxpayer has filed a writ petition before the Hon'ble Delhi HC for quashing the impugned order and to issue a writ of mandamus directing the taxpayer to make remittance to GCC without deduction of tax by contending that the usage of the ICC trademark was incidental to the advertisement agreement and only "add on" rights for a payment of nominal amount as specified in the agreement.

The Hon'ble Delhi HC dismissed the writ petition on the basis of the following grounds and treated the underlying transaction as royalty:

- A substantive right to use the ICC trademark was created by virtue of the agreement.
- The petitioner itself conceded to the use of the ICC trademark as defined in agreement between the two parties.
- Payments made by the petitioner are for acquiring the rights as per the agreement between the petitioner and GCC, to pursue the commercial interest of the petitioner to

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boost its branding, for a consideration specifically defined in the agreement.

- Provisions set out in Article 12 of the DTAA and section 9(1)(vi), provide that the definition of royalty includes the consideration of the right to use the trademark.

It can be noted that the use of right to use the trademark shall fall within the purview of royalty, if the same is not a mere incidental right and tantamount to pursuing of commercial interest. In the present case, since the taxpayer's agreement included a specific clause on the usage of ICC trademark, which outlined its objective of boosting its brand image and not a mere incidental right, therefore the nature of such payment shall fall within the purview of royalty.

Absence of FTS article in India-Thailand DTAA, research fees to be considered as business income, no taxability in absence of PE

East West Seeds India (P.) Ltd. [ITA Nos. 833, 857 & 858 (PUN) of 2025 – Order dated December 19, 2025 (Pune ITAT)]

The taxpayer was a company incorporated in India and was involved in the business of R&D of seeds and vegetables. The taxpayer has entered into an agreement with a company based in

Thailand to carry out specific research processes in specific crops. The Thailand entity provided the taxpayer with all technical materials and information related seed technology.

The taxpayer contended that in absence of FTS clause in India-Thailand DTAA, the income earned by the Thailand entity was considered as business income and not taxable in India in absence of PE. However, the AO held that in absence of FTS clause, income shall be taxable under the Article 22 of the DTAA and held that said income shall be taxable as per Section 9(1)(vii) of ITA in India.

The Hon'ble bench of Pune ITAT, following the judgement of Hon'ble Madras HC in the case of Bangkok Glass Industry Co. Ltd, held that where the India-Thailand DTAA does not contain a specific provision for taxation of FTS, payments made for supply of technical materials and information constitute Business Income under Article 7 of DTAA. In the absence of a PE of the Thailand entity in India, such income cannot be taxed either under section 9(1)(vii) or by resorting to the residuary Article 22-Other Income and therefore the same remains not taxable in India.

Applying the settled jurisprudence to the facts of the above case, the Hon'ble bench of ITAT made a note that although these payments made to the Thailand entity were in the nature of FTS, the recipient was admittedly engaged in the business of providing R&D services. In the absence of any material brought on record by the revenue to establish the existence of a PE in India, the ITAT held that the receipts constituted business income taxable only under Article 7 of the India-Thailand DTAA. Accordingly, in the absence of a PE, such income was not taxable in India and could not be brought within the ambit of the residuary Article 22 of the DTAA. Based on recent jurisprudences, the position has now been settled wherein in the absence of a specific FTS Article under DTAA, the tax authorities cannot directly invoke Article 22. Instead, they must examine the nature of the transaction undertaken by the taxpayer. If the transaction is in the nature of business activity carried on by the taxpayer, then Article 7 applies, and not Article 22.

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**EU Parent-Subsidiary Directive: Dividend Exemption Denied Only for Artificial, Abusive Arrangements***'Nordcurrent group' UAB [Case No. C-228/24, Order dated April 3, 2025 (UK Court)]*

The taxpayer (Parent company) was a Lithuanian company creating and distributing electronic games, with a subsidiary in the UK. The UK subsidiary was engaged in marketing, advertising and distributing electronic games developed by its Parent Company.

The UK Company had only one director, who was also managing seven other companies and did not have any physical place of business or tangible assets in UK. Based on the same, the Lithuanian tax authorities determined the UK subsidiary as a "non-genuine arrangement". The State Tax Inspectorate argued that the lack of appropriate human and material resources demonstrated the existence of a non-genuine arrangement. They asserted that the activities were, in fact, carried out by Parent company's employees, who had access to the subsidiary's platforms. Accordingly, tax authorities denied a corporation tax exemption on dividends received by the parent company from its UK subsidiary.

The taxpayer contended the subsidiary served a genuine commercial purpose as an intermediary between the parent company and game distribution platforms until direct agreements could be secured. And that given the nature of electronic game distribution, the subsidiary did not require physical premises or additional staff beyond its director. Taxpayer further argued that there was no actual tax advantage, as corporation tax rate in UK (24%) was higher than the Lithuanian tax rate (15%).

The Court of Justice of the European Union (ECJ) ruled that the anti-abuse provisions in the Parent-Subsidiary Directive (EU Council Directive 2011/96 and 2015/121) do not preclude a Member State from denying a tax exemption where a subsidiary is deemed a non-genuine arrangement, provided that the elements of an abusive practice are present. The Court also held that the classification of a subsidiary as a non-genuine arrangement alone is not sufficient to automatically assume a tax advantage that defeats the directive's purpose. ECJ held that the tax authority must also prove that the main purpose of the arrangement was to obtain an abusive tax advantage. The fact that profits were

taxed at a higher rate in the subsidiary's Member State was held to be a relevant factor in assessing the same and in favour of the taxpayer, the decision was deferred back to the referring national court.

Interestingly, as EU focuses on economic integration of EU member states, the fact that corporate tax rate in UK is higher than in Lithuania lead to a conclusion that there was no abuse of EU directives. Anti - abuse provisions under tax treaties also emphasize on its aim to prevent double taxation without facilitating opportunities for double non-taxation. However, JAARs pronounced by Indian courts, MLI-PPT & LOB provisions and GAAR provisions under domestic laws, in context of Indian DTAA's, the Indian Courts have time and again emphasized on substance over form and have denied DTAA benefits in case of non-resident taxpayers not having sufficient economic and commercial substance.

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Saudi Arabia, ZATCA clarifies WHT on technical & consulting services

On December 25, 2025, the Zakat, Tax and Customs Authority (ZATCA) issued a Tax Bulletin clarifying the WHT treatment of technical and consulting services under Saudi tax law and applicable tax treaties.

Under Saudi domestic law, payments to NRs for technical or consulting services are subject to 5% WHT, unless attributable to a PE. Where services involve a transfer of know-how, payments are treated as royalties and subject to 15% WHT.

Under tax treaties, such fees generally fall under Business Profits and are taxable in Saudi Arabia only if a PE exists. A service PE may arise if services are performed in Saudi Arabia for more than 183 days in a 12-month period (threshold may vary depending on the relevant treaty). Certain treaties may allow WHT on such services by including in definition of royalty or dedicated FTS; however, the lower of domestic rate or treaty rate would apply in that case.

The Bulletin is currently available only in Arabic, with an English version expected to be released soon.

The US IRS updates FAQs on business interest expense limitation (Section 163(j))

The U.S. IRS has released updated FAQs in Fact Sheet 2025-09, reflecting amendments to Section 163(j) on deduction for business interest expense, introduced by the One, Big Beautiful Bill (OB BB).

