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We are happy to present **kcm**Insight, 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.

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Indirect Tax

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India's Banks Are Being Rewired from the Inside

India's Next Money Revolution Has Already Been Written

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The Auditor Who Must Answer to Everyone

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Foreign Exchange Management (Export and Import of Currency) (Amendment) Regulations, 2026

Reserve Bank of India (Core Investment Com-panies) Amendment Directions, 2026

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- Ease of Doing Investment (EoDI)- Disclosure of registered name and registration number by SEBI regulated entities and their agents on Social Media Platforms (SMPs)
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- Introduction of Voluntary Lock-in / Debit freeze facility to Mutual Fund folios
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Finance & Market

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When the Music Stops - The Hidden Risks of Private Credit

> *When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance." - Chuck Prince, former CEO of Citigroup, July 2007.*

Private credit - lending to businesses outside the traditional banking system - has been one of the fastest growing corners of global finance over the last decade or so. The pitch was consistent: higher yields than public bonds, low volatility, genuine diversification, and a premium for holding illiquid instruments.

However, some recent events have placed that narrative under severe stress. Four of the largest asset managers - BlackRock, Cliffwater, Morgan Stanley, and Blue Owl - have been forced to restrict investor redemptions. A fifth firm, Stone Ridge Asset Management, honoured only 11% of redemption requests.

These are not isolated incidents but the most visible symptoms of structural problems running through private credit as an asset class - problems that existed long before and will probably persist even after.

How Were These Products Marketed?

Private credit funds were positioned as sophisticated alternatives offering superior risk-adjusted returns. The marketing rested on four pillars: superior yields (typically 200–400 bps above comparable public credit), low volatility (infrequent valuations create the appearance of smooth returns), true diversification (low correlation with equities and bonds), and an illiquidity premium compensating investors for holding non-traded assets.

As institutional allocations to alternatives climbed over the last two decades, asset managers targeted retail investors through a new vehicle: semi-liquid funds (interval funds and non-traded BDCs), marketed as 'democratising private markets.' Some of these even offered quarterly redemption windows while holding assets that take months or years to sell. On paper, the best of both worlds. In practice, a structural mismatch waiting to unravel.

Private Credit as an Asset Class

While the redemption crisis is a visible symptom, the underlying disease has five dimensions:

- **Too much capital:** Global private credit AUM grew to ~USD 1.7 trillion - a market that barely existed before 2010. As capital inflows outpaced creditworthy borrowers, underwriting standards weakened, covenants were stripped, and payment-in-kind (PIK) provisions - allowing borrowers to defer cash interest - became widespread. Risk transferred from borrower to lender, often invisibly.
- **Valuation opacity:** Private loans are priced by internal models, not markets. Managers have limited incentive to mark assets down - lower valuations reduce AUM, fee income, and invite redemptions. Losses accumulate silently and crystallise suddenly when impairment can no longer be deferred.
- **Double leverage:** Leverage operates at two levels simultaneously - borrowers themselves are typically highly leveraged, and fund vehicles layer additional borrowing on top. A moderate deterioration in loan values can produce a severe NAV decline once both leverage layers are applied.

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- **Vulnerable borrowers:** Private credit portfolios skew heavily toward leveraged buyout-backed companies. These borrowers share similar risk characteristics and tend to default in clusters during economic downturns, undermining the diversification thesis. Rising rates from 2022 onwards exposed this - PIK usage surged as borrowers struggled with higher floating-rate obligations.
- **Illiquidity with no real exit:** Secondary markets for private loans are thin and discount heavy. The problem is not illiquidity per se - it is the industry's decision to package illiquid assets into vehicles that implied otherwise.

> *The apparent stability of private credit returns is not evidence of genuine low risk. It is a measurement artefact - the product of infrequent, discretionary valuation rather than actual economic stability.*

Why Semi-Liquid Structures Failed

Semi-liquid funds violated a principle as old as banking: illiquid assets should never be financed with redeemable capital without a lender of last resort standing behind the structure. Banks can accept short-term deposits and make long-term loans only because central banks provide emergency backstop liquidity. Private credit managers have no such support. When redemption requests exceeded manageable levels, the gap between quarterly liquidity promises and multi-year asset durations became impossible to bridge - triggering the same run dynamic seen in wildcat banks in the 1800s, trust companies in the early 1900s, and money market funds in 2008.

How the Fund Houses Responded

Fund House	Fund / Vehicle	Action Taken	When
BlackRock	Private Credit Fund	Gated redemptions - limited investor withdrawals	Late 2024 / Early 2025
Cliffwater	Corporate Lending Fund (CCFLF)	Gated redemptions - restricted investor exits	Early 2025
Morgan Stanley	Private Credit Fund	Suspended periodic liquidity windows	Early 2025
Blue Owl	OBDC II	Permanently eliminated quarterly liquidity	Early 2026
Stone Ridge	Consumer & Small-Business Loan Fund	Honoured only 11% of redemption requests	Early 2026

Blue Owl's action was the most significant: in February 2026, it permanently - not temporarily - eliminated quarterly liquidity in OBDC II, formally acknowledging that periodic redemptions are structurally

incompatible with the underlying assets. Stone Ridge, holding consumer and small-business loans rather than corporate credit, illustrates that the problem spans the full private credit spectrum.

Risks Investors Actually Bear

- **Limited disclosure:** Portfolio composition, borrower health, and valuation methodologies are not publicly disclosed. Problems become visible only when they are already severe.
- **Valuation discretion:** No requirement to mark loans to where they could actually be sold. Reported NAV can materially overstate economic reality during stress periods.
- **Liquidity right is not a guarantee:** Fund documents permit managers to gate, suspend, or eliminate redemptions precisely when investors most want to exit. The marketing and the legal reality diverge sharply.
- **Leverage and complexity:** PIK provisions, unitranche structures, second-lien positions - the seniority and recovery prospects of any loan in a default scenario are far harder to assess than in standard public credit instruments.

For Indian investors, the relevance is direct. Domestic private credit is growing rapidly through AIFs, attracting family offices, institutions, and high-net-worth individuals. SEBI has introduced guardrails, but commercial pressure to democratise alternatives continues to intensify. The risks described above are not abstract or foreign - they are present, in varying degrees, in any private credit market operating under the same structural dynamics.

Conclusion

The crisis in private credit reflects two distinct but related failures: a market-level failure, as years of excess capital inflows drove down underwriting standards and created an increasingly vulnerable borrower base; and a structural failure, as illiquid assets were packaged into vehicles that promised liquidity they could not deliver. Both failures share a common root - incentives at every level of the supply chain rewarded expansion and penalised scepticism.

Private credit is not a safe alternative to fixed income. It carries illiquidity risk, valuation opacity, leverage risk, concentration risk, and a real possibility that redemption rights only exist in the fund documents but not in practice.

For investors evaluating private credit: scrutinise liquidity terms rigorously, understand the leverage embedded in the structure, and assess borrower quality independently. And always ask: What happens if many investors want to exit simultaneously? The honest answer is - the music stops!

Sources

All references to named fund houses are drawn directly from below publicly available sources:

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Source	Article / Data	Details
CFA Institute	The Music Has Stopped in Private Markets	Higgins, CFA, CFP - 18 Mar 2026
Wall Street Journal	An Exodus of Money Endangers Wall Street's Private Credit Craze	WSJ, 2025
Wall Street Journal	Private Credit's Investor Exodus Spreads to Consumer Loans	WSJ, 2026
CNBC	Blue Owl Permanently Eliminates Quarterly Liquidity in OBDC II	CNBC, 19 Feb 2026
CFA Institute	Incentives Are Dangerously Aligned in Private Markets	Higgins - 7 Jan 2026
Public Plans Data	National Data – Investments (State & Local Pension Allocations)	Boston College - Mar 2026

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Important Updates

ITAT allows deductibility of proportionate IPO Expenses to Selling Shareholders

Zarah Rafique Malik, ITA No. 5159 / Mum / 2025, Mumbai Tribunal

The taxpayer, a selling shareholder, participated in the IPO of Metro Brands Limited through an offer for sale (OFS) route. Out of the total issue of 2.73 crore shares, only 59 lakh shares constituted a fresh issue, while the balance represented shares sold by existing shareholders through OFS.

For AY 2022–23, the taxpayer claimed deduction of Rs. 3.64 crore as proportionate IPO expenses from Long-Term Capital Gains arising on sale of shares, contending that such expenses were incurred wholly and exclusively in connection with the transfer. The sale proceeds received were net of such expenses, as per the IPO arrangements and prospectus disclosures.

The Revenue disallowed the claim on the grounds that IPO-related expenses are capital in nature, relying on Brooke Bond India Ltd. v. CIT and Punjab State Industrial Development Corpn. Ltd. v. CIT and contended that the cost-sharing arrangement between the company and shareholders was a colourable device to pass on non-deductible expenses to shareholders. The revenue further contended that the company, being the primary beneficiary of IPO, had incurred the expenditure and there was no direct nexus between such expenses and transfer of shares by the taxpayer.

The taxpayer argued that the IPO expenses were incurred wholly and exclusively in connection with the transfer of shares and participation in OFS required incurring such costs to access public markets and realize fair value. It was submitted that the taxpayer had consented to offer her shares in the OFS and had explicitly agreed to bear a proportionate share of the total IPO costs. The taxpayer provided evidence that the sale proceeds transferred to her account were already net of these proportionate expenses, as outlined in the IPO prospectus. Relying on the Bombay High Court decision in CIT vs. Shakuntala Kantilal, the taxpayer emphasized that the phrase "in connection with such transfer" is intentionally broader than "for the transfer," covering any cost essential to the transaction. Additionally, it was highlighted that the Revenue had already allowed similar deductions for other co-selling promoter shareholders in the same IPO. The Mumbai ITAT ruled in favor of the taxpayer, observing that the proportionate IPO expenses were clearly incurred in connection with the transfer of shareholding and were thus deductible. The Tribunal noted that an OFS is a standard mechanism for transferring bulk shares during an IPO, and since the taxpayer was a participant and has agreed to share the pro rata expense in accordance with her shareholding, the nexus between the costs and the sale was established. The ITAT remarked that the Revenue could not selectively tax the gross sale proceeds while disallowing the very expenses required to realize that value.

Tribunal further clarified that except for the fresh issue portion, there was no expansion of the company's capital base, and hence such costs could not be attributed solely to the company's increase in share capital. Tribunal observed that initial payment by the company was irrelevant, as the costs were ultimately recovered from the seller. Finally, the Tribunal invoked the principle of consistency, stating that the Revenue could not take a contrary position when similar claims had been accepted for other selling shareholders in the same transaction.

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This ruling provides much-needed clarity on the deductibility of proportionate IPO expenses for selling shareholders, thus turning down the revenue's approach of treating cost sharing as colourable device. By interpreting the term "wholly and exclusively in connection with such transfer" broadly, the Tribunal has affirmed that any expenditure that is a prerequisite for a transaction to materialize should be considered a valid deduction under Section 48(i) of the ITA.

Opportunity of hearing should be real, reasonable and effective and not mere paper opportunity

Rajesh Suhas Verenkar, ITA No. 018 to 024/PAN/2026, Panaji Tribunal

Riya Rajesh Verenkar, ITA No. 025 to 030 & 052/PAN/2026, Panaji Tribunal

Rajesh Suhas Verenkar, the taxpayer, engaged in civil construction and related activities, was subjected to a search and seizure action under Section 132 of the ITA, pursuant to which assessments were framed under Sections 153A/153C of the ITA for seven assessment years each in his and his spouse's name (due to applicability of section 5A of the ITA). During the assessment proceedings, the Assessing Officer (AO) observed suppression of income based on seized material and accordingly, additions were made on account of alleged unaccounted receipts. Aggrieved, both the taxpayers appealed before the CIT(A).

During appellate proceedings, the CIT(A) issued as many as six notices for each of the year viz. notice dated 28/11/2024, 06/12/2024, 08/05/2025, 04/07/2025, 11/07/2025 & 23/07/2025. All notices were issued for common hearing dates for both the taxpayers across all seven appeals by granting only seven days to respond which is less than reasonable period of fifteen days. The taxpayers furnished few affidavits, applications etc. online without bringing the same to the notice of CIT(A) though proceedings were pending in physical mode. Ultimately, the appeals were disposed of ex-parte, confirming additions made by the AO.

On appeal to Tribunal, the Tribunal noted that only about 7 days were granted for compliance, and multiple appeals were clubbed together for hearing on the same day. Accordingly, relying on Hon'ble Apex court's judgement in St. Paul's Anglo Indian Education Society [2003, 262 ITR 377 (Pat)], such timelines were held to be unreasonable and inadequate, effectively depriving the taxpayer of a fair opportunity. Accordingly, the Tribunal remitted the matter back to the CIT(A) for de novo adjudication. Tribunal held that the opportunity of being heard should be "real, reasonable, and effective," and not a mere paper opportunity. It observed that granting short timelines and fixing multiple matters on the same day defeats the very purpose of natural justice. The Tribunal emphasized that "empty formality is nothing but denial of justice.

Pointing to taxpayer's attempt to furnish additional evidence through e-filing portal instead of representing before CIT(A), ITAT articulates that the taxpayer did fail to bring their online response/submission to the notice of the CIT(A), before whom the proceedings were pending in physical form, Therefore, ITAT remarks that even though this attempt looks much less bonafide, yet the proceedings culminated into the passing of an ex-parte order, without consideration of necessary material that was available with the AO. Tribunal asserts that the taxpayer were deprived of reasonable opportunity and reasonable time to produce all relevant

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documents/evidences to support its contentions. Accordingly, denial of proper opportunity by the appellate authority outweighed this lapse.

The ruling reaffirms that justice must not only be done but also seen to be done through a fair and reasonable process. The ITAT has rightly rejected the "empty formality" of short-notice hearings and protected taxpayers against arbitrary ex-parte orders.

That said, in the present case, the first CIT notice was issued in November 2024 and the orders were passed in November 2025, giving the taxpayer a substantial overall window to respond. Accordingly, notwithstanding the short time granted in each notice, a contrary view may be possible in similar cases where sufficient time has otherwise been available to the taxpayer throughout the proceedings.

No income, no TDS: Bombay HC holds cost sharing reimbursement without markup not liable to tax deduction at source

Pr. CIT v. Pfizer Products India Pvt. Ltd., ITA No. 2479 of 2018, Bombay High Court

Pfizer Products India Pvt. Ltd., the taxpayer, is engaged in trading of pharmaceutical products. Under a cost sharing agreement (CSA) with its sister concern, Pfizer Ltd., the taxpayer used Pfizer Ltd.'s Field Force Facility. Accordingly, the taxpayer reimbursed Pfizer Ltd. Rs. 14.51 crores for AY 2009-10 for expenses incurred towards personnel costs, travelling, advertising and promotion and miscellaneous expenses, strictly on a cost-to-cost basis with no markup. No TDS was deducted on this payment. The AO disallowed the expenditure u/s 40(a)(ia) of the ITA for non-deduction of TDS. The CIT(A) deleted the disallowance, holding the payment was a pure reimbursement with no income element, and the Tribunal agreed. The Revenue then appealed to the Bombay High Court, which dismissed the appeal and upheld the decisions of the CIT(A) and ITAT.

