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#GTBharat SHAPING VIBRANT INDIA

Monthly Tax Bulletin

March 2026

Grant Thornton Bharat is pleased to present the March 2026 edition of the Tax Bulletin, which captures a phase of significant regulatory evolution as India continues to refine its tax and foreign exchange framework in pursuit of transparency, efficiency, and economic competitiveness. The developments covered in this edition reflect a broader policy direction towards simplification of the law, institutional clarity in administration, and modernisation of the regulatory architecture across key fiscal regimes.

On the direct tax front, the government has released the draft Income-tax Rules, 2026, and the accompanying forms under the Income-tax Act, 2025, for public consultation, marking a key step towards operationalising the new legislation from 1 April 2026. The proposed framework introduces a leaner, more streamlined compliance regime, with simplified drafting, consolidated reporting, and technology-enabled forms.

In addition, the RBI has amended the Borrowing and Lending Regulations, introducing a revamped external commercial borrowing framework with expanded borrower and lender eligibility, revised borrowing limits, and a strengthened reporting structure.

Under GST, the Gujarat HC has held that the ITC on charges for the transfer of leasehold rights cannot be denied in the absence of construction activity. The court has also cautioned against reliance on unverified AI-generated case citations in adjudication, emphasising the need for diligence and verification in quasi-judicial proceedings.

We trust this edition will provide valuable insights into these developments and help stakeholders navigate India's evolving tax and regulatory landscape with greater clarity and confidence.

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A.
Key developments under direct tax laws

Central Board of Direct Taxes (CBDT) Circular / Notification:

- **Organisation for Economic Co-operation and Development (OECD) publishes the Manual on Effective Mutual Agreement Procedures (MEMAP) 2026 edition[1]:**

  The updated MEMAP 2026 edition of the manual builds upon the content of the original 2007 edition, reflects subsequent practical developments, and incorporates the Base Erosion and Profit Shifting (BEPS) Action Plan 14 work. It further provides more detailed and practical guidance for the handling of Mutual Agreement Procedure (MAP) cases.

  Key highlights of MEMAP are as follows:

  - **Non-binding guidance:** MEMAP is a practical guide, neither legally binding nor modifying treaty rights/obligations. It complements the OECD Model Tax Convention and Commentary, as well as the OECD Transfer Pricing (TP) guidelines. In the event of any conflict or inconsistency, authoritative sources (e.g., the applicable tax treaty, domestic guidance, OECD Model/Commentary, and TP guidelines) will prevail.
  - **Best practices:** Includes 59 aspirational practices informed by broad stakeholder inputs and over a decade of BEPS Action 14 peer reviews, aimed at streamlining and improving the MAP process for multinationals.
  - **Enhanced practical guidance for both taxpayers and competent authorities:** Provides clearer insights on how MAP should function for both tax administrations and taxpayers.
  - **Arbitration guidance:** MEMAP provides detailed guidance and best practices for MAP arbitration.
  - **New tools and templates:** Introduces specific tools and templates to support jurisdictions new to the MAP process (such as templates for MAP requests, position papers, etc.).
  - **Coverage of common case types:** Includes TP, dual residence, withholding tax, permanent establishment, characterisation, non-discrimination, and cross-border worker cases.
  - **Stronger discipline in submissions and case management:** Encourages better-structured MAP submissions, robust documentation, timeline/milestone tracking, and proactive engagement.

    The manual has also been reorganised into a more practical, step-by-step format across the following areas:

    - Background and pre-MAP phase
    - Unilateral phase of MAP
    - Bilateral phase of MAP

    Overall, MEMAP is designed as a non-binding practical guide to support effective MAP case resolution.