For tax years beginning after December 31, 2024, the amendments to section 163(j):

- Allow add-back of depreciation, amortization, and depletion deductions when computing Adjusted Taxable Income (ATI); and
- Expand floor plan financing interest to include interest on trailers and campers designed for temporary living and towed by or affixed to motor vehicles.

For tax years beginning after December 31, 2025, further changes:

- Clarify that business interest expense includes interest incurred and capitalised during the year (other than under Sections 263(g) and 263A(f)); and
- Exclude CFC income inclusions under Sections 951(a), 951A(a), and 78, and related deductions, from ATI.

Hong Kong IRD updates FAQs on individual tax residence under Mainland China Arrangement

The Hong Kong IRD has released updated and new FAQs on the 2006 Comprehensive Arrangement between Hong Kong and Mainland China, focusing on the determination of individual tax residence, including tie-breaker in dual residence cases.

Dual residence – tie-breaker rules

Where an individual is regarded as resident in both jurisdictions, residence is determined by applying OECD-based tie-breaker rules, in the following order:

1. Location of individual's Permanent home;
2. Jurisdiction with which he has closer personal and economic relations;
3. Habitual abode; and
4. Mutual agreement between the competent authorities.

Interpretative guidance in Circular Guoshuifa [2010] No. 75 applies.

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Illustrative scenarios

New FAQs provide examples involving individuals working in Hong Kong under talent schemes while retaining links with the mainland. The guidance highlights that:

- Residence depends on whether a permanent home is maintained in one or both jurisdictions; and
- Where permanent homes exist in both, residence is determined by comparing personal and economic ties.

The FAQs underscore the fact-specific nature of residence determination under the comprehensive arrangement.

Contributed by

Mr. Dhaval Trivedi, Ms. Dhvani Shah, Mr. Vishal Sangtani, Ms. Mahima Parwani, Ms. Gestina Prasad, Mr. Sushant Relwani and Mr. Shreyansh Khandhar.

For detailed understanding or more information, send your queries to knowledge@kcmehta.com

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Economic Adjustments

Eversendai Construction Pvt. Ltd. vs DCIT [IT(TP)A No. 14/Chny/2025]

Eversendai Construction Pvt. Ltd. (“the assessee”) is an Indian company engaged in engineering, design, detailing, steel fabrication and development of residential and commercial buildings. AY 2011-12 was its first full-fledged year of operations. During the year, it had international transactions with AEs for purchase of steel, erection/testing/commissioning services, engineering design services, and reimbursement of expenses. The assessee benchmarked its Engineering, Procurement and Construction (EPC) and Engineering Design Services (EDS) segments using the Transactional Net Margin Method (TNMM) as the most appropriate method, excluding pure reimbursements from the analysis.

The TPO accepted TNMM as the method but rejected the assessee’s TP documentation, performed an independent comparability search, altered the set of comparables, and denied two economic adjustments claimed by the assessee: (i) idle capacity adjustment, and (ii) a broader working capital adjustment. This led to an

upward TP adjustment of Rs. 3.24 crore in the EPC segment. On appeal, the CIT(A) confirmed TNMM and allowed a working capital adjustment, but rejected the idle capacity adjustment. The assessee approached the ITAT only on the remaining EPC adjustment, which turned on two issues: (1) whether idle capacity adjustment should be allowed, and (2) whether working capital adjustment must cover all relevant operating current assets and liabilities.

On idle capacity, the assessee argued that under-utilisation of capacity relates to the overall resources of a company, not just manufacturing plant. It showed that FY 2010-11 being the first full year, substantial fixed costs were incurred on building a skilled team in anticipation of future projects. Employee cost was 35% of revenue in FY 2010-11, but revenue grew by 377% and employee cost by 124% in FY 2011-12, causing the employee-cost-to-revenue ratio to drop to 16%, evidencing that the higher fixed costs of FY 2010-11 were absorbed in the next year. The assessee produced a methodology for computing idle capacity adjustment and relied on various Tribunal precedents (GS Engineering, Colwell & Salmon, Mando India Steering, Kyocera CTC, Amdocs Business Services) to say that

disproportionate fixed costs in ramp-up/start-up years should be normalised under TNMM. The Revenue opposed, supporting the TPO/CIT(A) and calling the adjustment non-comparable.

The ITAT held that under TNMM, comparability must reflect differences in functions, assets and risks, and that idle capacity in ramp-up years can distort net margins if not adjusted. It noted that multiple Tribunal rulings have permitted idle capacity adjustments where a tested party has unusually high fixed costs in start-up years or suffers under-utilisation that affects profitability and hence the ITAT allowed the idle capacity adjustment.

On working capital adjustment, the assessee contended that while CIT(A) accepted the principle, the TPO—while giving effect—wrongly excluded key operating current assets and liabilities such as unbilled revenue, prepaid expenses, advances from customers, advance recoverables, and inventories.

Since the assessee’s revised workings were supported by detailed computations and case law, the ITAT directed the AO/TPO to recompute the working capital adjustment by including all

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relevant operating current assets and liabilities claimed by the assessee, after due verification.

In the result, the Tribunal: (a) ordered that the idle capacity adjustment for the EPC segment be allowed, and (b) directed re-computation of the working capital adjustment on a comprehensive operating working capital base.

Reader's Focus

The ruling makes references to the important aspect of economic adjustment in transfer pricing:

Economic Adjustment

Economic adjustment in transfer pricing means making reasonable, fact-based corrections to the tested party's margins or prices so that they become more comparable to those of independent parties and thus reflect the arm's length principle.

Under the OECD Transfer Pricing Guidelines and the UN TP Manual, such adjustments are normally discussed in the context of comparability analysis and application of methods like TNMM or cost-plus. They are permitted only where: (i) the difference is likely to materially affect prices or margins, and (ii) the adjustment can be made with reasonable accuracy. Common

practical adjustments are working capital adjustments (to align receivables, payables and inventories), capacity/idle time adjustments (to normalise fixed costs in abnormal years), risk adjustments, and sometimes accounting adjustments (for differences in classification or recognition of costs and revenue).

This ruling mentions about 2 economic adjustments- Idle capacity utilization adjustment and Working Capital adjustment

Idle Capacity utilization adjustment

- Where the tested party has abnormal under-utilisation (for example, start-up or ramp-up phase, sudden drop in demand, or extraordinary events like a pandemic), its fixed costs (salaries, depreciation, rent) may be spread over a smaller revenue base and margins will appear depressed compared to steady-state comparables.
- OECD and UN materials allow such adjustments where the difference in capacity utilisation is significant and quantifiable. The goal is to put the tested party in a "normal utilisation" situation comparable to the reference set, not to eliminate all losses.

- This is particularly relevant for captive service providers and manufacturing entities that bear capacity risk while their AEs benefit from flexible, volume-based pricing.

Working capital adjustments

- Independent businesses with higher receivables or inventories, or lower payables, usually need more funding and therefore bear higher financing costs. This can depress their margins compared to a low-working-capital captive service provider.
- OECD and UN guidance recognise working capital adjustments as a standard way to align the tested party and comparables when using TNMM or other profit-based methods. The calculation typically adjusts margins as if all parties had similar levels of trade receivables, trade payables and inventories, expressed as a percentage of sales.
- The logic is that differences in credit and inventory policies are financial, not functional, and should not distort the arm's length comparison if they can be measured.