The Revenue raised two arguments. First, that the invoices raised by Pfizer Ltd. on the taxpayer included service tax, which it argued indicated a profit or service component embedded in the payment and therefore it could not be a pure reimbursement exempt from TDS. Second, it pointed out that the taxpayer had described these payments as business auxiliary services before the Service Tax authorities, on which service tax had been paid, and argued that the taxpayer could not take a contradictory position before income tax authorities by calling the same payments a reimbursement. On both counts, the Revenue maintained that the disallowance u/s 40(a)(ia) of the ITA was justified.

The taxpayer submitted that the cross charges were covered by the CSA and represented a straightforward reimbursement of actual expenses incurred by Pfizer Ltd., being staff costs, travel, advertising and miscellaneous items, without any profit element. It further pointed out that Pfizer Ltd. had itself deducted TDS at appropriate rates on all payments made to third party vendors and employees, and had not claimed any separate deduction for the reimbursed expenditure. There was therefore no loss of revenue to the government. On service tax, the taxpayer argued that service tax had been charged on a conservative basis due to the then prevailing ambiguity on whether reimbursements were liable to service tax, an ambiguity which was later on settled by the Supreme Court in Union of India v. Intercontinental Consultants and Technocrats Pvt. Ltd. [2018] and Gujarat State Fertilizers and Chemicals Ltd. v. CCE

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[2017], wherein SC held that service tax cannot be levied on reimbursements. Without prejudice, the taxpayer also relied on the second proviso to Section 40(a)(ia) of the ITA inserted by the Finance Act, 2012, contending that since Pfizer Ltd. had filed its return, credited the amount to its P&L and paid the taxes on its income, the taxpayer could not be treated as an assessee in default.

The Bombay High Court dismissed the Revenue's appeal. It examined the CSA and found that the cross charge was purely on a cost-to-cost basis with no income or profit component. Since there was no income element in the payment, TDS was not warranted. Further, Pfizer Ltd. had already deducted TDS on underlying payments to vendors and employees and had not claimed any deduction for the reimbursed amount. On the service tax argument, the Court held that the fact that service tax was charged on the invoices could not, by itself, convert a reimbursement into income. The court in view of the above held that no TDS is warranted on payments which are in nature of re-imbursements.

Further, the court, following CIT v. Ansal Land Mark Township [Delhi HC, 2015] held second proviso to Section 40(a)(ia) of the ITA, to be declaratory and curative in nature, operating retrospectively from 1 April 2005 i.e. introduction of the section 40(a)(ia) of the ITA. Accordingly, the court held that even otherwise, since Pfizer Ltd. had filed its return, credited the amount received from taxpayer in its P&L account, paid due taxes and a CA certificate was on record, the taxpayer could not be treated as an assessee in default. Accordingly, Revenue's appeal was dismissed finding no substantial question of law.

This ruling settles a question that comes up fairly often in group company arrangements. Does a cost sharing reimbursement attract TDS? The answer, as courts have consistently held, is no, as long as there is no income or profit embedded in the payment. The key here was documentation. The CSA clearly established cost to cost sharing, Pfizer Ltd. had not claimed a separate deduction, and Pfizer Ltd. had already deducted TDS on underlying payments. That combination left little room for the Revenue to argue. The service tax angle in this case is worth pausing on. The Revenue argued that because service tax was charged on the invoice, there must be an income component. This is a flawed reading. Compliance with one law does not determine the character of a payment under another. The Supreme Court had already held that service tax cannot be levied on pure reimbursements, so even the service tax charge was arguably incorrect in the first place. The Court was right to reject this argument. There is also a broader lesson here for practitioners. The taxpayer had described the same transaction as business auxiliary services before the service tax authorities and as a reimbursement before income tax authorities. The Revenue tried to use this inconsistency against the taxpayer. While the Court did not accept the argument this time, it is a reminder that positions taken in indirect tax proceedings can surface in direct tax assessments and vice versa. In group structures involving shared services or cost allocation arrangements, it is worth ensuring that the characterisation of a transaction is consistent across all filings. Further, the retrospective application of the second proviso to Section 40(a)(ia) of the ITA is re-asserted.

Penalty u/s 43 of the BMA not leviable for omission in Schedule FA if foreign assets disclosed in other schedules of return of income

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Adijin Perfumes Private Limited, BMA No.48 to 53/Mum/2025, Mumbai Tribunal

The taxpayer, an Indian resident company, had made overseas investment in a foreign entity located in Sharjah, UAE. Being a resident, the taxpayer was required to disclose such foreign investment in Schedule FA of the return of income ('ROI').

The taxpayer had duly recorded such investments in the company's books of account and has disclosed such investments in the audited balance sheet under the head "Non-current Investments" and also reported these investments in ROI in Part A-BS (Balance Sheet) under the head "other investments" . However, due to an oversight, Schedule FA was left unfilled and the taxpayer incorrectly answered "No" to the question relating to foreign assets in Part B of the ROI. Subsequently, the Assessing Officer ('AO'), noting the omission, initiated penalty proceedings under Section 43 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 ('BMA').

In this regard, firstly, it is relevant to refer the provision of section 43 of BMA which reads as under:

"If any person, being a resident (other than not ordinarily resident), fails to furnish in the return of income any information relating to an asset (including financial interest in any entity) located outside India, he shall be liable to a penalty of ₹10,00,000."

Thus, from above, it can be said that the statutory trigger for penalty is the failure to furnish any information in the return of income regarding foreign assets.

Based on above facts, the taxpayer contended that the foreign investment was made in compliance with RBI/FEMA regulations which were completely disclosed in audited financial statements and ROI balance sheet and thus there was no concealment or suppression of the foreign asset. The taxpayer argued that the omission to disclose in Schedule FA was a bona fide and inadvertent clerical error, devoid of any contumacious intent. It further contended that technical or procedural lapses in the reporting format of the ROI should not attract penalty under Section 43 of BMA where substantive disclosure exists. Reliance in this regard was placed on judicial precedents in case of Ocean Diving Centre Ltd. (ITAT Mumbai) and Addl. CIT v. Leena Gandhi Tiwari (ITAT Mumbai).

The Revenue argued that penalty was rightly levied on account of below contentions:

- Section 43 of BMA is a strict liability provision, where intent or mens rea is irrelevant;
- disclosure in Schedule FA is a mandatory statutory requirement and cannot be substituted by disclosure elsewhere;
- compliance with RBI norms does not provide immunity from reporting requirement;
- the taxpayer's answer of "No" to foreign asset ownership constituted a clear denial of the existence of foreign assets;
- the disclosure came to light only during search proceedings and not voluntarily; and
- reliance was placed on CBDT Circular No. 13/2015 dated 06.07.2015 (FAQ No. 18), which clarifies that non-reporting of foreign assets in Schedule FA attracts penalty under Section 43 of BMA, even

where such assets are acquired from tax paid income and foreign assets are fully explained.

AO thus levied a penalty of ₹10,00,000 for each relevant assessment year. Aggrieved, the taxpayer, appealed before the Hon'ble CIT(A). CIT(A), following the decision in Ocean Diving Centre (supra), deleted the penalty holding that the foreign asset was disclosed in audited financial statements and Part A-BS and omission in Schedule FA was merely a technical or inadvertent lapse not warranting penalty u/s 43 of the BMA. Aggrieved, revenue approached the Tribunal.

Confirming the deletion of the penalty, the Tribunal analysed the provisions of section 43 of the BMA and observed that the statutory trigger for invoking Section 43 of the BMA is the failure to furnish "any information" relating to a foreign asset or interest "in the return of income." The Tribunal noted that the details of the foreign investment were clearly embedded in the audited balance sheet and the balance sheet schedule of ROI. In such circumstances, the return could not be said to be silent on the existence of the foreign asset.

The Bench opined that, while furnishing the details in Schedule FA is undoubtedly a mandatory procedural requirement, an omission to populate the said schedule where the information is otherwise available within the return, merely constitutes a technical lapse in the reporting format, rather than a complete failure to furnish information. Such a lapse, in the Tribunal's view, does not warrant the imposition of penalty under Section 43 of the BMA.

Further, regarding the revenue's reliance of FAQ 18 of the CBDT Circular No. 13/2015, the Tribunal held that a circular cannot expand the scope of penal provisions beyond the statute and accordingly, it cannot rewrite the condition of "non-furnishing of information in return" as "non-reporting in Schedule FA alone" to invoke penalty provisions of section 43 of the BMA. Tribunal observed that a circular may be binding on the Department for the benefit of the taxpayer, but it cannot be used as a sword to impose a burden not supported by the statute. Accordingly, the Tribunal following its earlier ruling in Ocean Diving Centre Ltd., observed that where disclosure is made in another part of the return, there is substantial compliance and penalty can not be imposed mechanically in such cases.

This ruling reinforces that Section 43 of the BMA is attracted only in cases of non-disclosure of foreign assets in the return of income, and penalty provisions can not be invoked for non disclosure in any specific schedule. The Tribunal has thus endorsed a substance-over-form approach, recognizing that disclosure in audited financial statements and accompanying schedules forming part of the return may suffice to meet the statutory requirement. It further underscores the settled legal position that CBDT Circulars cannot expand the scope of penal provisions beyond the language of the statute. Having said that, taxpayers should be mindful that the Revenue's "strict liability" interpretation for imposing Section 43 of BMA - penalty provisions continues to present a persistent challenge. Accordingly, meticulous accuracy and completeness in populating Schedule FA remains essential to avoid prolonged litigation, notwithstanding the judiciary's inclination toward a substance-over-form approach in appropriate cases.

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Bombay HC Clarifies: Absence of irrevocability clause in trust deed cannot be ground for rejection of Section 12AB registration

The Chamber of Tax Consultants, WP No. 7587 of 2026, Bombay High Court

In a significant ruling impacting the charitable sector, the Bombay High Court has settled a long-standing controversy regarding the requirement of an "irrevocability clause" in trust deeds for registration under Section 12AB of the ITA.

The case arose from writ petition filed by various charitable trusts and professional bodies challenging rejection of their applications for registration/renewal under Section 12AB of the ITA. The petitioners included trusts registered under the Maharashtra Public Trusts Act, 1950 (MPT Act). These trusts had historically enjoyed registration under Sections 12A/12AA of the ITA and were transitioned to the new regime under Section 12AB of the ITA.

The Commissioner (Exemptions) rejected applications primarily on two grounds: (i) Absence of explicit irrevocability clause in the trust deed and (ii) Incorrect declaration in Form 10AB, where trusts were forced to state that such clause exists. the authorities treated this as a "specified violation" under Section 12AB(4) of ITA. Aggrieved with this approach of revenue which is affecting large number of charitable trusts, the professional bodies and trusts filed Writ petition before the Hon'ble Bombay High Court.

The core issue before the Court was whether an explicit irrevocability clause is a mandatory condition for registration under Section 12AB of the ITA and whether its absence renders a trust revocable. The petitioners argued that no such requirement exists in the statute and that, as a settled principle, a trust is irrevocable unless expressly made revocable. They also contended that Sections 60 to 63 of the ITA, dealing with revocable transfers, are relevant only at the stage of assessment and not registration. Reliance was further placed on the MPT Act to demonstrate that trust property can never revert to the settlor and must continue to be applied for charitable purposes.

The Revenue, on the other hand, contended that irrevocability is fundamental for claiming exemption under Section 11 of the ITA and that the Commissioner is entitled to examine this aspect at the registration stage. It was argued that absence of an express clause creates ambiguity and that the requirement in Form 10AB ensures administrative clarity.

Rejecting the Revenue's stand, the High Court held that Section 12AB of the ITA does not mandate the presence of an irrevocability clause. The statutory requirements are confined to satisfaction regarding the objects of the trust, genuineness of activities, and compliance with applicable laws. The Court emphasized that authorities cannot import additional conditions into the statute. Importantly, the Court clarified that absence of an irrevocability clause does not make a trust revocable. Referring to Section 63 of the ITA, it held that a transfer is revocable only where there is a positive provision enabling re-transfer of assets or reassumption of control by the transferor. Mere silence in the trust deed cannot be construed as revocability.

The Court also relied on the provisions of the Section 22 and 55 of MPT Act to hold that public charitable trusts are inherently irrevocable in substance. Once property is dedicated to a

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charitable purpose, it cannot revert to the settlor. Even in cases of revocation or dissolution, statutory mechanisms ensure that the assets are applied to charitable purposes and not returned to the settlor. The doctrine of cy-pres further reinforces this position.

Further, the Court noted the practical difficulty in Form 10AB where the utility does not allow filing of form 10AB upon answering the question of irrevocability clause in negative, which thus compelled applicants to make declarations that were not factually accurate, and held that such systemic issues cannot be used against the applicants.

Accordingly, the Court quashed all the rejection orders where renewal of registration under Section 12AB of the ITA has been rejected on the ground of irrevocability and/or dissolution clause and directed that applications under Section 12AB of the ITA should not be denied solely on the ground of absence of an irrevocability or dissolution clause. It also directed the authorities to reconsider such cases and modify Form 10A/10AB to allow applicants to correctly state their position regarding the irrevocability clause without being forced to make an incorrect declaration. High court directed that Question number 6 in Form 10AB should be modified to read thus, "Is the trust/institution revocable?".

Court further remarked that it can not be forgotten that the *"trusts are contributing to nation building by doing charitable activities and that too voluntarily and, thus, must be treated with a fair and reasonable approach by the revenue."*

This ruling provides clarity that irrevocability is inherent unless expressly negated and ensures that genuine charitable trusts are not adversely affected due to drafting omissions or procedural rigidities. The ruling is likely to have immediate ramifications for pending and rejected applications under Section 12AB of the ITA, offering a strong basis for trusts to seek reconsideration or challenge adverse orders.

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Indian Rulings

US LLC entitled to DTAA benefit; offshore repair not taxable as FTS for want of 'make available'

GE Engine Services LLC [ITA No. 3700/DEL/2023 – Order dated March 11, 2026 (Delhi ITAT)]

The primary dispute before the Tribunal centred on (i) eligibility of a fiscally transparent US LLC to claim treaty benefits under Article 4 of the India-USA DTAA, and (ii) taxability of offshore aircraft engine repair receipts as FTS/FIS. The taxpayer is a US incorporated single-member LLC owned by General Electric Company providing aircraft engine repair and overhaul services to Indian airlines from facilities located outside India. The AO denied treaty benefits on the ground that the taxpayer, being an LLC, was not itself "liable to tax" in the US, and further characterised the receipts as FTS under Section 9(1)(vii) and FIS under Article 12(4)(b) of India-USA DTAA, alleging that technical knowledge was made available through training, technical plans and work-scope discussions. The taxpayer, on the other hand, contended that it was a single-member LLC whose income was taxable in the hands of its US parent as supported by TRC, thereby satisfying the "liable to tax" test, and that the offshore repair activities did not result in any transfer of technical know-how enabling customers to independently perform such functions.

The Hon'ble bench of Delhi ITAT ruled in favour of the taxpayer on both the grounds. On treaty eligibility, the Tribunal reaffirmed that "liability to tax" is a legal concept distinct from actual tax payment, and relying on settled jurisprudence, held that a fiscally transparent LLC can still qualify as a resident where its income is taxable in the hands of its member in the same country. Accordingly, the argument of the revenue to deny the DTAA benefit was rejected. Further, while the Tribunal acknowledged that such services may be "technical" under domestic law, it held that the "make available" condition under Article 12(4)(b) of India-USA DTAA was not satisfied, as no technical knowledge, skill or process was transferred to Indian customers for independent use. The continued dependence of customers on the taxpayer for such specialised repairs and absence of any evidence of technology transfer were key determinative factors. Consequently, the receipts were held not taxable in India as FIS.