This ruling provides a good discussion on the economic adjustments. While Indian TP regulations permit economic adjustment only on

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comparable companies, allowance of idle capacity on tested party as accepted by Hon'ble ITAT can act as a good precedent.

Treatment of Export Incentives

Hyundai Wia India Pvt. Ltd. vs DCIT [IT(TP)A No. 48/Chny/2024]

Hyundai Wia India Pvt. Ltd. ('Hyundai'), a wholly owned subsidiary of Hyundai Wia Corporation, South Korea, manufactures drive shafts for four-wheelers and also provides market support and after-sales services to AEs from its Chennai facility. It operates two segments: a manufacturing segment and a market support services (MSS) segment. For AY 2020-21, it applied TNMM as the most appropriate method. Hyundai's case was selected for transfer pricing assessment.

Among other issues, one of the issue was treatment of export incentive – whether the same should be treated as operating or non-operating?

The TPO treated the income as non-operating while computing TP adjustment. The assessee appealed that the TPO had wrongly treated export incentives as non-operating.

The assessee had received MEIS scrip income and duty drawback income, both treated in its accounts and TP study as operating revenue. It argued that these incentives were directly linked to export activity, were used to pay basic customs duty on imports, and were taxable as business income under section 28, thus forming part of operating income for PLI purposes. It relied on a series of Tribunal and High Court decisions (Same Deutz Fahr India, ZF Rane Automotive, ZF Commercial Vehicle, Greenland Exports, Welspun Zucchi, AB InBev GCC), all treating export incentives as operating items.

The Revenue argued that MEIS and duty drawback were not recurring operational items and that many comparables did not earn such incentives, so their inclusion would skew comparability.

After examining the terms of the MEIS and duty drawback schemes and evidence of their utilisation, the ITAT held that both incentives are intrinsically and directly connected to export operations (to both AEs and non-AEs) and are meant to mitigate operating costs. It rejected the argument that absence of similar income in some comparables justifies exclusion. Relying on its earlier rulings, the Tribunal concluded that

MEIS and duty drawback must be treated as operating revenue in computing the assessee's OP/OC margin and directed their inclusion accordingly.

Reader's Focus

What "operating" means in calculation of operating profit in transfer pricing?

"Operating" items are those that:

- Arise from the regular, recurring activities needed to perform the tested functions (manufacturing, distribution, services, etc.).
- Would normally be borne or earned by independent parties performing the same functions and taking similar risks.
- Are expected to be covered by the margin the independent party earns.

"Non-operating" items are those that:

- Relate to financing, investments, or capital structure (not to the underlying supply of goods/services).
- Are clearly one-off or extraordinary.
- Are unrelated to the controlled transaction being benchmarked.

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Many tax authorities and courts use this same logic even if rules do not define “operating” exhaustively.

With respect to the issue under consideration of export incentive, please find below the analysis:

Government Grants and Subsidies

- If linked to operating activities (for example, export-linked schemes, production-linked incentives where entitlement is tied to output/turnover), they are often treated as operating.
- If related to capital investment (for example, one-time subsidy for setting up a plant), they are often treated as non-operating for operating profit computation.

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Contributed by

Ms. Stuti Trivedi and Mr. Gunjan Shah

For detailed understanding or more information, send your queries to knowledge@kcmehta.com

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Advisories

GSTN has issued an advisory making Table 3.2 of GSTR-3B non-editable and mandating that corrections be carried out through GSTR-1A

GSTN has issued an advisory dated December 5, 2025, informing taxpayers that Table 3.2 of Form GSTR-3B will be system auto-populated and non-editable from the November 2025 tax period onwards. Table 3.2 captures inter-State supplies made to unregistered persons, composition taxpayers, and UIN holders, and the values will now flow directly from the data declared in GSTR-1, GSTR-1A, and IFF. Taxpayers will be required to file GSTR-3B strictly with these system-generated values, without manual alteration.

Where discrepancies arise due to incorrect reporting in GSTR-1, corrections must be made through Form GSTR-1A for the same tax period. Amendments made in GSTR-1A will instantly update the auto-populated values in Table 3.2 of GSTR-3B, enabling accurate filing. Additionally, subsequent amendments can be made in later tax periods through GSTR-1/IFF. There is no cut-off date for filing GSTR-1A before GSTR-3B,

meaning amendments can be carried out up to the time of filing GSTR-3B.

The advisory emphasizes that accurate reporting in GSTR-1/GSTR-1A/IFF is now critical, as Table 3.2 will directly depend on these declarations. Taxpayers are advised to review draft returns carefully to avoid mismatches and repeated amendments

GSTN issued advisory introducing system-based interest calculation, auto-populated liability breakup, and ITC utilization flexibility in GSTR-3B

GSTN has issued an advisory introducing major system enhancements in GSTR-3B from the January 2026 tax period onwards. The key update relates to interest computation in Table 5.1, which will now factor in the minimum cash balance available in the Electronic Cash Ledger (ECL) from the return due date to the date of tax payment (offset), in line with Rule 88B(1). Interest will be auto-calculated using the revised formula.

Interest = (Net Tax Liability – Minimum Cash Balance in ECL during delay period) × (Days of delay / 365) × Applicable rate.

The interest so auto-populated will be non-editable downward; taxpayers may increase it based on self-assessment. This system interest represents only the minimum payable amount.

Further, GSTN will auto-populate a "Tax Liability Breakup Table" in GSTR-3B based on document dates of supplies reported in earlier GSTR-1/GSTR-1A/IFF but taxed in the current period. This improves traceability of delayed reporting and aligns interest with the proviso to Section 50 of the CGST Act. The breakup is available under Table 6.1 → Tax Liability Breakup. Additionally, once IGST ITC is exhausted, the system will allow flexible cross-utilization of CGST and SGST ITC for IGST liability payment.

Another important change is that in the case of cancelled registrations, interest on delayed filing of the last applicable GSTR-3B will now be collected through GSTR-10 (Final Return). The advisory emphasizes that auto-populated values are suggestive and may be modified upward if required.

These enhancements mark a shift toward algorithm-driven compliance monitoring. By factoring minimum ECL balance, the interest mechanism now reflects actual cash availability,

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offering equitable computation. The auto-populated liability breakup will tighten period-wise reconciliation and reduce disputes over delayed reporting. Businesses must ensure accurate ledger tracking, timely offsets, and internal interest computations, as system validations will increasingly determine return acceptability

Notifications

Government extends valuation based on retail sale price (RSP) to pan masala and specified tobacco products

[Notification No. 19/2025 – Central Tax Dated 31st December 2025]

The Central Government has issued Notification No. 19/2025–Central Tax dated December 31, 2025, amending Notification No. 49/2023–Central Tax under Section 15(5) of the CGST Act, 2017, to prescribe special valuation provisions for additional specified goods based on their retail sale price (RSP). A new clause (iv) has been inserted, covering goods such as pan masala, unmanufactured tobacco (other than tobacco leaves), cigars, cigarettes, and cigarillos, other manufactured tobacco (excluding biris), and tobacco/nicotine products intended for inhalation

without combustion. The classification references align with tariff headings under the Customs Tariff Act, 1975

The notification clarifies that “retail sale price” shall mean the maximum price declared on packaged goods inclusive of all taxes and duties. Where multiple RSPs are printed, the highest price will be deemed the RSP. Any upward alteration in RSP at any stage shall be treated as the applicable RSP, and different area-based RSPs will apply region-wise for valuation. The notification also confirms that tariff interpretation rules under the Customs Tariff Act shall apply for classification purposes.

This notification expands the RSP-based valuation mechanism to high-revenue and sin goods segments, reinforcing tax certainty and reducing valuation disputes. Businesses dealing in pan masala and tobacco products must align invoicing and pricing structures with the declared RSP on packages, as tax liability will now be intrinsically linked to this benchmark. Particular care is required in cases of revised RSPs and multi-region pricing, as the highest declared RSP will determine valuation, directly impacting output tax computations.

CGST Rules amended to introduce RSP-based valuation for pan masala and specified tobacco products and relax Rule 86B restrictions.

(Notification No. 20/2025–Central Tax, dated December 31, 2025)

The Central Government has issued Notification No. 20/2025–Central Tax dated December 31, 2025, notifying the Central Goods and Services Tax (Fifth Amendment) Rules, 2025, effective from February 1, 2026. Through this notification, a new Rule 31D has been inserted in the CGST Rules, 2017 to prescribe retail sale price (RSP)–based valuation for specified goods, namely pan masala and various tobacco and nicotine products, aligning the valuation mechanism with the amendment notified under Section 15(5) of the CGST Act.

Under Rule 31D, the value of supply of the notified goods shall be deemed to be the declared retail sale price less the tax component. The rule provides a specific formula for extracting the tax amount from the RSP and clarifies that RSP shall mean the maximum price declared on the package inclusive of all taxes and cesses. Where multiple RSPs are declared, the highest RSP shall be adopted, and any upward revision in RSP at any

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stage before or after supply shall be treated as the applicable RSP. Area-wise RSP declarations will apply independently for valuation purposes.

The notification also amends Rule 86B by inserting a new clause (f), providing that registered persons other than manufacturers shall be exempt from the restriction on utilisation of electronic credit ledger only in respect of goods covered under Rule 31D, where tax has been paid by the supplier on an RSP basis. This relaxation acknowledges the higher tax incidence embedded in RSP-based valuation and eases working capital constraints for downstream dealers.

Judicial updates

Amended “relevant date” under Section 54 cannot be applied retrospectively to deny refund of accumulated ITC

[WP(C) No. 192/2023; Jammu & Kashmir and Ladakh High Court; Judgment dated December 30, 2025]

The petitioner, engaged in edible oil business, accumulated unutilised input tax credit (ITC) due to an inverted duty structure and filed a refund application on February 2, 2021 for the period July 1, 2017 to March 31, 2019 under Section 54(3) of the CGST Act. The Department rejected the claim as time-barred by applying the amended definition of “relevant date” (effective February 1, 2019), which shifted the limitation reckoning to the due date of GSTR-3B instead of the end of the financial year. The petitioner contended that for periods prior to the amendment, the unamended provision applied, and further that the limitation stood extended due to COVID-related exclusion under Notification No. 13/2022 read with Supreme Court suo motu orders.

The petitioner argued that the right to claim refund for FY 2017–18 and FY 2018–19 had already accrued prior to the amendment. A statutory amendment reducing the limitation period cannot retrospectively curtail a vested right unless expressly stated. Under the unamended law, the last date for filing refund was March 31, 2020, and the period from March 1, 2020 to February 28, 2022 stood excluded for limitation purposes. Hence, the application filed on February 2, 2021 was within time.

The Department contended that all refund applications filed on or after February 1, 2019 must be governed by the amended Section 54, even if relating to earlier tax periods. It was further argued that part of the claim was ineligible on merits due to non-receipt of eligible inputs.

The High Court held that the amendment to Explanation (2)(e) of Section 54 is prospective and cannot be applied to periods prior to February 1, 2019 to defeat an accrued right. The Court reiterated that limitation provisions, though procedural, cannot extinguish vested rights where a shorter limitation is introduced later. Relying on Supreme Court jurisprudence on prospective operation of statutes and vested rights, the

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Court ruled that the petitioner's refund claims for July 2017 to December 2018 were within limitation by virtue of the COVID exclusion notification, and the claim for January to March 2019 was also not time-barred. The rejection solely on limitation was therefore unsustainable, and the matter was remanded for fresh consideration on merits.

This judgment is significant for taxpayers with legacy refund claims under inverted duty structures. It clarifies that amendments altering the "relevant date" cannot retrospectively curtail accrued refund rights. The ruling strengthens the doctrine of vested rights and supports reliance on COVID-related limitation exclusions.

GST exemption under Notification No. 16/2025 confined to individual health policies and the group insurance premiums remain taxable

[WP(C) No. 38316 of 2025 & connected cases; Kerala High Court; Judgment dated January 8, 2026]

The petitioners, retired bank employees and associations of pensioners, were covered under group health insurance schemes arranged through the Indian Banks' Association (IBA) with

a general insurer. Following issuance of Notification No. 16/2025–Central Tax (Rate) based on the 56th GST Council recommendations, exemption from GST was granted to certain health insurance services. The petitioners contended that GST at 18% collected on renewal premiums for FY 2025–26 was illegal and that their policies were eligible for exemption.

The petitioners relied on clause which defines the "group," which refers to persons joining with a commonality of purpose "other than availing insurance." They argued that retirees joined together solely to obtain insurance, without any other economic activity, and therefore did not fall within the exclusion for "group," making them eligible for exemption. They also relied on principles of beneficial interpretation of fiscal exemptions.

The Department and insurer contended that the exemption was expressly limited to individual health insurance policies, including family floater and senior citizen policies, and not to group policies. The impugned policies were issued pursuant to collective bargaining by IBA, covered lakhs of serving and retired employees, and conferred typical group-policy

advantages—lower premiums, relaxed underwriting, coverage for pre-existing diseases, family extension, and administrative efficiencies. Under IRDAI Regulations, a group cannot be formed solely for availing insurance; a pre-existing relationship must exist between members and the master policyholder. Hence, the policies were unmistakably "group insurance."

The Kerala High Court dismissed the petitions, holding that Notification No. 16/2025 intended exemption only for individual policies. Clause 36D and its Explanation clearly restrict exemption to contracts where the insured is an individual or an individual with family. The Court observed that the subject policies were negotiated through IBA under bipartite settlements, issued as per IRDAI regulations, and exhibited all features of group insurance. The inclusion of the phrase "other than availing insurance" in the definition of "group" did not assist the petitioners, since IRDAI norms themselves prohibit formation of a group solely for insurance. The Court reiterated that exemption notifications must be construed strictly, and the petitioners could not extend the benefit beyond the notification's scope.

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This ruling clarifies the boundary of GST exemption for health insurance. Despite welfare considerations for retirees, group medical schemes structured through employer associations or collective bargaining fall outside the "individual policy" exemption. Tax professionals advising banks, PSUs, and associations must treat group health premiums as taxable unless the notification is specifically amended. The judgment reinforces the principle that exemption notifications are to be applied as drafted, and structural features of a policy rather than the personal status of insured members determine tax treatment.

IGST on ocean freight under reverse charge held unsustainable even for pre-amendment period and held that supreme Court ruling applies retrospectively

[WPA 10415 of 2025; Calcutta High Court; Judgment dated January 19, 2026]

The Petitioner an importer of goods, was issued a show cause notice under Section 74 of the CGST/WBGST Acts alleging non-payment of IGST on ocean freight under reverse charge mechanism for the period July 2017 to March 2018.