The ruling is significant on two fronts. First, it further strengthens the pro-taxpayer position that fiscally transparent entities, per se, should not be disentitled from accessing the treaty where the income in relation to which the treaty protection is sought, is taxed in the treaty country, aligning with the evolving line of Delhi Tribunal rulings. Secondly, on FTS characterization, the decision reinforces a strict and substance-based application of the "make available" test, particularly in high-end technical service industries like aviation, where mere use of technical expertise or incidental customer interaction does not suffice. The ruling will be a strong precedent in defending that mere performance of complex services or incidental knowledge exposure does not meet make available thresholds, thereby offering robust support in similar cross-border service models.

No DAPE in software distribution model despite alleged customization and controls

Milestone Systems A/S [ITA No. 1897/DEL/2025 – Order dated March 06, 2026 (Delhi ITAT)]

The dispute before the Hon'ble bench of Delhi ITAT was on whether the Danish taxpayer's income from sale of software licences in India was

taxable on account of a DAPE. The AO contended that the software, though described as "off-the-shelf", was effectively customized to end-user requirements, and that the taxpayer exercised significant control over distributors, including price fixation and identification of resellers, thereby creating a DAPE. The taxpayer, however, contended that it supplied standard shrink-wrapped software and that its arrangements with distributors were strictly on a principal-to-principal basis, with distributors acting independently and bearing full risks without any authority to conclude contracts on behalf of the taxpayer.

The Hon'ble bench of Delhi ITAT ruled in favour of the taxpayer, observing that since distributors purchased and resold products in their own name, bearing the associated risks and costs, and neither concluded contracts nor procured orders on behalf of the taxpayer, the relationship was clearly of a principal-to-principal nature. It rejected the Revenue's reliance on pricing controls and reseller certification, observing that prescribing a maximum resale price is regulatory/commercial in nature and does not amount to operational control, while certification of resellers is merely a quality assurance mechanism. On the software aspect, the Hon'ble bench of Delhi ITAT found no evidence of customization and clarified that flexibility and adaptability of the software with regard to scalability does not equate to software being tailor-made for each customer. Accordingly, it was held that in absence of satisfaction of conditions under Article 5 of India-Denmark DTAA, no DAPE was constituted and the business income was held not taxable in India.

The ruling reinforces substance-driven and restrained approach to DAPE determination, particularly in software distribution models. It underscores that commercial safeguards do not by themselves establish agency relationships, and that clear principal-to-principal arrangements coupled with absence of contract-concluding authority remain strong safeguards against PE exposure.

That said, the decision also highlights that PE exposure remains a highly fact-driven exercise, and taxpayers should not rely solely on contractual characterization. The Revenue is likely to examine the entire factual matrix, including not just distribution agreements but also actual conduct, marketing strategies, and representations made in public domains such as websites and promotional material (e.g., claims around "customization" or solution-based offerings). Accordingly, it is critical for taxpayers to ensure consistency between legal documentation, operational reality, and external communication, as any misalignment could be used to challenge the principal-to-principal positioning or to allege deeper control over the Indian supply chain.

Entire commission paid to Indian agents allowed as deduction from revenue attributed to PE

Travelport International Operations Ltd. [W.P.(C) No. 7633 of 2025 – Order dated January 28, 2026 (Delhi HC)]

The taxpayer, a tax resident company of the UK engaged in providing electronic global distribution services through computer reservation system to the travel industry worldwide, earns income from bookings in India and paid substantial commissions to Indian distribution agents. Referring to its own case DIT v. Travelport Inc. [2017] 398 ITR 593 (SC), as decided by the Hon'ble SC, the taxpayer contended that only

Indian Ruling

Coverage

15% of its total receipts should be attributed to its PE in India and the entire commission paid to Indian agents shall be fully deductible from such attributed revenue. The taxpayer applied for a lower withholding tax certificate u/s 197 of ITA; however, the tax authorities issued a withholding certificate at 1.6%, allowing only proportionate deduction (15% of 68% commission paid to Indian agents) for commission expenses. Additionally, the taxpayer argued that for non-India point-of-sale (POS) transactions, where tickets are sold by agents outside India, but travellers come to India, the commissions cannot be taxed in India, as no taxable event occurs in India.

The AO contended that only a proportionate portion of expenses should be allowed against the attributed revenue and justified the 1.6% withholding rate. They further argued that revenues from non-India POS transactions were taxable in India and, given ongoing disputes and prior adverse positions, withholding should continue on the entire receipts to safeguard revenue interests.

The Hon'ble Delhi High Court, relying on the ruling of SC in the taxpayer's own case, held that the 15% attribution to the Indian PE based on FAR (Functions, Assets, Risks) analysis represents revenue portion and does not limit the allowability of expenditure. Accordingly, the entire commission paid to Indian agents is deductible, and since it exceeds the attributed revenue, no further income is taxable in India. As regards non-India POS income, given the pending litigation, the HC noted that withholding should be confined to proportion of non-India POS receipts in total revenue. Since the taxpayer's non-India POS revenue is 20% of its total revenue, it directed the AO to issue a lower withholding tax certificate at 0.5%.

This ruling essentially establishes that when only a portion of a taxpayer's income is attributable to its PE in India based on the FAR analysis, the related expenditure paid by the taxpayer in India can be fully allowed. Further, it establishes income from non-India POS are also taxable in India and subject to withholding implying that even a small connection to India, such as facilitating travel to India, can create taxability and result in income being considered as accrued or received in India. The decision is significant for multinational enterprises operating through dependent agent structures in India, especially in the digital and distribution sectors.

Salary remittance to NRE account is mere an application of income and not receipt of income in India

Kaushal Ganpatbhai Patel [ITA No. 434/Ahd/2025 - Order dated February 9, 2026 (Ahmedabad ITAT]

The taxpayer is a non-resident individual employed with a company in Seychelles. He earned salary for services rendered outside India. The salary was remitted and credited to his NRE account in India. The AO treated the salary as income "received in India" and therefore taxable under section 5(2)(a) of the ITA, which taxes income of non-residents if it is received or deemed to be received in India. The taxpayer argued that the salary was accrued and received outside India and the deposit in the NRE account was merely a subsequent application of the income and not a fresh receipt. Thus, the taxpayer contended that the addition made by the AO was unsustainable and needed to be set aside.

The AO however took the view that since the money was credited in India, it should be taxed

in India. Aggrieved by the order of AO, the taxpayer filed an appeal before the hon'ble bench of Ahmedabad ITAT. The Tribunal examined the meaning of "receipt of income" and emphasized on the fact that the "receipt of income" u/s 5(2)(a) of the ITA refers to the first occasion when the taxpayer obtains control over the money, either actually or constructively. For salary, this usually means the place where the employee earns and becomes entitled to receive it. Since the taxpayer has lawful right to receive his salary at the place of employment abroad i.e. Seychelles, the constructive receipt occurred outside India. The later transfer into NRE account was merely a matter of convenience and did not alter the character of income. Thus, the deposit in NRE account in India was not a taxable receipt but an application of income already received abroad.

The Hon'ble bench of Ahmedabad ITAT relied on earlier rulings, particularly Arvind Singh Chauhan v. ITO (Agra Tribunal), which clarifies that once income is received outside India, its later transfer to India does not amount to a fresh receipt. The deposit of salary into an NRE account in India is only a movement or application of funds and not the point of receipt of income. Therefore, such remittance does not attract taxability u/s 5(2)(a) of ITA. The Revenue argued that the earlier ruling applies only to seafarers since there is a CBDT circular for them and hence should not apply in the present case. However, the Tribunal rejected the Revenue's argument stating that the earlier decision was based on interpretation of law and not on any special CBDT circular for seafarers. Therefore, it applies generally and not just to seafarers. The Revenue could not show any higher court judgement that disagreed with this view, hence, the Tribunal followed the same legal reasoning. The Tribunal also referred to the decision of Madras High Court in the case of CIT v. A.P. Kalyan Krishnan [1992] 195 ITR 534, which reinforced the principle that remittance of foreign-earned salary into India does not trigger tax liability under section 5(2)(a) of ITA.

Ultimately, the Tribunal held in favor of the taxpayer, setting aside the addition made by the AO and held that the salary credited into the NRE account was not taxable in India since it was earned and constructively received outside India and did not constitute "receipt of income" in India. The ruling underscores the distinction between receipt of income (taxable event) and application of income (mere use or transfer of funds already received abroad), a principle that protects NRIs from double taxation when remitting their foreign earnings into India.

Intra-Group Corporate Support payments not taxable as FTS or PE under India-Singapore DTAA

Anixter India (P.) Ltd. [ITA No. 3603/Chny/2025 - Order dated January 16, 2026 (Chennai ITAT)]

The taxpayer, engaged in distribution of communication products, electronic wires, cables and fasteners incurred corporate charges payable to Singapore-based company Anixter Singapore Pte. Ltd., for intra-group managerial, administrative, marketing, and business support services. The taxpayer did not deduct tax at source under section 195 of the ITA, contending that the corporate charges were for intra-group managerial, administrative, marketing, and business support services which did not "make available" any technical knowledge or skill for independent use by the taxpayer, as required under the India-Singapore DTAA. Accordingly, these payments did not qualify as FTS under Article 12 of the DTAA. In terms of section 90 of the ITA, the DTAA provisions, being more beneficial,

override the domestic law, and the payments could only be regarded as business profits. Furthermore, there was no fixed place of business or dependent agent in India, as mere provision of support or coordination services from abroad does not constitute a PE in India. In the absence of a PE, the business profits of the Singapore entity were not taxable in India under Article 7 of the India-Singapore DTAA and therefore, the payments were not chargeable to tax in India, with no requirement to deduct tax at source under section 195 of the ITA.

The AO disagreed and treated these payments as FTS u/s 9(1)(vii) of the ITA, disallowing the expenditure under section 40(a)(i) for non-deduction of tax. On appeal, the CIT(A) agreed with this view and additionally held that the Singapore entity constituted a PE in India, reasoning that its active involvement in marketing, business development, technical, accounting, and support activities demonstrated a business presence in the country.

On further appeal to the Chennai ITAT, the Tribunal examined whether these payments were indeed taxable in India. It noted that the legal obligation under section 195 arises only if a payment to a non-resident is chargeable to tax in India. Since the FTS classification was in question, the Tribunal emphasized that mechanical application of section 195 without establishing taxability was incorrect. The core issue became whether the intra-group services "made available" technical knowledge or skill under Article 12 of the India-Singapore DTAA.

The Tribunal observed that the corporate charges were for routine managerial, administrative, marketing, and business support services. These services did not transfer any technical knowledge, skill, or know-how to Anixter India that could be independently applied in future. Consequently, the payments did not qualify as FTS under Article 12 of India-Singapore DTAA. Furthermore, applying section 90 of the ITA, the Tribunal clarified that the DTAA provisions override domestic law when they are more beneficial to the taxpayer, reinforcing that these payments could not be taxed as FTS in India.

Regarding the PE issue, the Tribunal found no evidence to support the existence of a fixed place PE or a DAPE in India. It emphasized that mere coordination or support services from outside India do not create a PE under Article 7 of the DTAA, and that Anixter Singapore's activities could not be treated as conducting business in India through a PE. The CIT(A)'s reliance on email correspondences and assumptions was insufficient to establish a PE, making the disallowance under section 40(a)(i) legally unsustainable.

In conclusion, the ITAT held that the corporate charges paid by the taxpayer to Anixter Singapore were not taxable in India, and therefore there was no obligation to deduct tax under section 195 of ITA. The disallowance under section 40(a)(i) was deleted, and the taxpayer's appeal was allowed. This ruling reinforces the principle that intra-group corporate support payments, which do not transfer technical knowledge or create a PE, are not taxable in India under the DTAA and the ITA.

Consultancy, support services and subscription fees not taxable in India as per India-USA DTAA

Bain & Company Inc [ITA No. 1105 of 2025 – Order dated February 18, 2026 (Delhi ITAT)]

Taxability of Management Consultancy Services & Professional Support Services

The taxpayer rendered management consultancy services and professional support services to its wholly owned Indian subsidiary, Bain India, under the Service Agreement which included

client engagement, market research, strategic research, planning and professional support services. The AO treated management, consultancy and professional support services as taxable in India as FIS under Article 12(4)(a) of the India USA DTAA.

The taxpayer contended that the services provided were in the nature of advisory and business consultancy and not technical services. Furthermore, if considered consultancy and support services, no technical knowledge, skill, know how or process was "made available" to Bain India. Bain India continued to depend on the taxpayer for such services since 2010, proving absence of technology transfer.

As per the arguments of the Revenue, the consultancy and professional support services provided were ancillary or subsidiary to the enjoyment of rights under a royalty agreement. It stated that services were covered within the scope of Article 12(4) and qualified as FIS.

The Hon'ble bench of Delhi ITAT, highlighting the most crucial condition of "make available" clause under India-USA DTAA, ruled that the services provided were not technical in nature and the "make available" condition under Article 12(4)(b) of the DTAA was not satisfied. It stated that mere use of skill by the service provider does not amount to making available technical knowledge. The Tribunal further pointed out Revenue failed to provide any material on record to demonstrate that the taxpayer had made available any technical knowledge, skill or knowhow to Bain India to apply such technology, knowhow etc. It was noted that long term dependence of Bain India on year-to-year basis disproves technology transfer. The Tribunal, in its ruling also referred to Memorandum of Understanding (MoU) of DTAA for the purpose of interpreting true nature of FIS. Accordingly, the decision was ruled in favour of the taxpayer.

Taxability of Subscription Fees

The taxpayer maintained an online platform "NPS Prism". It received subscription fees from two Indian customers for access to the said platform. The AO treated these fees as royalty under Section 9(1)(vi) of the ITA and Article 12(3) of the India USA DTAA.

The taxpayer contended that the subscribers only get access to data, not rights in copyright. The taxpayer further stated that no right to reproduce, distribute, or exploit intellectual property (IP) are given while granting access to database. Therefore, it stated that use of a copyrighted article is no equal to transfer of copyright and hence the copyright remains with the taxpayer. Placed reliance on taxpayer's own case for AY 2021 22.

The Revenue argued the access to this platform involved use of specialised databases, reports, analytical tools and structured information, which, according to the AO, constituted the use of IP. It relied on the application of Section 9(1)(vi) of the ITA and Article 12(3) to constitute this as royalty and thus taxable. Indian subscribers were commercially benefitting, and such benefit was akin to commercial exploitation of copyrighted information.

The Hon'ble bench of Delhi ITAT found no evidence that any copyright was transferred, or any right to commercially exploit the copyright was granted to Indian subscribers. It placed reliance on binding judicial precedents in cases of CIT v. Relx Inc., Springer Nature Customer Services Centre GmbH & Engineering Analysis Centre of Excellence, which stated that payments for the use of copyrighted articles do not constitute

royalty. Thus, it was concluded that receipts for subscription charges were not taxable as royalty in India.