Despite the petitioner consistently relying on the Gujarat High Court and subsequently the Supreme Court judgment in Mohit Minerals Pvt. Ltd., the Proper Officer passed an order-in-original dated January 30, 2025 confirming IGST demand of Rs. 18,61,047 on ocean freight. The petitioner's rectification application was also rejected, leading to the present writ petition before the Calcutta High Court.

The petitioner contended that the levy of IGST on ocean freight stood conclusively declared unconstitutional by the Supreme Court in Union of India v. Mohit Minerals Pvt. Ltd. The Proper Officer, therefore, lacked jurisdiction to raise a demand contrary to binding constitutional law. It was argued that the subsequent amendment to Notification No. 10/2017 deleting Entry 10 w.e.f. October 1, 2023 was only to remove a redundant provision and could not revive or validate an otherwise unconstitutional levy for earlier periods.

The Department argued that since the amendment to Notification No. 10/2017 was made prospectively from October 1, 2023, the benefit of Mohit Minerals could not be extended to periods

prior to such amendment. It was contended that the Supreme Court judgment did not expressly state whether it had retrospective effect and therefore could not nullify demands relating to earlier periods.

The High Court rejected the Department's stand and held that a judgment of the Supreme Court declaring a levy unconstitutional operates retrospectively unless expressly made prospective. The Court held that the Proper Officer committed a fundamental error in assuming that Mohit Minerals applied only prospectively. It was categorically observed that Notification No. 10/2017 is only a delegated piece of legislation and cannot override statutory provisions or a declaration of law by the Supreme Court. Since the levy of IGST on ocean freight was held unconstitutional on the principles of composite supply and lack of legislative competence, the demand could not survive for any period. Accordingly, both the order-in-original dated January 30, 2025, and the rectification rejection order dated March 25, 2025, were set aside in entirety.

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This judgment reinforces that the Supreme Court's ruling in Mohit Minerals applies retrospectively and extinguishes IGST demands on ocean freight even for the pre-2023 period. It clarifies that subsequent amendments to notifications cannot be used to revive or legitimise an unconstitutional levy. The ruling provides strong precedent for importers facing legacy demands under Section 74 on ocean freight and underlines the principle that delegated legislation must yield to constitutional adjudication.

Unutilised ITC cannot be claimed as refund by transferor after amalgamation and credit must be transferred under Section 18(3) and Rule 41

[R/SCA No. 11025 of 2025 & connected matters; Gujarat High Court; Judgment dated January 23, 2026]

Pursuant to an NCLT order dated 10.08.2023, three entities including Alstom Rail Transportation India Pvt. Ltd. (ARTIPL) stood amalgamated into Alstom Transport India Ltd. (ATIL). The effective date of amalgamation was 22.09.2023 upon filing of the NCLT order with the RoC. Prior to amalgamation, ARTIPL had exported goods in April 2023 and accumulated unutilised ITC.

After amalgamation, ARTIPL filed Form ITC-02 transferring a substantial portion of ITC to ATIL but retained ITC of about Rs.49.14 crore in its electronic credit ledger. Thereafter, ARTIPL filed refund applications under Section 54(3) for exports without payment of tax and obtained refund sanction. The Department reviewed the sanction and, in appeal, set aside the refund orders on the ground that post-amalgamation, unutilised ITC could only be transferred to the transferee under Section 18(3) read with Rule 41 and not encashed as refund.

The petitioner contended that the right to refund of unutilised ITC accrued when exports were made in April 2023, when ARTIPL was a valid registered person. Section 18(3) and Rule 41 were argued to be permissive, not mandatory, and did not require transfer of the entire ITC. It was also urged that ARTIPL's registration remained valid till its cancellation on 29.11.2024, and therefore refund claims filed earlier were legally maintainable. The petitioner relied on the beneficial nature of zero-rating and the objective of avoiding export tax burden.

The Department argued that once amalgamation took effect, Section 87(2) treats amalgamating companies as distinct only up to the date of the NCLT order and mandates cancellation of their registration thereafter. In such a case of change in constitution, Section 18(3) read with Rule 41 provides the exclusive statutory mechanism — transfer of unutilised ITC to the transferee through Form ITC-02. There is no statutory provision permitting the transferor company to seek refund of such ITC after amalgamation. Partial transfer followed by refund claim was contrary to the scheme of the Act.

The High Court upheld the Department's action and held that the statutory framework governing amalgamation, registration, and ITC transfer was not followed by either the entities or the Department. The Court emphasized that under Section 87(2), the transferor company's registration ought to have been cancelled from the date of the NCLT order, and that Section 18(3) read with Rule 41 constitutes a specific code for transfer of unutilised ITC on amalgamation. Refund under Section 54(3) is a statutory benefit, not a constitutional right, and must strictly

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conform to the conditions prescribed. Once the business stood amalgamated, the unutilised ITC remaining in the electronic credit ledger of ARTIPL could not be separately monetised through refund; it was required to be transferred to ATIL in accordance with law. The refund sanction was therefore rightly set aside.

This judgment draws a clear distinction between refund of ITC in the normal course of business and treatment of ITC on corporate restructuring. In cases of amalgamation, Section 18(3) operates as a special provision overriding general refund entitlement. Businesses undergoing mergers or amalgamations must ensure timely compliance with registration changes and transfer of the entire unutilised ITC through Form ITC-02. Any attempt to split the credit partly transfer and partly claim as refund is likely to be viewed as inconsistent with the statutory scheme. The ruling underscores that procedural lapses in restructuring can materially affect substantive tax benefit.

Date of publication in Official Gazette determines enforceability of notification and held that, website upload has no legal effect

[SLP (C) No. 1979 of 2019 & connected matters; SC; Judgment dated January 21, 2026]

The petitioner imported steel products and had entered into firm contracts and opened irrevocable Letters of Credit (LCs) on February 5, 2016. On the same date, the Directorate General of Foreign Trade (DGFT) uploaded Notification No. 38/2015-20 on its website introducing Minimum Import Price (MIP) restrictions. However, the Notification itself show the endorsement "To be published in the Official Gazette of India" and was actually published in the Gazette only on February 11, 2016. The dispute arose as to whether the restriction could apply to imports covered by LCs opened prior to February 11, 2016. The High Court held that although the Notification operated from the date of publication, upload on the website gave sufficient notice.

The petitioner argued that under Section 3 of the Foreign Trade (Development and Regulation) Act, 1992, a notification regulating imports becomes legally effective only upon publication in the Official Gazette. Therefore, the "date of

notification" mentioned in para 2 of the Notification must be construed as February 11, 2016. Since LCs were opened on February 5, 2016, they were entitled to transitional protection under para 1.05(b) of the Foreign Trade Policy (FTP).

The Union contended that although the Notification came into force on February 11, 2016, the reference date for granting transitional benefit should be February 5, 2016 (date of website upload). It was argued that the expression "date of notification" need not always coincide with date of publication and could remain fixed as the earlier date.

The Supreme Court held that delegated legislation acquires the force of law only upon publication in the Official Gazette, unless the parent statute provides otherwise. Publication is not a formality but a constitutional requirement ensuring notice and legal certainty. Uploading a notification on a website cannot substitute the statutory requirement of gazette publication. Consequently, the expression "date of this Notification" must mean the date of publication in the Official Gazette. Since the appellants opened irrevocable LCs prior to February 11,

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2016, and complied with para 1.05(b) FTP requirements, they were entitled to transitional protection. The High Court's judgment was set aside and the appeals were allowed.