With regards to taxability of technical and consultancy services as FIS, As per Article 12 of MoU, there is specific inclusion of certain technical and consultancy services. Technical services would refer to services requiring expertise in a technology. Whereas consultancy services would mean advisory services. The categories of technical and consultancy services are to some extent overlapping, because the scope of consultancy services would also cover the technical services and advisory services, whether or not expertise in technology is required to perform it. The Tribunal very precisely interpreted the nature of services provided under the agreement, such as, client engagement, market research, strategic research and planning etc., in its view, certainly, do not fall under the category of technical services. Further, The Tribunal also observed by quoting Example 7 provided in MoU of India-USA DTAA, a receipt cannot be treated as FIS merely because the service provider while providing consultancy services has used substantial technical skill and expertise. Therefore, in light of the above factors, the taxpayer was benefitted from the peculiar "make available" provision under the India-USA DTAA. Subscription fees for selling the copyrighted publication to the concerned entities, without conferring any copyright in the said material, held not taxable in India as royalties as there was no granting of rights in respect of copyright to the subscribers of the e-journals.

No PE in India where Indian Subsidiary operates independently, Notional royalty on Global Deals unsustainable

Oracle Systems Corporation [ITA No. 5671 of 2011 and others – Order dated March 2, 2026]

Taxability of Royalty on notional basis as per India-USA DTAA

The taxpayer entered into a Software Support Services Agreement (SSSA) with its wholly owned Indian subsidiary, Oracle India Private Limited (OIPL). Under the agreement, the taxpayer received 56% of revenue transfers as royalty, which it offered to tax in India. The AO, however, sought to tax 100% of the compensation, including amounts attributable to global deals, training and consultancy, by imputing notional royalty.

The taxpayer argued that royalty is a creature of contract, and under the SSSA, it was entitled only to 56% of revenues. It had neither a contractual right nor regulatory permission to receive royalty on global deals or training/consultancy services. Hence, no additional royalty could be said to accrue or arise in India.

For AYs 2006-07 to 2008-09, AO treated entire compensation received by OIPL under SSSA as royalty payable to taxpayer under section 9(1)(vi) r.w. article 12 of India-USA DTAA and made additions by imputing royalty over and above 56% contractually receivable by the taxpayer. In appellate proceedings, additions were sustained by CIT(A).

The ITAT observed that only contractually payable royalty can be taxed. In so far as royalty under Article 12(3) read with Article 12(7)(b) of the DTAA is concerned, the issue has been settled by the SC in the case of Engineering Analysis Centre of Excellence (P.) Ltd. [2021], which held that use/copy/distribution of software would not constitute royalty. Furthermore, as RBI at the relevant point of time, permitted payment of royalty only when software is duplicated, there is hardly any scope to consider that royalty would

accrue or arise to the taxpayer on Global Deals since no duplication is carried out in Global deals

The Tribunal deleted the entire addition beyond the 56% royalty already offered to tax since the addition of notional royalty was without legal basis

Existence of Permanent Establishment (PE) in India

The facts are that OIPL carried out software development activities in India. The Revenue alleged that OIPL constituted a fixed place PE, service PE and agency PE of the taxpayer and attributed substantial business profits to such alleged PE for multiple assessment years.

The taxpayer, in its argument, submitted that it had no control or right of disposal over OIPL's premises, employees or assets. OIPL was an independent legal entity, remunerated at arm's length, and did not habitually conclude contracts or act on behalf of the taxpayer. Hence, none of the PE tests under Article 5 of DTAA were satisfied.

The Revenue argued that OIPL carried out core business activities for the taxpayer, that the subsidiary's premises were effectively available to the taxpayer, and that OIPL functioned wholly and exclusively for the taxpayer, thereby constituting a PE of all kinds under the DTAA.

The Tribunal rejected the AO's contention that the OIPL constituted a Fixed place PE under Article 5(1), observing that the premises in Hyderabad and Bangalore were leased and operated by OIPL for its own business, and the machinery and equipment were owned by OIPL. There was no evidence to establish that such premises were at the disposal of the taxpayer. The issue of 'fixed place of business' and PE is no longer res-integra as held by the hon'ble SC in the case of Hyatt International, referring to the decision of Formula One World Championship Ltd (2017) (SC), which held that for a place to be a PE, two essential conditions must be satisfied (i) the place must be at 'disposal' of the enterprise and (ii) the business of the enterprise must be carried on through that place. Relying on judicial precedents, the Tribunal held that mere subsidiary presence or business interaction does not create a fixed place PE. Further, the Tribunal held that Service PE under Article 5(2)(l) was not triggered as there was no evidence that employees of the taxpayer rendered services in India for the prescribed duration.

References to global disclosures such as Form 10-K were held to be insufficient to establish service activities in India. Additionally, stewardship or oversight functions were held not to constitute a Service PE.

With respect to Agency PE, the Tribunal observed that OIPL was neither a dependent agent nor authorized to conclude contracts, maintain stock, or secure orders on behalf of the taxpayer. Moreover, OIPL operated as an independent entity and its transactions were remunerated at arm's length, thereby negating any Agency PE exposure under Articles 5(4) and 5(5) of DTAA. Accordingly, the Tribunal concluded that OIPL could not be regarded as a PE of the taxpayer in India. In the absence of a PE, the question of attribution of profits to India did not arise, and the grounds raised by the taxpayer were allowed.

Taxability of Royalty under India-USA DTAAs

The Facts are, for the AY 2010-11, the taxpayer earned royalty income from its wholly owned Indian subsidiary - OIPL. The taxpayer offered royalty to tax at 15% under Article 12(2) of India-USA DTAA. The AO taxed said royalty at domestic rate applicable to foreign companies and further levied surcharge and health and education cess resulting in 42.23%.

Indian Ruling

The taxpayer contended that treaty rate is final and binding once DTAA applies, domestic tax rates become irrelevant to that extent and should be taxed at 15%. It further stated that OIPL does not constitute PE and therefore Article 7 (business profits) cannot be invoked. The taxpayer relied on the ruling of JC Decaux S.A. v. ACIT (ITAT Delhi), DTAA provides a composite tax rate and surcharge and cess cannot be added on that. It was submitted that treaty provisions would prevail upon the normal taxation rates.

The Revenue argued that OIPL as constituting a PE of the taxpayer in India under Article 5 of the DTAA and hence royalty income was sought to be taxed as business income. It stated that once income is taxable under the ITA, rate applicable to foreign companies under domestic law applies and so does the surcharge and cess. It contended that DTAA does not exclude levy of surcharge / cess.

The Tribunal stated that DTAA rate of 15% is absolute and the surcharge and cess cannot be leviable on this following the decision under JC Decaux S.A. Therefore, it concluded that royalty income is taxable in India at 15% of the gross amount under Article 12(2) of the India-USA DTAA.

Foreign Updates

Taiwan MoF clarifies withholding tax requirements on dividends paid to non-residents

Where dividends are distributed to non-resident individuals or foreign enterprises, the payer must withhold tax at source at the applicable rates and remit it in accordance with Article 92 of the Income Tax Act.

The person withholding tax is required to deposit the tax, file withholding tax returns, and issue statements within 10 days of withholding to the taxpayer, where the recipient has no fixed place of business in the Republic of China. If three consecutive national holidays fall within this 10-day period following the withholding date, the deadline is extended by five days.

Georgia introduces an annual reporting requirement for international controlled transactions

By way of issue of Order No. 52 (24 February 2026) by Georgia, introduced annual reporting requirement for international controlled transactions, effective from February 25, 2026, for the reporting period of 2025.

Taxpayers must report where aggregate controlled transactions in preceding calendar year exceeds GEL 500,000, including market value of transactions undertaken at no cost and outstanding balances.

- **Monthly filers**: Disclosure to be made via Annex 4 with the March monthly return (due on 15 April).
- **Annual filers**: Disclosure via Annex M with the annual return (due on 1 April).

Disclosure requirements include details of related parties, nature of relationship, transaction type and value, date and status of transfer pricing documentation whether prepared, under preparation or intended to be prepared.

Finland proposes reduction of corporate tax rate to 18% from 2027

MoF of Finland has proposed government spending limits for 2027-2030, including key tax related measures. A key tax proposal is the reduction in the corporate income tax rate to 18% (down by 2%) effective from 2027.

Sri Lanka: Tax Incentives for Strategic Development Projects

MoF of Sri Lanka has notified regulations under the Strategic Development Projects Act, No. 14 of 2008 (Gazette No. 2474/66 dated February 8,

Coverage

Foreign Updates

Coverage

2026), setting out eligibility criteria and tax holidays for qualifying projects.

Projects are classified into three categories: (A) Infrastructure, Services & utilities and Tourism & Leisure, (B) Manufacturing, and (C) Agriculture, Education, Technological Establishments & Information Communication Technology; with corporate income tax holidays ranging from 5 to 10 years, based on investment thresholds and minimum local employment generation.

Eligible projects are also exempt from Customs Import Duty, VAT, PAL, and CESS on imports of capital goods and construction materials during the project implementation period i.e., from agreement date with the Board of Investment of Sri Lanka to commencement of commercial operations).

Hong-Kong Key Tax proposals in Budget 2026-27

Financial Secretary of Hong Kong announced the 2026–27 Budget on February 25, 2026, proposing several tax measures.

Key highlights include:

- Introduction of Crypto-Asset Reporting Framework and revised Common Reporting Standard within two years.
- Increased allowances for individuals, married persons, children, and dependent parents/grandparents and increase in elderly residential care deduction ceiling.
- 100% reduction for salaries tax, personal assessment tax, and profits tax for YA 2025/26 (capped at HKD 3,000).
- Expanded tax concessions for family offices, funds, REITs, treasury centres, and intra-group restructuring.
- Rates concessions for domestic and non-domestic properties for first two quarter of year 2026-27 (capped at HKD 500 per property).
- New preferential tax packages for targeted enterprises, enhanced concessions for maritime sector, refinement of IP-tax regime and incentives for gold trading institutions.
- Stamp duty hike to 6.5% on residential properties above HKD 100 million.

Additionally, implementation of the Pillar Two global minimum tax is expected to generate approx. HKD 15 billion annually from 2027-28.

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Foreign Updates

Risk profile differences between low-risk distributors and captive and independent service providers

Verizon Communications India P. Ltd. [TS-203-ITAT-2026(DEL)-TP]

Verizon India TP Case Note

Facts

Verizon Communications India Pvt. Ltd. was part of the Verizon group and operated under a global telecom structure. For the relevant year, it entered into international transactions with its AEs, including provision and availing of business services, and benchmarked them under TNMM.

The taxpayer claimed it functioned as a limited-risk operating entity in a hub-and-spoke model, earning a routine return while the group entrepreneur controlled key strategic and residual functions. The TPO rejected this characterization, treated the taxpayer as bearing fuller entrepreneurial risk, and made a transfer pricing adjustment of about Rs. 83.49 crore.

The Tribunal examined the inter-company agreement, FAR profile, and the compensation mechanism under the LRM. It concluded that the taxpayer's role was that of a value-added operating entity and that the TP adjustment could not be sustained in the manner made.

Reader's Focus

The main point to focus on is **entity characterization**. The case turns on whether the taxpayer was truly a limited-risk service provider or whether the Revenue could re-characterize it as a full-risk entrepreneur.

A second focus is the Tribunal's insistence that TP analysis must follow the actual commercial arrangement, conduct, and contractual model, not simply the year's profit result. The TPO cannot disregard an accepted business model merely because the outcome appears unfavorable in one year.

A third focus is the Tribunal's treatment of the **Other Method**. The Tribunal was not satisfied with a benchmarking approach that effectively treated the transaction as if it had no reliable price basis, especially without a proper comparable uncontrolled benchmark.

This case showcases how tax office is also now focusing on evaluating functional profile, entity recharacterization, etc and not merely focusing on benchmarking and comparables. Transfer Pricing has always been an evolving topic in litigation but this shows that even within Transfer Pricing, more nuanced topics are now coming up for litigation, thereby making it very important to have documentation and correspondences, agreements, etc to substantiate whatever position taxpayer is taking.

Practical Takeaways

- Entity characterization drives the whole TP analysis.
- FAR analysis must align with the inter-company agreement and actual conduct.
- A limited-risk model cannot be rejected without strong evidence.
- Transfer pricing methods cannot be substituted arbitrarily.
- Even where the model is accepted, the computation under that model must still be correct.

This decision is useful because it shows how characterization affects the selection of method, tested party, margin expectation, and risk allocation. For integrated group businesses, the case reinforces that the tax authority must benchmark the real economic structure, not invent a different one.

Foreign Updates

It also shows that consistency across years matters where the business model has not changed. The Tribunal was willing to respect the group's model, but it still checked whether the specific margin mechanics were correctly applied for the year under appeal.

Aggregation approach: Reaffirmation of a settled principle in transfer pricing

Tetra Pak India Pvt Ltd [TS-264-HC-2026(BOM)-TP]

The taxpayer is a renowned solutions provider operating in the packaging industry catering to various segments such as food, milk, dairy, and other related beverages packaging. The taxpayer's solutions include packaging machinery, packaging material, straws, and installation & setting up of turnkey packaging lines. The taxpayer entered into multiple international transactions with its associated enterprises such as supply of packaging equipment, packaging material, straws, etc. For the purpose of benchmarking all the international transactions, the taxpayer adopted the aggregation approach wherein all the transactions were aggregated and evaluated on an entity-level basis.

The taxpayer's case was selected for scrutiny, pursuant to which the TPO made addition to the total income by benchmarking the international transactions on a transaction to transaction basis.

The Bombay HC, after noting the facts of the case *(discussed in detail in reader's focus section)*, held that the aggregation approach applied by the taxpayer is suitable for the benchmarking of the international transactions. Consequently, Bombay HC dismissed the appeal filed by the TPO.

Reader's Focus:

The Indian transfer pricing regulations as well as OECD TP Guidelines 2022 provide that a benchmarking analysis should be carried out on a transaction-by-transaction basis, having regard to the specific nature of each international transaction such as sale of finished goods, sale of traded goods, services availed, etc. At the same time, it is equally recognised that it may be appropriate to benchmark multiple transactions on a combined basis if the various international transactions are closely linked and it becomes unreliable to evaluate them separately.

In the present case, the taxpayer had sold packaging equipment, packaging material and straws to its AE among other things. The TPO observed that the taxpayer was incurring losses in respect of the sale of packaging equipment and straws to its AEs and therefore, proposed an adjustment limited to the said international transactions. The taxpayer argued, it was the inherent approach of its own business model, that the sale of packaging equipment and straws at a lower price was carried out so as to pave the way for continuous demand for the specialised packaging material manufactured by the taxpayer. In other words; the taxpayer seeks to earn profit: from selling packaging material on continuous basis.

On a bird's eye view, the aggregation approach is premised on evaluating functional comparability by examining the overall economic structure rather than examining the individual components in an isolated fragmented manner. This statement can be better illustrated with an example.

There are 2 suppliers of packaging material and related equipment in the market. One of the suppliers supplies the packaging material and

equipment as a bundled or consolidated solution, while the other sells both the packaging material and the packaging equipment separately. Accordingly, it will not be feasible to ascertain the separate prices of the packaging material and packaging equipment in case wherein the both the products are being sold as a single set, thereby rendering the transaction bv transaction analysis impractical.