This landmark ruling has wide implications for tax and trade notifications, including GST. It reaffirms that delegated legislation such as rate notifications, exemptions, and restrictions becomes enforceable only upon official publication, not mere issuance or website upload. The decision strengthens legal certainty and protects taxpayers from retrospective burdens based on unpublished or informally circulated notifications.

Late fee amnesty under Notification No. 7/2023 cannot be denied to taxpayers who filed GSTR-9 earlier and levy of general penalty under Section 125 unsustainable even where late fee is imposed

[W.P. Nos. 27029 of 2023 etc., batch; Madras High Court; Judgment dated January 2, 2026]

A batch of writ petitions challenged assessment and recovery orders levying late fee under Section 47(2) of the GST enactments for delayed filing of annual return in Form GSTR-9 and, in

certain cases, additional penalty under Section 125. The controversy arose after issuance of Notification No. 7/2023–Central Tax dated 31.03.2023 (as amended by Notification No. 25/2023 dated 17.07.2023), which rationalised late fee and provided an amnesty by capping late fee at Rs.10,000 for FY 2017–18 to 2021–22 if GSTR-9 was filed between 01.04.2023 and 31.08.2023. Several petitioners had already filed their annual returns either before this window or were subjected to general penalty despite discharge of late fee liability.

The petitioners submitted that the object of the notification was to grant relief to delayed filers and rationalise the harsh late fee regime. Denying the benefit to taxpayers who had filed earlier than the amnesty window created an irrational distinction between similarly placed persons. They further argued that once Section 47 specifically provides for late fee for delayed filing of annual return, invocation of Section 125 (general penalty) for the very same lapse amounts to double penal consequence.

The Department contended that the benefit of the notification was strictly confined to returns filed within the amnesty period and could not be

extended beyond the explicit dates. It also defended imposition of general penalty where statutory defaults were established.

The Madras High Court held that the amnesty notification must be interpreted in light of its object and GST Council recommendations, which aimed at relief and rationalisation. Excluding taxpayers who had already filed GSTR-9 prior to the specified window, while granting benefit to later filers, was held to be arbitrary. The Court directed re-computation of late fee by extending the benefit of Notification No. 7/2023 (as amended) to such petitioners as well. It further ruled that where a specific statutory consequence for delayed filing exists under Section 47, resort to the residuary penalty provision under Section 125 for the same default is legally impermissible.

The judgment provides significant relief in two dimensions: first, it ensures equitable application of late fee amnesty by preventing discrimination against early filers; second, it reinforces the principle that a general penalty cannot be superimposed where a specific statutory levy

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already governs the default. Taxpayers who have paid substantial late fee or face parallel Section 125 penalties for delayed GSTR-9 filing can rely on this decision to seek re computation and deletion of penalty.

Contributed by

Mr. Bhadresh Vyas, Ms. Vidhi Mankad, Mr. Basavaraj M, Mr. Vimarsh Munsif, Ms. Khushi Jain, Ms. Vinita Sethia.

For detailed understanding or more information, send your queries to knowledge@kcmehta.com



Recommendation on Global Stablecoin by Financial Stability Board (FSB)

The Financial Stability Board (FSB) has set out 10 high-level recommendations for the regulation, supervision and oversight of global stablecoin (GSC) arrangements, aimed at mitigating financial stability risks while allowing responsible innovation. It defines the scope (covering GSCs and stablecoins that could become GSCs, but not CBDCs), clarifies that recommendations are activity- and risk-based, and will be reviewed for implementation by end-2025.^[1]

Objectives and scope

The recommendations seek consistent, technology-neutral regulation of GSCs across jurisdictions, grounded in “same activity, same risk, same regulation” and focused on financial stability.^[1]

They complement, rather than replace, existing sectoral standards (e.g., IOSCO, CPMI-IOSCO, BCBS, FATF) and may be applied more broadly to other stablecoins depending on size, complexity and risk.^[1]

Ten key recommendations

Authorities should have sufficient powers, tools, and resources to regulate, supervise, prohibit, and enforce rules on all GSC activities and related entities, closing any legal or regulatory gaps.^[1]

Comprehensive, function-based oversight should apply existing regulatory frameworks (e-money, payment systems, CIS, deposit-taking, securities, etc.) and bring critical intermediaries (trading platforms, custodians, wallet providers) within the perimeter.^[1]

Domestic and cross-border cooperation arrangements (e.g., colleges, MoUs) should support information-sharing, coordinated supervision, crisis management and avoid regulatory arbitrage.^[1]

Governance, risk and data

GSC arrangements must have clear, transparent governance with identifiable accountable legal entities, human intervention capability, and disclosures of roles, conflicts of interest and reliance on third parties or protocols.^[1]

Authorities should require comprehensive risk management covering operational resilience, cyber security, AML/CFT (including FATF “travel rule”), liquidity and redemption-run scenarios, with ongoing risk assessments and contingency planning.^[1]

Robust data frameworks are required for collection, storage, safeguarding and timely reporting of both on-chain and off-chain data, with authorities able to access relevant information wherever it is located.^[1]

Recovery, disclosures and stabilisation

GSCs should have recovery and resolution plans to support orderly wind-down, continuity of critical functions and coordination across all relevant jurisdictions and entities.^[1]

Issuers and key participants must provide transparent disclosures on governance, stabilisation mechanisms, reserve composition and custody, redemption rights and processes, and make circulation and reserve data regularly audited and public.^[1]

GSCs must offer robust legal redemption rights (par, timely redemption for single-fiat GSCs),



use an effective non-algorithmic stabilisation mechanism with conservative, high-quality, highly liquid unencumbered reserve assets, and meet appropriate capital and liquidity prudential requirements.^[1]

Implementation, annexes and GSC criteria

GSC arrangements must fully meet applicable regulatory, supervisory and oversight requirements (licensing/registration) before operating in any jurisdiction and be able to adapt to evolving rules.^[1]

Annexes provide: (i) design considerations for cross-border cooperation arrangements; (ii) a common disclosure template for reserve assets; and (iii) potential metrics to determine whether a stablecoin qualifies as a GSC (e.g., users, transaction volumes, reserve size, cross-border use, interconnectedness).^[1]

IMF-FSB Synthesis Paper: Policies for Crypto-Assets

This paper is a joint IMF–FSB synthesis that brings together macroeconomic and financial stability policy guidance for crypto-assets, including stablecoins and DeFi, without creating new standards. It explains how IMF macro-policy

advice (monetary, fiscal, capital flows, legal and integrity issues) and FSB/SSB regulatory frameworks (financial stability, market integrity, investor protection, prudential rules, AML/CFT) fit together as a comprehensive response.^[2]

Crypto-asset risks and limited benefits

Crypto-assets have been highly volatile, with market cap surging to about USD 2.6 trillion in 2021 and then dropping below USD 1 trillion in 2022, while use in core financial services remains limited.^[2]

Purported benefits (cheaper cross-border payments, inclusion, diversification, transparency) largely have not materialised at scale, while risks to macroeconomic stability, financial stability, financial integrity and consumer/market protection are already evident.^[2]

Macroeconomic implications

Widespread adoption can weaken monetary policy transmission, fuel “cryptoization” and currency substitution (especially via foreign-currency stablecoins), and create fiscal risks through tax leakage, exchange-rate exposure and contingent liabilities.^[2]