Further, even if the pricing of packaging material and the equipment can be identified separately, any standalone comparison would neither be reliable or commercially meaningful. This emanates out of the fact that the pricing of a bundled or integrated offering is driven by commercial considerations and decision-making parameters distinct from those applicable to the sale of individual components on a standalone basis. Consequently, the economic substance underlying bundled transactions should not be equated with that of segregated sales. It is for this reason that, in such situations, benchmarking under both scenarios should be undertaken on a combined or aggregated basis to reflect actual independent commercial considerations which is the starting point for any transfer pricing study.

On a concluding note, the aggregation approach flows form the fundamental pillars of the TP regulations i.e., comparability analysis and therefore, is not a new testament to the transfer pricing regulations around the globe including India. As a corollary, isolated evaluation of international transactions which are closely linked owing to their nature, commercial rationale, pricing decisions, or economic substance or any other similar nature may lead to distorted arm's length outcomes.

It therefore assumes significant importance on part of both the transfer pricing practitioners as well as tax administrations to appreciate the degree of inter-relation and economic proximity between the individual controlled transactions, so as to ensure that benchmarking exercises reflect commercial realities and align with established transfer pricing principles.

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Important Updates

GST Advisories

GSTN issued advisory mandating confirmation of tax liability breakup in GSTR-3B for prior period disclosures

GSTN has issued an advisory dated March 16, 2026, clarifying the requirement for confirmation of the "Tax Liability Breakup, As Applicable" tab in Form GSTR-3B. This tab captures tax liabilities pertaining to previous tax periods which are reported and discharged in the current return, in line with the provisions of Section 50 of the CGST Act, 2017 relating to interest on delayed payment.

From the February 2026 tax period onwards, the GST portal auto-populates this breakup based on document dates reported in GSTR-1 / GSTR-1A / IFF, where such supplies relate to earlier periods, but tax is paid in the current period. Taxpayers are required to open the tab, verify/edit the details if required, and mandatorily click "SAVE" after offsetting liability, before proceeding with filing GSTR-3B. Without such confirmation, filing cannot be completed.

This advisory introduces an additional compliance checkpoint aligned with system-driven interest computation and liability tracking. While the requirement enhances transparency in reporting delayed liabilities, the current system design may result in procedural inconvenience due to mandatory confirmation in all cases. Taxpayers should incorporate this step into their return filing checklist to avoid last-minute filing disruptions and ensure timely compliance.

Customs - Circulars

CBIC issues procedure for handling return of export cargo due to disruption in international shipping routes

(Circular No. 09/2026–Customs, dated March 8, 2026)

The CBIC has issued Circular No. 09/2026–Customs prescribing a simplified and uniform procedure for handling export cargo that is returned to India due to exceptional disruptions in international shipping routes, specifically the closure of the Strait of Hormuz. Invoking powers under Section 143AA of the Customs Act, 1962, the circular addresses practical challenges faced by exporters and field formations in dealing with such cargo and aims to ensure expeditious clearance and trade facilitation.

The circular categorises scenarios based on the stage of export and location of the vessel, whether within Indian territorial waters or in international waters, and whether EGM/SDM has been filed. In cases where vessels return without calling any foreign port, cargo may be permitted to be offloaded without filing a Bill of Entry, subject to verification of shipping documents and seal integrity. Shipping Bills and Let Export Orders are to be cancelled, and exporters may be permitted Back to Town facility. Where EGM is filed, a system-based mechanism will be enabled for cancellation of Shipping Bills, with necessary safeguards to prevent disbursement of export incentives.

In cases where vessels have called at a foreign port, but cargo remains undisclosed, such consignments shall be treated as exports already completed, and standard procedures including filing of Sea Arrival Manifest (SAM) shall apply. The circular also mandates recovery of export incentives such as IGST refund and drawback where already granted, and sharing of cancelled Shipping Bill details with regulatory authorities. The relaxation provided under this circular is temporary and shall remain in force for 15 days from the date of issuance.

Important Updates

Coverage

This circular provides a timely and pragmatic framework to address unforeseen disruptions in global shipping logistics. By distinguishing scenarios based on export stage and vessel movement, the Board has ensured clarity and operational feasibility for field officers and exporters. Exporters should carefully track the status of shipments and associated incentives to avoid unintended recoveries, while Customs authorities must ensure strict verification and documentation to maintain compliance integrity during this temporary relaxation period

CBIC waives fees for amendment or cancellation of export documents in force majeure cases

(Circular No. 10/2026–Customs, dated March 10, 2026)

The CBIC has issued Circular No. 10/2026–Customs to address difficulties faced by exporters in cases where export consignments are required to be withdrawn or export documents amended due to force majeure circumstances, particularly arising from disruptions such as the closure of the Strait of Hormuz. The circular recognises that such situations are beyond the control of exporters and arise due to exceptional global logistics disruptions.

In exercise of powers under Section 143AA of the Customs Act, 1962, the Board has clarified that in such cases, no fee shall be levied for amendment or cancellation of export documents (including Shipping Bills), notwithstanding the provisions of the Levy of Fees (Customs Documents) Regulations, 1970. This relaxation applies only where such amendment or cancellation is necessitated solely due to force majeure circumstances such as cancellation or rescheduling of vessels or flights, suspension of cargo services, port or airport disruptions, natural disasters, or government-imposed restrictions.

Exporters or authorised Customs Brokers are required to submit requests to the jurisdictional Deputy/Assistant Commissioner along with supporting evidence such as shipping line or airline communications, port notices, or other relevant documents. The proper officer must be satisfied that the request arises due to unavoidable circumstances and not due to errors or omissions on the part of the exporter. The relaxation is applicable across all Customs stations and remains valid for a limited period of 15 days from the date of issuance of the circular.

This circular provides essential relief to exporters impacted by global supply chain disruptions by eliminating additional compliance costs in exceptional situations. The waiver of amendment and cancellation fees ensures that exporters are not penalised for circumstances beyond their control. However, strict documentation and justification requirements necessitate careful record-keeping to substantiate claims under force majeure, and exporters should act promptly within the limited validity period of the relaxation.

CBIC issues facilitation measures for import of pet dogs and cats along with stranded Indians from war-affected regions

(Circular No. 11/2026–Customs, dated March 16, 2026)

The CBIC has issued Circular No. 11/2026–Customs to facilitate the import of pet dogs and cats along with stranded Indian nationals returning from war-affected Middle East countries. The circular is based on the Office Memorandum issued by the Department of Animal Husbandry &

Important Updates

Dairying (DAHD) and recognises the exceptional situation where standard pre-import conditions may not be feasible due to disruption in affected regions. Accordingly, a one-time relaxation has been granted to enable smooth entry of pets into India.

The circular prescribes relaxed pre-import and post-import conditions. Owners are required to provide a declaration confirming possession of the pet for at least one month and submit available vaccination records such as pet passport or certificate, even if vaccinations are delayed. Where veterinary certification is unavailable, pets may still be allowed entry, subject to mandatory examination and vaccination (if required) at the port of entry by Animal Quarantine and Certification Services (AQCS). Clearance is granted after document verification and clinical examination, with quarantine requirements applicable in case of adverse findings, at the cost of the owner.

This circular reflects a humanitarian and facilitative approach by the Government in addressing extraordinary circumstances affecting Indian nationals abroad. While easing regulatory requirements, it maintains necessary safeguards through post-import examination and quarantine protocols. Importers and returning individuals should ensure proper documentation to the extent possible and be prepared for compliance at the port of entry, particularly in respect of veterinary checks and associated costs

CBIC prescribes detailed procedure for return of export cargo to alternate Indian ports and transshipment handling

(Circular No. 12/2026–Customs, dated March 17, 2026)

The CBIC has issued Circular No. 12/2026–Customs to provide further procedural clarity for handling export cargo returning from international waters due to disruptions such as closure of the Strait of Hormuz, particularly where vessels land at an Indian port different from the original port of export. The circular supplements earlier Circular No. 09/2026–Customs and addresses operational issues relating to Back to Town (BTT), transshipment, and documentation requirements.

The circular mandates filing of Sea Arrival Manifest (SAM) at the port of landing, followed by verification of containers with reference to export documents and seal integrity. Where seals are found tampered, 100% examination is required. Customs authorities at the landing port must coordinate with the original port of export to verify whether export incentives (such as IGST refund or drawback) have been availed and to initiate cancellation of Shipping Bills and Let Export Orders (LEO). Provision has also been made for system-enabled cancellation of Shipping Bills post EGM, along with data sharing with RBI, DGFT, and other agencies to prevent wrongful benefits.

Further, upon completion of verification, exporters may be granted Back to Town (BTT) facility subject to compliance. The circular also temporarily permits international transshipment of LCL cargo from all notified ports and airports up to March 31, 2026, based on infrastructure availability. Additionally, in the case of liquid bulk or break-bulk cargo, temporary unloading and storage in bonded facilities is permitted under strict Customs supervision for the purpose of re-export or transshipment, ensuring that goods remain under Customs control and are not diverted for domestic consumption

This circular provides comprehensive operational guidance for handling complex logistics

Important Updates

scenarios arising from global maritime disruptions. By clearly defining procedures for alternate port handling, BTT, and transshipment, CBIC has reduced ambiguity for both field officers and exporters. Businesses must ensure close coordination with shipping lines and Customs authorities, particularly for documentation, incentive reversal, and system compliance, to avoid procedural delays or disputes during re-import or re-export of affected consignments.

CBIC introduces payment aggregator facility to enable digital and multi-mode customs duty payments

(Circular No. 13/2026–Customs, dated March 24, 2026)

The CBIC has issued Circular No. 13/2026–Customs introducing a Payment Aggregator facility on the ICEGATE e-payment platform to simplify and expand modes of customs duty payment. This initiative builds upon the Electronic Cash Ledger (ECL) system introduced earlier to enable seamless integration with banking channels and facilitate faster and more convenient duty payments.

Under the new framework, importers can now make customs duty payments using credit cards, debit cards, and Unified Payment Interface (UPI)—introduced for the first time in Customs. Additionally, internet banking access has been significantly expanded through the aggregator model, allowing payments via 41 banks instead of the earlier 23 directly integrated banks. The facility complements existing payment modes such as NEFT/RTGS and authorised bank internet banking, while ensuring that payments are routed through the ECL on a transaction basis for real-time accounting.

The circular clarifies that any bank charges or commission applicable for payments made through the aggregator shall be borne by the importer. Initially, banks such as ICICI, SBI, IOB, and HDFC have been onboarded, with additional banks to be integrated progressively. Necessary amendments have also been carried out in the Customs (Electronic Cash Ledger) Regulations, 2022 to operationalise this facility, and a detailed user manual has been made available on the ICEGATE portal for stakeholder guidance.

This circular marks a significant advancement in digital customs compliance by introducing flexible, real-time payment options aligned with modern fintech systems. The availability of UPI and card-based payments will enhance ease of doing business, particularly for smaller importers and time-sensitive transactions. Businesses should evaluate transaction costs associated with aggregator usage and update internal processes to leverage faster payment cycles and improved liquidity management

Notifications

Exemption of Additional Duty on Aviation Turbine Fuel (ATF)

(Notification No. 07/2026-Customs) [dated 26th March 2026]

The Central Government has issued Notification No. 07/2026–Customs dated March 26, 2026, under Section 25(1) of the Customs Act, 1962, read with Section 147 of the Finance Act, 2002, granting exemption in the public interest. The notification provides that Aviation Turbine Fuel (ATF) falling under tariff heading 2710 shall be exempt from the whole of additional duty of Customs equivalent to the Special Additional Excise Duty leviable under Section 147 of the Finance Act, 2002.

Important Updates

This exemption effectively removes the additional duty component on import of ATF, thereby reducing the tax burden on aviation fuel imports. The notification has been made effective immediately from the date of issuance, ensuring immediate benefit to importers in the aviation sector.

This exemption is a targeted fiscal measure aimed at reducing input costs in the aviation sector, which is significantly impacted by fuel pricing. By removing the additional customs duty equivalent to special excise duty, the Government has provided direct relief to airlines and fuel importers. Stakeholders should reassess landed cost calculations and pricing structures to appropriately factor in the benefit of this exemption.

Important Rulings

Non-speaking GST adjudication order passed without granting personal hearing held violative of principles of natural justice, Allahabad High Court sets aside Section 74 order and remands matter for fresh adjudication with reasoned findings

[M/s Ramnayan Yadav Contractor v. Union of India & Ors. – [Writ Tax No. 699 of 2026;

Allahabad High Court; Judgment dated February 5, 2026])

The petitioner was issued a show cause notice dated 05.08.2024 proposing demand of GST on account of short payment, excess ITC and wrongful ITC availed, along with interest and penalty under Section 74 of the CGST/UPGST Act. The petitioner filed a detailed reply on 19.08.2025. However, the adjudicating authority passed an order dated 18.12.2025 confirming the entire demand without granting any effective opportunity of personal hearing post submission of reply. The petitioner challenged the order before the Allahabad High Court on the ground that it was non-speaking and passed in violation of principles of natural justice.

The petitioner contended that despite filing a detailed reply, no opportunity of personal hearing was granted thereafter. It was further argued that the impugned order merely reproduced the show cause notice and reply without any independent reasoning or application of mind. Such an order, being non-speaking, was liable to be set aside.

The Department raised a preliminary objection regarding availability of alternative remedy of appeal under the GST law and contended that the writ petition was not maintainable.

The Allahabad High Court set aside the impugned order, holding that it suffered from a complete lack of application of mind and violation of natural justice. The Court observed that the adjudicating authority failed to consider the petitioner's reply and recorded only vague and generic conclusions without assigning any reasons. It further noted that no personal hearing was granted after submission of reply, which is a fundamental procedural requirement.

The Court held that a quasi-judicial order must contain proper reasoning dealing with the submissions of the taxpayer. Mere reproduction of the show cause notice and rejection of reply without analysis renders the order unsustainable. Accordingly, the matter was remanded to the adjudicating authority for fresh adjudication after granting proper opportunity of hearing and passing a reasoned order.

Important Rulings

This judgment reinforces the foundational requirement that GST adjudication orders must be reasoned and speaking orders. Mechanical confirmation of demands without addressing taxpayer submissions is a recurring issue, and this ruling provides strong support to challenge such orders. It also reiterates that violation of natural justice, particularly absence of hearing after filing reply can override the bar of alternative remedy. Taxpayers should carefully evaluate adjudication orders for absence of reasoning or procedural lapses and consider writ remedies where such defects are evident.

University affiliation fees held not taxable under GST as statutory educational function and not "supply" under Section 7, Rajasthan High Court quashes SCN under Section 74 and rejects taxability of affiliation services

(Rajasthan Technical University, Kota v. Union of India & Ors. – [D.B. Civil Writ Petition No. 9556/2024 & batch; Rajasthan High Court; Judgment dated February 23, 2026])

The petitioner, a State University established under the Rajasthan Technical University Act, 2006, granted affiliation to colleges and collected affiliation-related fees. The GST Department issued a show cause notice dated 26.12.2023 alleging that such affiliation constituted "supply of service" under the CGST Act and was taxable at 18%, relying inter alia on an Advance Ruling in *Bharathiar University*. The University had earlier not collected GST on such fees for the period FY 2016–17 to 2021–22, under a bona fide belief that affiliation services formed part of exempt educational services.