Crypto-assets can undermine capital flow management measures, increase capital flow volatility and complicate exchange-rate and macro-financial management, with EMDEs facing higher incentives to adopt and greater capacity constraints.^[2]

Financial stability and stablecoins

The crypto ecosystem replicates traditional vulnerabilities (leverage, maturity and liquidity mismatch, operational fragilities, interconnectedness) often outside regulatory perimeters or in non-compliance with rules.^[2]

Stablecoins, especially global stablecoins (GSCs), are key nodes linking crypto and traditional finance, are prone to runs if pegs or redemption promises fail and can transmit shocks quickly across markets and borders.^[2]

Policy and regulatory response

A comprehensive response has three pillars: (i) sound macro-financial policies (strong monetary frameworks, clear tax treatment, calibrated CFMs); (ii) robust financial-stability regulation based on “same activity, same risk, same regulation”; and (iii) other policies (AML/CFT,

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consumer and investor protection, competition, data, etc.).^[2]

Jurisdictions should implement FATF AML/CFT standards for virtual assets and VASPs, use licensing/registration and reporting to close data gaps, and may, especially EMDEs, adopt additional targeted measures beyond the global baseline.^[2]

Roadmap and implementation

The paper sets a roadmap covering: implementation of IMF and FSB/SSB frameworks by members, outreach beyond G20, enhanced global coordination and information-sharing, and work to address significant data gaps.^[2]

Annexes summarise recent IO/SSB publications, restate the 10 FSB GSC recommendations, and provide a detailed shared FSB–SSB workplan, positioning this synthesis as the reference for coordinated global crypto-asset policy.^[2]

Contributed by Mr. Chirag Bakshi.

For detailed understanding or more information, send your queries to knowledge@kcmehtha.com

1. Report on recommendation of Financial Stability Board for Stable Coins

2. IMF-FSB Synthesis Paper: Policies for Crypto-Assets

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White paper from the Committee of Sponsoring Organizations of the Treadway Commission (COSO), published in December 2024. It guides organizations on achieving effective internal control over Robotic Process Automation (RPA) by aligning RPA governance with the COSO Internal Control-Integrated Framework (COSO-ICIF).^[1]

Overview

The paper introduces RPA as software bots automating repetitive, rules-based tasks like reconciliations and data extraction, highlighting benefits such as efficiency gains alongside risks like security vulnerabilities and uncontrolled bot proliferation. It presents an RPA Bot Governance Framework with four areas: Bot Usage Decision, Access and Authorization Management, Managing RPA Process Changes, and IT Operations, each with specific control requirements (e.g., ensuring bot compliance with IT standards). Authored by Prof. Dr. Marc Eulerich, Jan Gruene, and Dr. David A. Wood, it draws from research interviews with auditors and IT specialists.^[1]

COSO-ICIF Alignment

COSO-ICIF's five components—Control Environment, Risk Assessment, Control Activities,

Information & Communication, and Monitoring Activities—are mapped to RPA controls. For example, Control Requirement 1.4 (competent bot developers) aligns with Control Environment Principle 4 (commitment to competence), while Requirement 4.3 (monitor bot deviations) fits Monitoring Activities Principle 16 (ongoing evaluations). This mapping addresses RPA-specific challenges like citizen developer risks and bot failures.^[1]

COSO Component	Key RPA Controls Mapped	Example Strategies
Control Environment	1.4 (developer competence), 4.4 (backups)	Training/certification, backup policies ^[1]
Risk Assessment	1.1 (automation feasibility), 1.5 (IC-relevant bots), 3.1 (bot inventory)	Compatibility checks, impact assessments ^[1]
Control Activities	1.3 (IT compliance), 2.1 (access restrictions), 3.2/3.3 (change mgmt)	RBAC, formal approvals, server standards ^[1]
Information & Communication	1.2 (existing bot suitability), 2.2 (cybersecurity), 4.2 (incident mgmt)	Audit logs, stakeholder interfaces ^[1]
Monitoring Activities	4.3 (deviation logging)	Automated alerts, regular tests ^[1]

Practical Guidance

The paper offers implementation steps like RPA maturity assessments, cross-functional governance committees, and centralized bot repositories. An appendix provides checklists for each COSO component, covering audits, training, and incident response. It emphasizes embedding RPA into existing controls for compliance in financial reporting and operations.^[1]

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Key Takeaways for Auditors

Given your expertise in internal audit and compliance in India's power sector and banking, this framework enhances RPA audits by integrating with COSO principles, aiding risk assessments for automated financial controls like ECL provisions. Recommendations include bot inventories and regular testing to mitigate "dark side" risks like knowledge loss.^[1]

Practical, real-world applications of each principle and core concept from Preface to the Standards on Internal Audit. Each item connects of the theory to "how an internal auditor can actually use it on the job."^[2]

Practical Applications of Basic Principles

1. Independence

Place internal audit under the Audit Committee instead of CFO to avoid influence.

Refuse involvement in designing controls so you can audit them later objectively.

2. Integrity & Objectivity

Disclose personal connections with auditees to avoid conflict of interest.

Base observations on evidence (logs, data, documents) rather than management explanations.

3. Due Professional Care

Perform walkthroughs, risk assessments, and sample testing instead of relying solely on verbal statements.

Escalate red flags instead of ignoring them because of time pressure.

4. Confidentiality

Use encrypted drives to store audit evidence and restrict access to need-to-know team members.

Avoid discussing audit findings in common office areas or group chats.

5. Skills & Competence

Engage specialists (IT, cybersecurity, valuation) for areas where team lacks technical depth.

Attend ICAI/industry workshops to stay updated on emerging risks.

6. Risk-Based Audit

Prioritise high-risk areas like cash handling, cybersecurity, procurement, and credit approvals.

Use a risk matrix to decide audit scope and frequency.

7. Systems & Process Focus

Map end-to-end processes (e.g., P2P, O2C) to identify systemic weaknesses rather than isolated errors.

Review control design (who approves, who records, who reconciles).

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8. Participation in Decision-Making

Provide insights on risk implications of a new ERP but avoid selecting the ERP vendor.

Join management committees as an observer—not as a decision maker.

9. Sensitivity to Stakeholder Interests

Tailor reports differently for Board, operations teams, and regulators.

Highlight issues impacting employees, customers, and vendors, not just financial risks.

10. Quality & Continuous Improvement

Use audit software, automation, and data analytics for better insights.

Conduct internal quality reviews of audit files annually.

Practical Applications of Core Concepts

1. Terms of Internal Audit Engagements

Ensure engagement letters clarify scope, access rights, timelines, and confidentiality.

Add clauses for reporting fraud or non-cooperation.

2. Managing Internal Audit Function

Prepare an annual audit plan approved by the Audit Committee.

Set KPIs for audit team: timely reporting, quality score, closure of findings.

3. Internal Controls

Test segregation of duties in procurement to ensure no individual can create, approve, and pay a vendor.

Verify automated controls—such as system-generated 3-way matching before purchase payment.

4. Risk Management

Review the organisation's risk register for completeness and accuracy.

Evaluate whether mitigation actions (insurance, access controls, approvals) are working.

5. Compliance with Laws & Regulations

Check GST filings, TDS returns, labour law registers, and industry-specific regulations.