The University contended that affiliation is a statutory function integral to the educational framework and does not qualify as "supply" under Section 7, as it is neither in the course nor furtherance of business. It was further argued that such activities fall within the broader exemption granted to educational services under Entry 66 of Notification No. 12/2017-CT (Rate). The University also emphasized its bona fide belief and absence of any intent to evade, particularly since tax and interest were voluntarily paid before issuance of SCN.

The Department argued that affiliation fees constitute consideration for services rendered by the University to affiliated colleges and fall within the definition of "service" under Section 2(102). It relied upon Advance Rulings treating similar activities as taxable and contended that such activities are commercial in nature, thereby attracting GST.

The Rajasthan High Court held that affiliation granted by a university is a statutory and regulatory function, intrinsically linked to the educational mandate and not a commercial or business activity. Consequently, such activity does not fall within the scope of "supply" under Section 7 of the CGST Act. The Court further held that even otherwise, the activity is closely connected to educational services and cannot be artificially segregated for taxation.

The Court also disapproved invocation of Section 74 in absence of any material to establish suppression or intent to evade, particularly when the petitioner had already discharged tax and interest prior to issuance of SCN. Accordingly, the impugned show cause notice and consequential proceedings were quashed

This judgment is a significant precedent clarifying the taxability of university-related statutory functions. It draws a crucial distinction between commercial services and statutory educational functions, reinforcing that not all fee-based activities constitute "supply" under GST. The ruling also limits the mechanical application of adverse advance rulings and discourages invocation of Section 74 in absence of mens rea. Universities and similar institutions may rely on this decision to contest GST

Important Rulings

demands on affiliation, inspection, and regulatory fees, particularly where such functions are mandated by statute and form part of the education ecosystem.

Inter-state transfer of ITC upon amalgamation permissible; GST portal restrictions held ultra vires Section 18(3) and Rule 41, Gujarat High Court permits manual filing of Form ITC-02 and affirms that technical limitations cannot override substantive statutory rights

(Emerson Process Management (India) Pvt. Ltd. v. Union of India & Ors. – [R/Special Civil Application No. 7006 of 2024; Gujarat High Court; Judgment dated March 5, 2026])

The petitioner company underwent amalgamation pursuant to an NCLT-approved scheme dated 14.11.2019, whereby the entire business, including unutilised Input Tax Credit (ITC), of the transferor company was vested in the petitioner. The petitioner attempted to transfer such ITC through Form GST ITC-02 as prescribed under Section 18(3) read with Rule 41. However, the GST portal rejected the request with an error stating that "Transferee and Transferor should be of the same State/UT." Despite repeated representations, the issue remained unresolved, leading to filing of the writ petition.

The petitioner contended that Section 18(3) of the CGST Act does not impose any restriction on transfer of ITC across different States pursuant to amalgamation. The portal-based restriction was argued to be ultra vires the statute. Reliance was placed on the Bombay High Court decision in *Umicore Autocat India Pvt. Ltd.*, wherein similar transfer was permitted despite interstate registrations.

The Department contended that GST is a State-specific registration system and ITC transfer across States is not envisaged under the statutory framework. It was argued that allowing such transfers could create administrative and audit complications and potential revenue risks. The Department also relied on Circular No. 133/03/2020-GST to support its position.

The Gujarat High Court allowed the writ petition and held that neither Section 18(3) nor Rule 41 prohibits transfer of ITC across States pursuant to amalgamation. The Court observed that the restriction imposed through the GST portal, requiring both entities to be in the same State has no statutory backing and is therefore invalid.

The Court further held that technical limitations of the GSTN portal cannot override substantive statutory rights. It also deprecated the practice of embedding departmental remarks directly into statutory forms (ITC-02) without legal authority. Relying on the Bombay High Court ruling in *Umicore Autocat*, the Court directed the Department to permit manual filing and processing of ITC-02 until appropriate system functionality is introduced. Accordingly, the petitioner was allowed to transfer ITC (CGST/IGST components) through manual mode within a prescribed timeframe.

This judgment provides critical clarity on ITC transfer in cases of business reorganization involving multi-state registrations. It firmly establishes that procedural or system-driven constraints cannot curtail substantive rights granted under GST law. The ruling also highlights a recurring issue in GST administration portal limitations overriding statutory provisions which courts have consistently disapproved. Taxpayers facing similar challenges in ITC transfer during mergers or demergers may rely on this decision to seek relief, including manual processing. It further underscores the need for GSTN to align technological systems with statutory intent to avoid litigation.

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India's Banks Are Being Rewired from the Inside

The Reserve Bank of India has quietly issued one of its most technically sweeping sets of rules in years — and every major bank in the country will have to rethink how it measures risk, holds capital, and reports to regulators.

There is a document sitting in the offices of every compliance team at India's major banks right now. It runs 105 pages, it's dense with formulas, and it does not make for casual reading. But what it says will shape how safely India's banking system is run for years to come. This is RBI's "Forthcoming Instructions" circular— and understanding it doesn't require a finance degree. It requires understanding one central idea: when things go wrong in banking, someone has to absorb the loss. The question is who, and how much is ready.

The Reserve Bank of India has long required commercial banks to hold capital buffers — essentially, money set aside that cannot be lent or invested, kept precisely for the moments when bad loans pile up, markets crash, or something unexpected goes catastrophically wrong. What this new circular does is modernise the method by which those buffers are calculated, bringing India in line with the latest global banking safety standards, known as Basel III.

The rules apply to all scheduled commercial banks — SBI, HDFC, ICICI, Axis, and their peers — but not to the smaller, more specialised institutions like Payments Banks or Small Finance Banks. For the big players, this is a fundamental recalibration.

> *When things go wrong in banking, someone has to absorb the loss. The question is who — and how much capital is already waiting.*

The Hidden Danger in Every Derivative Deal

Start with one of banking's more abstract but consequential activities: trading in derivatives. A derivative is, at its core, a financial contract — a bet, in plain terms — on the future value of something. That something could be a currency, an interest rate, a commodity, or the creditworthiness of a company. Banks enter into thousands of these contracts daily, and most of the time, they are useful tools for managing risk and helping clients hedge their exposures.

But there is always a counterparty on the other side of the trade. And if that counterparty goes under — defaults — the bank is left holding a contract that may be worth nothing, or worse, one it still owes money on. This is called counterparty credit risk, and it is precisely what toppled several institutions during the 2008 financial crisis.

In Plain Terms

What is a derivative? Imagine you're an airline agreeing today to buy jet fuel six months from now at a fixed price. That agreement is a derivative — its value depends on what fuel prices actually do. Banks run similar contracts in currencies, interest rates, and credit.

What is counterparty risk? The risk that the person on the other side of the agreement can't honour it when the time comes.

The new circular mandates that banks use a method called **SA-CCR** — the Standardised Approach for Counterparty Credit Risk — to measure this exposure. The formula might look intimidating: $EAD = 1.4 \times (RC + PFE)$. But the logic is intuitive. RC is what the bank stands to lose today if the counterparty defaults right now. PFE — Potential Future Exposure — is the estimate of what the bank might lose as

markets move over the life of the contract. Multiply the two added together by 1.4 as a safety margin, and you have the capital the bank must hold against that trade.

Crucially, the rules also account for collateral — the financial equivalent of a security deposit. When a counterparty has posted collateral, the bank's exposure shrinks. The circular sets out a rigorous, formula-driven way to account for this, replacing older, cruder methods that regulators felt were underestimating actual risk.

Clearing Houses Were Supposed to Be Safe. Are They?

After the 2008 crisis, regulators around the world pushed banks to run more of their derivative trades through **central counterparties** — clearing houses that sit between buyers and sellers, guaranteeing trades even if one side fails. In theory, this concentrates risk in well-capitalised, well-supervised institutions rather than letting it sprawl invisibly across the financial system.

In practice, it created a new question: what if the clearing house itself got into trouble?

The RBI circular takes this seriously. It draws a clear line between clearing houses it considers safe — designated as Qualifying CCPs — and those that don't meet the bar. Banks dealing through the former face lower capital requirements. Banks routing trades through the latter must hold significantly more capital in reserve, reflecting the greater risk of dealing with a counterparty that may not be as robustly supervised or funded.

The message is not subtle: the safer the plumbing, the less capital you need to lock away. Build your trades through dodgy infrastructure, and you'll pay for it in capital charges.

1.4×

SAFETY MULTIPLIER ON DERIVATIVE EXPOSURE

10 yrs

HISTORICAL LOSS DATA BANKS MUST NOW COLLECT

₹1 lakh

MINIMUM LOSS THRESHOLD FOR MANDATORY REPORTING

When Humans, Systems, and Bad Luck Cost Banks Money

Not every banking loss comes from a bad loan or a collapsed trade. Some come from a rogue employee. Some from a cyberattack. Some from a computer system that crashes at exactly the wrong moment, or a process that was simply never set up properly. Banks call this **operational risk** — losses that result not from financial markets, but from the messy reality of running a large institution staffed by humans, run on technology, and embedded in a litigious, fraud-prone world.

Until now, Indian banks calculated their operational risk capital using a blunt instrument— a basic percentage of their average income. The new circular replaces this with a far more sophisticated approach.

How The New Formula Works

Banks now calculate a Business Indicator (BI) — a composite measure of their size and the complexity of their income streams, pulling in interest income, fee income, and trading revenues.

That number is then adjusted by a multiplier based on the bank's own loss history. A bank that

has suffered large operational losses in the past — whether from fraud, system failures, or legal penalties — must hold more capital than a bank with a cleaner record. Good behaviour is rewarded; a troubled history costs you.

This last element — **the Internal Loss Multiplier** — is where the circular gets genuinely consequential. Banks must now collect and maintain a comprehensive database of every significant operational loss going back ten years. Any event that cost the bank more than ₹1 lakh must be documented: when it happened, when it was discovered, how much was lost, and why.

Think about what that means in practice. Fines from regulators. Fraud by employees or customers. Legal settlements. Compensation paid to customers who were mis-sold products. IT outages that caused processing failures. All of it must be tracked, categorised, and fed into the capital calculation. For some banks, this will be an uncomfortable exercise in institutional self-examination.

And the losses cannot be easily buried. The circular makes clear that if a loss event was missed and discovered later, it must be added back to the historical dataset and treated as if it were always there. The record, once complete, is meant to be complete.

The Interest Rate Trap Nobody Talks About

In early 2023, several regional American banks collapsed with alarming speed. The proximate cause was not bad loans or reckless trading. It was something that sounds almost mundane: **interest rates had risen, and the value of the bonds these banks held had fallen**. When depositors tried to withdraw money, the banks couldn't sell assets fast enough to cover the outflows without crystallising enormous losses.

This is **interest rate risk in the banking book** — known in regulatory shorthand as IRRBB — and it is the fourth and final major area that the RBI's new circular addresses, with unusual depth and seriousness.

The essential tension is this: banks take in deposits, which are often short-term and can be withdrawn relatively quickly, and they make loans and buy bonds, which are often long-term and illiquid. When interest rates rise sharply, new deposits become more expensive, and the value of older, lower-yielding assets falls. The mismatch, if large enough, becomes dangerous.

The Two Numbers That Matter

ΔEVE (Change in Economic Value of Equity): Measures how much a bank's net worth would fall if interest rates suddenly shifted. Think of it as the dent in the bank's balance sheet.

ΔNII (Change in Net Interest Income): Measures how much the bank's annual earnings would shrink if rates moved against it. This is the hit to the income statement — year by year.

The RBI now requires banks to run detailed stress tests against six different interest rate scenarios — including sudden sharp rises and falls — and calculate both measures. Banks must report these numbers to the RBI regularly and, crucially, must **disclose them publicly**. Depositors, shareholders, and analysts will, for the first time, be able to see clearly how exposed their bank is to a rate shock.

There is also an **Outlier Test**. If a bank's ΔEVE exceeds 15% of its Tier 1 capital under the standard stress scenarios, the RBI treats it as a warning signal — a bank that is disproportionately exposed relative to its safety buffer. Such banks will face supervisory scrutiny and may be required to hold additional capital.

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The governance requirements are equally demanding. Boards of directors must now actively oversee interest rate risk. There must be internal limits. There must be models that are independently validated. The circular is, in effect, telling banks that IRRBB is not a technical detail to be handled by the treasury desk — it is a board-level concern.

A Safety Net Built for the Storms Ahead

Taken together, these four areas — derivative risk, clearing house exposure, operational losses, and interest rate sensitivity — form a comprehensive picture of how modern banking risk should be measured and managed. The RBI is not inventing this picture; it is imported largely from the Basel Committee on Banking Supervision, the global body that sets these standards. But India's adoption of the latest Basel III framework places it among the more sophisticated banking jurisdictions in the world, and the level of granularity demanded here is genuinely new for Indian banks.

The implementation date has not yet been announced. The RBI has indicated it will notify banks separately, giving institutions time to build the systems, collect the historical data, and train the people who will need to run these calculations. For the largest banks, that preparation is already underway. For mid-sized institutions, there is real work to do.

What the circular represents, at its core, is a fundamental philosophical shift: from capital rules that were set by regulators and applied uniformly, to a framework where a bank's own history, behaviour, and risk-taking directly shape how much of a cushion it must maintain. Banks that have been careful, well-governed, and unlucky only in the ordinary ways of business will find the new regime manageable. Banks that have swept problems under the rug, underinvested in risk management, or navigated their way through a series of operational failures may find these rules uncomfortably revealing.

In banking, as in most things, you eventually have to reckon with your record.

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Coverage

India's Next Money Revolution Has Already Been Written

The RBI has mapped every rupee's journey to 2028 — and the plan goes well beyond UPI. Fraud protection, cross-border overhaul, smarter cards, and AI-powered data are all on the table. Here's what it means for you.

India already processes nearly half of all real-time digital payments on earth. That is not a claim most countries — including far wealthier ones — could make. Yet the Reserve Bank of India, the body that has guided this transformation since placing its first bets on electronic payments back in 2001, is not pausing to celebrate. Its new Payments Vision 2028 document reads less like a victory lap and more like a frank admission: the easy work is done. What comes next is harder, more nuanced, and arguably more important.

The central theme — *"Shaping India's Payment Frontier"* — is telling in its choice of word. A frontier is not conquered territory. It is the edge, where existing maps run out and new ground must be made. And the ground RBI wants to make by December 2028 involves not just growing the system, but making it trustworthy, resilient, globally competitive, and genuinely safe for the ordinary person using it every day.

How We Got Here

Twenty-Five Years of Building the Plumbing Nobody Noticed

To understand where Payments Vision 2028 is headed, it helps to briefly appreciate how far India has already travelled. As recently as 2001, this was a country where most financial transactions happened with physical paper — cheques, demand drafts, and cash. Digital transfers were rare, settlement was slow, and the infrastructure to connect banks reliably simply did not exist at scale.

Each successive RBI Payments Vision document, issued roughly every three to four years, has pushed the story forward in a distinct chapter.

2001–2004
The Foundation
RTGS launched. Electronic Clearing Services expanded. India's first modern payments infrastructure laid down.

2005–2008
The Legal Architecture
RBI gained statutory authority to regulate payment systems. NPCI was created — the body that would one day run UPI.

2012–2015
The Inclusion Push
Aadhaar-linked payments, bill payment systems, and prepaid instruments brought banking to those without bank accounts.

2016–2018
The UPI Moment
The Unified Payments Interface launched and changed everything — a smartphone became a bank branch.

2022–2025
Going Global
"E-Payments for Everyone, Everywhere, Every time" — India's payment ambitions went international, integrity and innovation became the twin pillars.

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By the time Vision 2025 closed, the challenge had fundamentally changed. The question was no longer whether Indians could access digital payments. Millions already do, every day. The question became: do they trust them? Are they safe? Can they work across borders? And crucially — can the system continue to evolve without breaking under its own weight?

The Big Shift

From Getting People In, to Making Sure They Stay Safe

~50%

OF ALL GLOBAL REAL-TIME PAYMENTS PROCESSED BY INDIA

15

SPECIFIC INITIATIVES TARGETED BY 2028

2028

DEADLINE FOR A SMARTER, SAFER, GLOBAL PAYMENTS ECOSYSTEM

Scale was achieved. Trust is the next frontier. Fraud in digital payments has grown alongside the volume of transactions, a predictable but sobering consequence of moving money at internet speed. And so, a significant portion of Vision 2028 is dedicated not to growth targets but to protecting the people who have already been brought into the system.

Perhaps the most consequential change proposed is a rethink of who bears responsibility when something goes wrong. Under the current setup, when a fraudulent digital transaction hits your account, the liability falls almost entirely on your bank, the one that issued your card or account. That may sound reassuring, but in practice it has created a gap: the bank where the fraudster received the money has little incentive to build rigorous checks, because it doesn't bear the cost of fraud it facilitates.

When the bank receiving stolen money faces no consequences, it has no reason to stop it. The shared responsibility framework is designed to change that logic entirely.

The new framework — called the Shared Responsibility Framework — proposes that both the sender's bank and the receiver's bank share the liability when an unauthorised payment goes through. The logic is straightforward: if both sides have skin in the game, both sides will invest in fraud detection. It is an elegant piece of incentive design, and long overdue.

Alongside this, the Vision proposes giving customers the ability to switch off entire categories of digital payment from their accounts — just as you can currently disable international card transactions if you don't travel. Imagine being able to turn off UPI for a week while you're on holiday in a remote area or blocking all incoming requests above a certain amount. This kind of granular control, applied across all digital payment modes, would put real power back in the hands of users.

Crossing Borders

India Wants to Send — and Receive — Money the World's Way

For all its domestic achievements, India's cross-border payments story has lagged. Sending money internationally — whether you're an MSME exporting goods, an NRI sending money home, or a student paying foreign tuition — remains slower, more expensive, and more opaque than it should be.

This is a genuinely complex problem. Cross-border payments involve multiple currencies, multiple regulatory jurisdictions, multiple time zones, and a tangle of correspondent banking relationships that have barely changed since the 1970s. The G20 has made improving this a global

priority, faster, cheaper, more transparent international transfers, and India, as a major recipient of remittances and a growing exporter, has every reason to be at the front of that effort.

What's Changing in Cross-border Payment

Comprehensive ecosystem review: RBI will audit the entire cross-border payment chain — regulatory, operational, and technological — to identify what's slowing money down and making it more expensive.

Single-window authorisation: Currently, entities need separate licences under two different laws (PSS Act and FEMA) to operate in cross-border payments. A single unified application is being explored — a significant ease-of-business improvement.

Dedicated reporting: RBI will publish regular reports benchmarking India's cross-border payment performance against global peers, tracking costs, speeds, and volumes by corridor.

The vision here is not just efficiency, it's equity. Small exporters and their overseas buyers, migrant workers sending money to families at home, students and freelancers dealing with international clients, these are the people who feel the friction of a broken cross-border system most acutely. And they are precisely the people this Vision aims to serve.

Beneath the Surface, the Pipes Are Getting an Overhaul

Several of Vision 2028's most important initiatives are the unglamorous kind, the behind-the-scenes infrastructure that nobody thinks about until it breaks. But they matter enormously.

Treds Interoperability

The Trade Receivables Discounting System helps small businesses get paid faster by selling their unpaid invoices to financiers. It works, but different TReDS platforms don't talk to each other. Full interoperability would let MSMEs shop across platforms for the best rate and extend the system to exporters.

Payments Switching Service

If you've ever changed banks, you know the pain of updating every standing instruction and direct debit. A proposed centralised "PaSS" service would let customers migrate all payment instructions — incoming and outgoing, from one account to another with minimal friction.

Cyber Risk Dashboard

Non-bank payment operators, fintechs, wallets, payment gateways, will be subject to a new Cyber Key Risk Indicators framework, giving the RBI a continuous, data-driven view of cyber resilience across the industry. Early warning before something breaks, rather than investigation after.

A Unique ID For Every Business

India currently uses dozens of different identifiers for businesses, GST numbers, CIN, PAN, and more. A single Domestic Legal Entity Identifier could create a universal business ID usable across the financial system, making transactions more traceable and fraud harder to hide.

Reimagined Card Payments

India's card ecosystem is due for an overhaul, more competition, open architecture, smarter tokenisation, and transparent pricing for merchants. The goal is a card market that works for cardholders and small merchants, not just large acquiring banks.

The Electronic Cheque

Cheques are not dead. They offer legal certainty and features that digital transfers don't. An electronic cheque, combining the legal character of paper with the speed of digital, is being explored as a hybrid instrument for business use cases that current payment modes don't serve well.

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Intelligence And Innovation

An AI-Powered Data Layer to Sit Underneath Everything

Running through every aspect of Vision 2028 is a new intellectual ambition: the RBI wants to become a data-driven, AI-assisted regulator. Not just a rule-setter, but an institution that uses real-time data and research to make better decisions, spot problems before they become crises, and share knowledge with banks, fintechs, and international peers.

The plan includes building a rich, searchable payments database, one that can be accessed through AI interfaces, and that serves as a single source of truth for both domestic and cross-border payment flows. This is genuinely novel for a central bank. If executed well, it would allow researchers, policymakers, and regulated entities alike to answer sophisticated questions about India's payment system that currently require piecing together data from dozens of scattered sources.

Alongside this, the Vision proposes dedicated research and training capacity, an acknowledgement that the rapidly evolving world of payments (AI-driven fraud, programmable money, tokenised assets, new settlement models) requires people who understand it deeply, not just regulators who can read annual reports.

Who Gets Regulated Next

The Quiet Companies Running Your Payments May Soon Answer to the RBI

One of the more quietly significant proposals in Vision 2028 is the plan to extend regulation to entities that have so far operated in a grey zone. India's payments ecosystem doesn't just consist of banks and licensed payment operators. It includes large e-commerce marketplaces that effectively manage payment flows for millions of transactions. It includes centralised platforms that sit between merchants and payment systems. It includes technology companies whose infrastructure underpins services used by hundreds of millions of people.

If any of these entities fail, stumble, or behave badly, the impact is systemic, but they currently fall outside the RBI's direct supervisory reach. That is about to change. The Vision signals a clear intent to bring critical but unregulated players under the regulatory fold, calibrated to the actual risk they represent.

Balancing this is an equally interesting proposal at the other end of the spectrum: a class of **Small Payment System Providers** who would be allowed to operate without upfront authorization, under a permanent "regulatory sandbox" structure. The idea is to let genuine innovation breathe before smothering it with compliance requirements — and only bring innovators under formal regulation once their scale warrants it. It is a mature, pragmatic approach to the perennial tension between innovation and oversight.

The Road To 2028

The Map Exists. Building the Territory Is the Hard Part

Payments Vision 2028 is, at its core, a document about trust. Not just the engineering trust that comes from reliable systems and uptime guarantees, but the deeper human trust that comes from knowing that when something goes wrong, someone is accountable. That your money can cross a border without disappearing into fees. That the fintech you use is being watched. That your data is being used to make the system smarter, not just to sell you things.

India's payments story over the past two decades has been remarkable, built on a succession of unglamorous but well-executed decisions made by regulators, technologists, and financial

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institutions working, mostly, in the public interest. Vision 2028 is a continuation of that story. The chapter titles have changed from "building infrastructure" to "deepening trust" but the underlying commitment remains the same.

The document acknowledges its own limits. Initiatives not listed may still be pursued.

Technology will change. Risks will emerge that nobody has yet anticipated. The RBI is, refreshingly, not pretending to have all the answers.

What it has done is draw a map. Whether India reaches that frontier by December 2028 will depend, as the document itself notes, on sustained collaboration, between banks and fintech, between regulators and innovators, and ultimately between a payments ecosystem and the billion-plus people it is meant to serve.

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GRC

Coverage

The Auditor Who Must Answer to Everyone

India's internal audit framework has been comprehensively rewritten for 2026. Twenty standards, two quality benchmarks, and a clear message: the internal auditor is no longer a back-room checker, they are a strategic voice that organisations can no longer afford to ignore.

For decades, internal audit occupied a comfortable corner of Indian corporate life — methodical, compliance-focused, and largely invisible to anyone above the finance department. That era is over. The Institute of Chartered Accountants of India (ICAI) has released its 2026 Compendium of Standards on Internal Audit, a root-and-branch rewrite of the rules governing what internal auditors do, how they do it, and what they owe the organisations they serve. The result is twenty comprehensive Standards on Internal Audit (SIAs), two Quality Standards, and a philosophical shift that will redefine the profession.

The revision is the work of ICAI's Internal Audit Standards Board (IASB), formed through successive restructurings since 2004 and given its current name and mandate in March 2025. The Compendium consolidates and updates the 22 standards previously in force into 20 rationalised, principle-based standards, adds three new ones, and introduces two Quality Standards that place audit quality on a formal, enforceable footing for the first time.

This is not a bureaucratic update. It is a considered response to a world where internal auditors are expected to identify fraud before it surfaces, flag strategic risks before they crystallise, advise on technology and cybersecurity, and do all of this without ever compromising their independence. That is a demanding brief — and the new Standards set out exactly how it should be met.

20	COMPREHENSIVE SIAS
2	QUALITY STANDARDS (QSIA)
4	SERIES: QUALITY, CORE, EXECUTION, REPORTING

The Foundation

What Internal Audit Is Really For

The Compendium opens with a definition of internal audit that is worth reading carefully. Internal audit, it states, is "an independent objective assurance and advisory function that evaluates the effectiveness of an organisation's governance, risk management, compliance and control processes by adapting a systematic and disciplined approach to add value and provide insight and recommendations to improve the efficiency of the organisation's operations."

Each word is deliberate. Independence — not merely stated, but structurally protected. Objectivity — not just an attitude but a demonstrated practice. Advisory function — not only a watchdog but a guide. The definition sets the tone for everything that follows: an internal auditor who is simultaneously accountable, empowered, and constrained by professional principle.

The Standards are organised into four series. Quality Standards (QSIA) address how audit quality is maintained and assessed. The 100 Series establishes core concepts and principles.

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The 200 Series covers audit execution — planning, evidence, documentation, technology, and fraud. The 300 Series governs reporting. Together, they form a logical arc from the why to the how to the what of internal audit.

The internal auditor is no longer just a compliance checker. The 2026 Standards ask them to add strategic value — while never compromising the independence that makes that value credible.

The Principles

Twelve Rules That Define a Professional

SIA 110, Basic Principles of Internal Audit, sets out twelve principles that function as the conscience of the framework. The first six establish what an internal auditor must be as a person. The remaining six describe how they must work.

The Twelve Principles at a Glance

1. **Independence:** Free from influence that could impair judgement, in mind and in appearance.
2. **Integrity & Objectivity:** Honest, impartial, free from conflicts of interest.
3. **Due Professional Care:** Reasonable diligence — not infallibility, but conscientious effort.
4. **Confidentiality:** Sensitive information protected during and after the engagement.
5. **Skills & Competence:** Only take assignments for which you are qualified. Continuously upskill.
6. **Ethical Behaviour:** Honesty, fairness, and transparency in every interaction.
7. **Systems & Process Focus:** Root-cause analysis, not surface-level observation.
8. **Risk-Based Audit:** Prioritise high-risk areas; do not waste time on low-risk ones.
9. **Insights in Decision-Making:** Strengthen how decisions are made, without making them yourself.
10. **Stakeholder Sensitivity:** Balance competing interests; present a complete, balanced view.
11. **Quality & Continuous Improvement:** Factual accuracy, validated findings, ongoing self-assessment.
12. **Technology & Tools:** Use data analytics, AI, and audit software — but never abandon judgement.

Principle 12 — deploying technology — is new to this iteration and signals the direction of travel. Internal auditors are now explicitly expected to use artificial intelligence tools, continuous auditing software, and data analytics to identify trends and anomalies that manual review would miss. The caveat is important: automated outputs are a starting point, not a conclusion. Professional judgment remains the final word.

Planning And Execution

The Discipline Behind Every Audit

Across the 200 Series, the Standards set out a rigorous methodology for how an audit engagement should be planned and executed. Three themes emerge consistently: know the entity, document everything, and never operate alone in areas beyond your expertise.

SIA 210 (Knowledge of the Entity and its Environment) is new in this edition and reflects a recognition that audit findings without context

are of limited value. An auditor who does not understand the sector they are auditing, the regulatory framework it operates under, or the strategic pressures it faces cannot ask the right questions. This Standard mandates that understanding before work begins.

SIA 220 (Internal Audit Planning) requires a risk-based audit plan — one that allocates time and resources proportional to the risk profile of each area, not to historical habit or organisational politics.

Plans must be documented, approved, and updated when circumstances change. Crucially, they must be connected to the organisation's strategic objectives, not just its operational processes.

> *An audit plan that doesn't reflect where the real risks lie is not a plan — it is a list. The 2026 Standards insist on the former.*

SIA 240 (Use of Tools) formalises the expectation that technology is integral to audit execution. This covers audit management software, data analytics platforms, and AI-assisted tools. The Standard requires that the tools used are appropriate to the engagement, that audit teams are trained to use them, and that their outputs are critically evaluated rather than accepted at face value.

SIA 270 (Experts and Third-Party Engagement) governs what happens when the audit team does not have the expertise it needs. Valuers, engineers, legal experts, IT specialists, data scientists — all may legitimately be brought in, but their selection must be documented, their independence assessed, and their findings integrated critically into the audit's conclusions. Outsourcing expertise does not outsource responsibility.

SIA 280 (Irregularities and Fraud) addresses what happens when an audit uncovers what it was perhaps not specifically looking for. Internal auditors are not forensic investigators by default, but they are required to maintain professional scepticism — to remain alert to the possibility of fraud even when it is not the stated objective of the engagement. Where fraud is suspected, there are clear obligations to escalate, document, and communicate.

The Report

When Findings Must Become Action

The 300 Series covers what happens at the end of an audit — the report that represents the entire engagement in the eyes of those who commissioned it. Three standards govern this: SIA 310 on presentation and communication, SIA 320 on assurance reports, and SIA 330 on special purpose reports.

The Standards are clear that a report is not a data dump. It is a communication. SIA 310 requires that findings be presented in a manner that is clear, accurate, objective, and timely. Significant issues must be escalated. Management must be given an opportunity to respond. And the report must reach not just the management team, but those charged with governance — typically the Audit Committee and Board.