Flag non-compliance early to avoid penalties.

6. Value Addition

Suggest process improvements such as automation of manual logs or reduction of approval layers.

Provide insights that reduce errors, improve efficiency, or prevent fraud.

Practical Applications of Standards (SIAs)

Follow a uniform audit documentation checklist—planning memo, risk assessment, testing sheets, conclusion notes.

If you deviate from any SIA, document the reason (e.g., urgency, limited scope).

Practical Applications of Guidance (Implementation/Technical Guides)

Use industry-specific guides when auditing banks, NBFCs, PSUs, or manufacturing units.

Apply Implementation Guides to structure audit programs, sampling techniques, and working papers.

1. COSO-RPA-Paper-Dec-2024.pdf
2. Exposure Draft Preface to the Standards on Internal Audit The Internal Audit Standards Board of The Institute of Chartered Accountants of India (ICAI)

Contributed by Mr. Chirag Bakshi.

For detailed understanding or more information, send your queries to knowledge@kcmehra.com

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For further analysis and discussion, you may please reach out to us.



Locations

Ahmedabad

Arpit Jain

Level 11, Tower B,
Ratnaakar Nine Square,
Vastrapur,
Ahmedabad - 380 015

Phone: + 91 79 4910 2200
arpit.jain@kcmehta.com

Bengaluru

Dhaval Trivedi

4/1, Rudra Chambers, First
Floor, 4th Main, B/W 8th & 9th
Cross Road, Malleshwaram,
Bengaluru - 560 003

Phone: +91 80 2356 1880
dhaval.trivedi@kcmehta.com

Mumbai

Bhadresh Vyas

315, The Summit Business Park,
Opp. Max Cinema, Nr. WEH Metro
Station, Andheri East, Gundavali,
Mumbai - 400 069

Phone: +91 22 2612 5834
bhadresh.vyas@kcmehta.com

Vadodara

Milin Mehta

Meghdhanush,
Race Course,
Vadodara - 390 007

Phone: +91 265 2440 400
milin.mehta@kcmehta.com

Dubai

Suril Mehta

Dubai, United Arab Emir-
ates

Phone: +971 55 509 2621
suril.mehta@kcmehta.com

Abbreviations

Abbreviation	Meaning
AA	Advance Authorisation
AAR	Authority of Advance Ruling
AAAR	Appellate Authority of Advance Ruling
AAC	Annual Activity Certificate
AD Bank	Authorized Dealer Bank
AE	Associated Enterprise
AGM	Annual General Meeting
AIR	Annual Information Return
ALP	Arm's length price
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of Person
APA	Advance Pricing Arrangements
AS	Accounting Standards
ASBA	Applications Supported by Blocked Amount
AY	Assessment Year
BAR	Board of Advance Ruling
BEAT	Base Erosion and Anti-Avoidance Tax
CBDT	Central Board of Direct Tax
CBIC	Central Board of Indirect Taxes and Customs
CCA	Cost Contribution Arrangements
CCR	Cenvat Credit Rules, 2004
COO	Certificate of Origin

Abbreviation	Meaning
CESTAT	Central Excise and Service Tax Appellate Tribunal
CGST Act	Central Goods and Service Tax Act, 2017
CIT(A)	Commissioner of Income Tax (Appeal)
Companies Act	The Companies Act, 2013
CPSE	Central Public Sector Enterprise
CSR	Corporate Social Responsibility
CTA	Covered Tax Agreement
CUP	Comparable Uncontrolled Price Method
Customs Act	The Customs Act, 1962
DFIA	Duty Free Import Authorization
DFTP	Duty Free Tariff Preference
DGFT	Directorate General of Foreign Trade
DPIIT	Department of Promotion of Investment and Internal Trade
DRI	Directorate of Revenue Intelligence
DRP	Dispute Resolution Panel
DTAA	Double Tax Avoidance Agreement
ECB	External Commercial Borrowing
ECL	Electronic Credit Ledger
EO	Export Obligation
EODC	Export Obligation Discharge Certificate

Abbreviation	Meaning
EPCG	Export Promotion Capital Goods
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FII	Foreign Institutional Investor
FIFP	Foreign Investment Facilitation Portal
FIRMS	Foreign Investment Reporting and Management System
FLAIR	Foreign Liabilities and Assets Information Reporting
FPI	Foreign Portfolio Investor
FOCC	Foreign Owned and Controlled Company
FTC	Foreign Tax Credit
FTP	Foreign Trade Policy 2015-20
FTS	Fees for Technical Service
FY	Financial Year
GAAR	General Anti-Avoidance Rules
GDR	Global Depository Receipts
GMT	Global Minimum Tax
GILTI	Global Intangible Low-Taxed Income
GSTN	Goods and Services Tax Network
GVAT Act	Gujarat VAT Act, 2006
HSN	Harmonized System of Nomenclature

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Abbreviation	Meaning
IBC	Insolvency and Bankruptcy Code, 2016
ICDS	Income Computation and Disclosure Standards
ICDR	Issue of Capital and Disclosure Requirements
IEC	Import Export Code
IIR	Income Inclusion Rule
IMF	International Monetary Fund
IRP	Invoice Registration Portal
IRN	Invoice Reference Number
ITC	Input Tax Credit
ITR	Income Tax Return
IT Rules	Income Tax Rules, 1962
ITAT	Income Tax Appellate Tribunal
ITR	Income Tax Return
ITSC	Income Tax Settlement Commission
JV	Joint Venture
LEO	Let Export Order
LIBOR	London Inter Bank Offered Rate
LLP	Limited Liability Partnership
LOB	Limitation of Benefit
LODR	Listing Obligations and Disclosure Requirements
LTA	Leave Travel Allowance
LTC	Lower TDS Certificate

Abbreviation	Meaning
LTCG	Long term capital gain
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs
MeitY	Ministry of Electronics and Information Technology
MSF	Marginal Standing Facility
MSME	Micro, Small and Medium Enterprises
NCB	No claim Bonus
OECD	The Organization for Economic Co-operation and Development
OM	Other Methods prescribed by CBDT
PAN	Permanent Account Number
PE	Permanent establishment
PPT	Principle Purpose Test
PSM	Profit Split Method
PY	Previous Year
QDMTT	Qualified Domestic Minimum Top-up Tax
RA	Regional Authority
RMS	Risk Management System
ROR	Resident Ordinary Resident
ROSCTL	Rebate of State & Central Taxes and Levies
RoDTEP	Remission of Duties and Taxes on Exported Products

Abbreviation	Meaning
RPM	Resale Price Method
SC	Supreme Court of India
SCN	Show Cause Notice
SDS	Step Down Subsidiary
SE	Secondary adjustments
SEBI	Securities Exchange Board of India
SEP	Significant economic presence
SEZ	Special Economic Zone
SFT	Specified Financial statement
SION	Standard Input Output Norms
SOP	Standard Operating Procedure
ST	Securitization Trust
STCG	Short term capital gain
SVLDRS	Sabka Vishwas (Legacy Dispute Resolution Scheme) 2019
TCS	Tax collected at source
TDS	Tax Deducted at Source
TNMM	Transaction Net Margin Method
TP	Transfer pricing
TPO	Transfer Pricing Officer
TPR	Transfer Pricing Report
TRO	Tax Recovery Officer
UTPR	Undertaxed Profits Rules
u/s	Under Section
WOS	Wholly Owned Subsidiary

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