What A Compliant Audit Report Must Include

- Scope and objectives of the engagement
- Summary of work performed and evidence gathered
- Findings, observations, and their significance
- Management's response and agreed corrective actions
- The auditor's overall conclusion or opinion

- Any limitations on scope or departures from SIAs

SIA 330 is new and addresses special purpose reports — engagements commissioned for a specific objective or user, outside the standard audit cycle. This might include investigations, regulatory reviews, or advisory work with a specific deliverable. The Standard ensures that even non-standard engagements are planned, executed, and reported with the same rigour as routine ones.

Quality Above All

The Standards That Watch the Standards

Two Quality Standards sit above the SIAs: QSIA 1 on Internal Audit Quality Aspects and QSIA 2 on Peer Review and Third-Party Assessment. These are genuinely novel additions that reflect a maturing profession's willingness to be assessed, not just to assess others.

QSIA 1 requires internal audit functions to maintain a formal Quality Assurance and Improvement Programme (QAIP). This is not a light-touch self-certification. It requires internal reviews, external assessments at defined intervals, stakeholder feedback, and continuous monitoring of whether the team has the right skills, uses the right tools, and follows the right methodology. A formal quality assessment by an external agency is required at least once every three years.

QSIA 2 governs peer review and third-party assessment — the process by which an independent professional evaluates whether an internal audit function is actually doing what its standards require. The reviewer must have no professional relationship with the internal auditor for at least two years before the review. The scope covers governance, independence, planning, execution, documentation, reporting, and technology use. Findings go to the Audit Committee and Board.

> *A profession that audits everyone else was always going to be asked: who audits you? The Quality Standards are ICAI's answer.*

Documentation requirements under the quality framework are notably specific. Audit files must be assembled within 60 days of signing the audit report. Records must be retained for a minimum of seven years, or until the conclusion of any related regulatory or legal proceedings. Upon expiry, secure destruction is required. These are not suggestions; they are requirements.

Independence And Governance

The Line That Cannot Be Crossed

Running through the entire Compendium is an insistence on independence that goes well beyond a standard disclaimer. The framework requires that the Chief Internal Auditor report functionally to the Audit Committee and only administratively to the Managing Director or CEO. Where organisational structure prevents this, the constraint must be disclosed in the audit charter and escalated to the Audit Committee. Structural independence is not optional.

Internal audit functions are explicitly barred from auditing areas where they have recently provided advisory services, unless the Audit Committee has specifically approved the arrangement and safeguards are in place. Advisory work — however valuable — cannot compromise the objectivity of subsequent assurance. The line between the two roles must be clearly documented.

The terms of every engagement must be formally recorded. For in-house audit functions, this means an audit charter and assignment memo. For outsourced internal audit, it means a signed engagement letter. Either way, the

scope, methodology, timelines, authority, and reporting lines must be agreed in writing before work begins. Verbal understandings have no place in a compliant engagement.

What Every Engagement Letter Or Audit Charter Must Cover

- Scope and objectives of the internal audit function
- Reporting lines — functional and administrative
- Access rights to people, records, and systems
- Timeline for conduct and submission of reports
- Conditions under which assurance can be expressed
- Treatment of scope limitations and confidentiality obligations

What Changes Now

Practical Implications for Audit Functions

For organisations that take internal audit seriously, the 2026 Standards affirm and codify existing best practice. For those that do not — where internal audit is an annual compliance exercise, staffed by whoever is available, and reporting to whoever is convenient — the Standards represent a significant ask.

The Standards become recommendatory on April 1, 2026, with mandatory status to follow at a date to be notified by the ICAI Council. But the profession should not wait. The expectations embedded in the Compendium — risk-based planning, technology deployment, quality assurance programmes, external reviews every three years, dual reporting lines, documented independence — are what sophisticated audit committees and regulators already expect.

The practical steps are clear: every internal audit function should review its charter against the new SIAs, assess whether its current team structure supports the independence requirements, implement or formalise its QAIP, ensure that audit planning is visibly risk-based and connected to strategic objectives, and schedule its next external quality assessment.

The 2026 Standards do not make internal audit harder. They make it clearer. And clarity, for a function whose value depends on trust, is exactly what the profession needs.

The Compendium closes with a reminder that matters: compliance with the SIAs is a "mark of professional excellence and ethical responsibility." In a business environment where governance failures make headlines with alarming regularity, that is not a soft aspiration. It is a competitive advantage — and an obligation that the profession can no longer afford to treat as optional.

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RBI

Foreign Exchange Management (Export and Import of Currency) (Amendment) Regulations, 2026

Notification No. FEMA 6 (R)/(5)/2026-RB dated February 23, 2026

A person may bring into India from any place outside India without limit foreign exchange, other than unissued notes.

The condition to bring any amount of foreign exchange into India is subject to the condition that such person on arrival in India, makes a declaration to the Custom authorities in Currency Declaration Form ("CDF") as prescribed in Regulation 6 of the Foreign Exchange Management (Export and Import of Currency) (Amendment) Regulations, 2026.

The current threshold limits beyond which the import of currency has to be reported in CDF is as follows:

Sr. No.	Particulars	USD Amount (or in USD equivalent)
1	Only currency notes	5,000
2	Combination of currency notes, bank notes or traveller's cheques	10,000

The interesting thing is that the original regulations notified vide Notification No. FEMA 6/2000-RB dated May 3, 2000 carried the format of the CDF which was thereafter removed at the time of notification of the Foreign Exchange Management (Export and import of currency) Regulations, 2015 notified vide Notification No. FEMA 6 (R)/2015-RB dated December 29, 2015. So, this amendment to the Regulation is to rectify the omission made while introducing the Regulations in year 2015.

Furthermore, the format of the CDF remains the same as notified in the original Regulations in year 2000.

Effective date: from February 23, 2026

Reserve Bank of India (Core Investment Companies) Amendment Directions, 2026

RBI/2025-26/229
DOR.CAP.REC.No.419/21.01.002/2025-26
dated March 10, 2026

Core Investment Company ("CIC") is a non-banking financial company carrying on the business of acquisition of shares and securities, and which satisfies the following conditions as on the date of the last audited balance sheet, namely:

1. it holds not less than 90 percent of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies;
2. its investments in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group companies and units of Infrastructure Investment Trusts (InvITs) only as sponsor constitute not less than 60 percent of its net assets;

RBI

3. It does not carry on any other financial activity, other than (i) investment in (a) bank deposits, (b) money market instruments, including money market mutual funds that make investments in debt/money market instruments with a maturity of up to 1 year; (c) government securities, and (d) bonds or debentures issued by group companies, (ii) granting of loans to group companies and (iii) issuing guarantees on behalf of group companies.

Prima facie, CICs are investment / holding arms of large corporate houses which manage the financial activities within the group entities for better control and holdings within the group.

One of the important criteria for the quantum and limits of investments / borrowings etc. is the "owned funds" criteria, which directly impacts the "adjusted net-worth ("ANW")" of an NBFC. Any change in the constitution of either of these will directly impact their borrowing / funding limits and thresholds.

Reserve Bank vide this notification has widened / enlarged the definition of "owned funds" by including the "*quarterly profits*" as part of the definition. With this amendment, the impact of quarterly profits will directly result in the change of the value of "owned funds" and correspondingly, the "adjusted net-worth" which will have a considerable impact of the CIC's financial position.

The erstwhile and amended definition of the "owned funds" is being stated herewith:

Erstwhile definition	Amended definition
"owned funds" means paid up equity capital, preference shares which are compulsorily convertible into equity, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any;	"owned funds" means paid up equity capital, preference shares which are compulsorily convertible into equity, free reserves **including quarterly profits**, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any; Inclusion of quarterly profits is subject to the following two conditions: 1. Financial statements will be subject to limited review / audit on a quarterly basis by the statutory auditors. 2. Such quarterly profits will be reduced by average dividend paid in the last three years, based on adjustments as per the prescribed formula.

Effective date: from March 10, 2026

SEBI

Valuation of physical Gold and Silver held by mutual fund schemes

HO/(68)2026-IMD-POD-2/I/5780/2026 dated February 26, 2026

Securities and Exchange Board of India ("SEBI") vide its circular dated February 26, 2026, has standardised the valuation methodology for physical gold and silver held by Exchange Traded Funds ("ETFs"). Moving away from the earlier practice of using London Bullion Market Association ("LBMA") AM fixing prices with domestic adjustments, SEBI has now mandated the use of polled spot prices published by recognized stock exchanges for valuation purposes.

This shift aims to ensure that valuation is more reflective of domestic market conditions while enhancing transparency, consistency and standardisation across ETFs. The use of exchange-published spot prices not only reduces reliance on global benchmarks but aligns valuation practices with locally observable price discovery mechanisms. The change in the valuation methodology will be undertaken by Association of Mutual Funds in India ("AMFI") in consultation with SEBI.

Effective Date: April 01, 2026

Ease of Doing Investment (EoDI)- Disclosure of registered name and registration number by SEBI regulated entities and their agents on Social Media Platforms (SMPs)

HO/ (79)2026-MIRSD-PODMMC dated February 26, 2026

SEBI has introduced enhanced disclosure requirements for all regulated entities and their agents when posting securities market-related content on Social Media Platforms ("SMPs"). These disclosure requirements are a part of SEBI's Ease of Doing Investment ("EoDI") initiative and seek to enhance transparency and investor protection by enabling users to clearly distinguish between content posted by registered intermediaries and unregulated sources.

Under the framework, regulated entities and their agents are required to prominently disclose their registered name and SEBI registration number on their social media handles as well as at the beginning of each relevant post, video, or communication.

Effective Date: May 01, 2026

Regulatory Reporting by AIFs

HO/19/28/(1)2026-AFD-SEC3/I/6176/2026 dated March 04, 2026

SEBI has revised the regulatory reporting framework for Alternative Investment Funds ("AIFs") with a focus on simplifying compliance and improving reporting efficiency.

Under the revised framework, AIFs are required to submit:

1. Annual Activity Report within 30 days from the end of each financial year via the SEBI Intermediary Portal, with the first report due by May 31, 2026.
2. Limited Quarterly Activity Report to be presented in revised format within 15 days of the end of each quarter (except for the March quarter of FY 2025-26), which will be covered in the annual filing.

The updated reporting formats will be made available on the website of Standards Forum (i.e.) Indian Venture and Alternate Capital Association ("IVCA").

Effective Date: Immediate

SEBI

Coverage

Introduction of Voluntary Lock-in / Debit freeze facility to Mutual Fund folios

HO/24/12/12(5)2026-IMD-SEC-1/I/6373/2026 dated March 06, 2026

SEBI has introduced a voluntary lock-in i.e. debit freeze facility for mutual fund investors holding folios in both demat and non-demat form, with an objective to enhance investor protection and digital security. The facility allows investors to restrict any debit transactions from their folios across holdings until the lock is removed, thereby safeguarding against unauthorized debits.

In the initial phase, the facility will be made available through the MF Central platform for KYC compliant investors with registered contact details. Association of Mutual Funds in India ("AMFI") will prescribe detailed operational guidelines, including procedures for enabling and disabling the freeze and specifying permitted transactions during the lock in period.

Effective Date: April 30, 2026

Borrowing by Mutual Funds

HO/(92)2026-IMD-POD-2/I/6961/2026 dated March 13, 2026

SEBI has clarified and formalised the framework governing intraday borrowings by mutual funds. This circular aligns with the SEBI (Mutual Funds) Regulations, 2026 and addresses operational liquidity mismatches, especially in liquid and overnight schemes where there are mismatches between the timing of redemption receipt of maturity proceeds from Tri-Party Repo Dealing System[i] ("TREPS") and reverse repo.

SEBI has permitted intraday borrowings without the 20 percent net asset limit, subject to strict safeguards. The conditions and prescribed guidelines for intra-day borrowing has been introduced for mutual funds primarily for the purpose of repurchase or redemption of units or payment of interest or Income Distribution Cum Capital Withdrawal payout to the unitholders or for settlement of trades by equity-oriented index funds and equity-oriented exchange traded funds (ETFs) on account of under execution of sell trades on the stock exchange.

Overall, the framework seeks to enhance liquidity management while ensuring robust investor protection through clear limits, accountability, and transparency.

[1] Tri-Party Repo Dealing System[1] ("TREPS") or Treasury Bills Repurchase is a short-term money market tool that allows investors to earn returns on their idle cash. These short-term financial instruments are used by banks, financial institutions, and mutual funds for quick investments. In a TREPS transaction, one party sells Treasury bills to another with an agreement to repurchase them at a predetermined price at a later date. Since TREPS are backed by government securities, they are considered safe investments.

MCA

Companies (Accounting Standards) Amendment Rules, 2026

Notification dated March 10, 2026

MCA introduced Companies (Accounting Standards) Amendment Rules, 2026, updating the existing framework under the Companies Act 2013.

The amendment revises Accounting Standard (AS) 22 to implement the Pillar Two Model Rules published by Organisation for Economic Co-operation and Development (OECD) to incorporate global tax developments marking a significant step in India's alignment with international tax norms.

A new paragraph 2A has been inserted in AS-22 clarifying that the standard will apply to taxes arising from legislation enacted to implement the OECD's Pillar Two rules, including Qualified Domestic Minimum Top-Up Taxes (QDMTT). However, the amendment introduces a specific exception under which enterprises are not required to recognise or disclose deferred tax assets or deferred tax liabilities arising from Pillar Two income taxes.

After Para 32, the following paragraphs inserted:

International tax reform—Pillar Two model rules

32A. An enterprise should disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

32B. An enterprise should disclose separately its current tax expense (income) related to Pillar Two income taxes.

32C. In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an enterprise should disclose known or reasonably estimable information that helps users of financial statements understand the enterprise's exposure to Pillar Two income taxes arising from that legislation.

32D. To meet the disclosure objective in paragraph 32C, an enterprise should disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

To ease compliance, small and medium-sized companies (SMCs) are exempt from Pillar Two exposure disclosures under paragraph 32C and 32D.

Applicability:

3. Para 2A and para 32A apply immediately upon the issue of amendment and retrospectively
4. Para 32B to 32D apply from for annual reporting periods beginning on or after 1 April 2025

Advisory for Stakeholders for Name reservation and Incorporation of Company and LLP

MCA has issued advisory for stakeholders regarding name reservation and incorporation of companies and LLPs, laying down emphasis on the importance of selecting distinctive names in accordance with the Companies Act, 2013 and LLP Rules, 2009.

MCA issued advisory with respect to below points:

10. Resemblance for Name Reservation of Company / LLP
11. Clarification on Name Reservation of Company / LLP
12. Guidance on Trademark for Name Reservation of Company / LLP
13. Acceptable Documents for the Registered Office Address of Company / LLP

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14. Factors Relevant for Incorporation of Company
15. Factors Relevant for Incorporation of LLP
16. Factors Relevant for Name Change of an Existing Company / LLP
17. Scenario Table to be referred for Subscribers / Directors
18. Useful Acts for Name Reservation and Incorporation of Company and LLP

Stakeholders have been advised to strictly comply with the applicable provisions of Companies Act, 2013 and LLP Act 2008 along with relevant rules, while submitting applications.

This is in form of Guidance Note and should be considered for the purpose of ensuring that the process of incorporation is smoothened and hassle free.

Released on: March 12, 2026

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

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

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Abbreviations

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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
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
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
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
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