- **CBDT publishes draft Income-tax Rules, 2026 (Rules 2026) and Forms for Income-tax Act, 2025 (IT Act 2025)[2]:**

  Post the Union Budget 2026, the government released the draft Rules 2026 and Forms thereunder for public consultation, signalling swift implementation of the IT Act 2025 from 1 April 2026. Some of the key points from the proposed draft Rules 2026 and Forms are as follows:

  - The Rules 2026 and Forms complement the IT Act 2025 and build on key pillars, namely simplification and consolidation, removal of redundancy, a formulaic or tabular structure for ease of reference, and smart forms that enhance the taxpayer experience. The government sought feedback from stakeholders till 22 February 2026.
  - In contrast to the 511 rules and 399 forms that exist under the 1962 regime, the draft Rules 2026 present a leaner framework comprising 333 rules and 190 forms. Two navigators mapping old and new rules and forms have also been released.
    - For salaried taxpayers, Rules 2026 mark an upward revision of the following:
    - The tax-free value of a meal provided to an employee increases to INR 200 per meal from INR 50 per meal.
    - The non-taxable perquisite threshold for interest-free or concessional loans has risen significantly to INR 2,00,000 from INR 20,000.

[1] Approved and declassified by the Inclusive Framework on BEPS on 18 December 2025
[2] Released on 7 February 2026

- Gifts to employees or household members are proposed to be exempt up to INR 15,000, up from INR 5,000.
- The exemption for educational facility perquisites has increased to INR 3,000 from INR 1,000.

- Prescribed professionals would be required to maintain books of accounts for 7 years instead of 6, and to maintain India-based backup servers for records in electronic mode, with a mandate to update daily.
- Foreign tax credit filings must now be certified by an accountant, replacing the earlier self-declaration. A new form has been introduced to facilitate the settlement of disputes regarding foreign tax.
- The prescribed digital rupee has been recognised as an electronic mode of payment for defined purposes.
- The forms relating to the audit report/statement and the TDS certificate/return have been consolidated.
- A new reporting requirement is proposed for crypto asset service providers to strengthen transparency in the digital asset ecosystem and to facilitate pre-filled data population.

- **Supreme Court (SC) disposes of a batch of appeals on the Faceless Assessment Officer (FAO) vs Jurisdictional Assessment Officer (JAO) issue[3]:**

The SC has disposed of a batch of appeals concerning the controversy between FAO and JAO by an order dated 3 February 2026. The matters relate to the jurisdictional controversy in reassessment proceedings under the faceless regime, including whether the statutory process under Section 148A and the issuance of notice under Section 148 of the Income-tax Act, 1961, are to be undertaken by the JAO or within the faceless framework.

The Finance Bill, 2026, proposes a clarificatory amendment by inserting Section 147A with retrospective effect from 1 April 2021. The proposed provision clarifies that, for Sections 148 and 148A, the 'Assessing Officer (AO)' shall mean and shall always be deemed to have meant an AO other than the National Faceless Assessment Centre or any assessment unit referred to in Section 144B(3), notwithstanding anything contained in any judgement, order or decree of any court, or in Section 151A or any scheme framed thereunder.

Taking note of the aforesaid clarification, the SC has permitted the petitioners to approach the respective High Court (HC) in the disposed of matters and bring the said clarification to the notice of the respective High Court.

It may also be noted that a separate batch of approximately 1,000 matters on the same issue is pending before a bench led by the Chief Justice of India and is listed for 6 April 2026 to consider the impact of the retrospective clarificatory amendments introduced by Budget 2026.

*Source: Taxsutra (media report)

[3] ITO & Ors. vs Vandana Malhotra (SLP (C) Diary No.(S).57403/2025)

Judicial developments:

- **Income Tax Appellate Tribunal (ITAT) Delhi: Tax treaty benefit under India-Singapore Double Taxation Avoidance Agreement (DTAA) denied due to lack of commercial substance[4]:**

  Brief facts of the case:

  - The taxpayer is a Singapore-incorporated company wholly owned by a Hong Kong entity and ultimately controlled by a Chinese solar technology company. The taxpayer's principal activity is to invest in companies engaged in the production, sale, and trading of power.
  - The taxpayer earned long-term capital gains on the sale of equity shares and Compulsorily Convertible Debentures (CCDs) and claimed them as exempt income not chargeable to tax in India under Article 13 of the tax treaty.
  - The taxpayer relied on Article 13(4A) to submit that the assessee acquired the shares in an Indian company, namely Renew Solar Energy (Karnataka) Private Ltd., prior to 1 April 2017, and, hence, the shares are taxable in Singapore, as the assessee is a resident of Singapore.
  - For the sale of CCDs, the taxpayer relied on Article 13(5) to submit that the gains arising from the transfer of CCDs shall be taxable in Singapore under the residence rule. Capital gains are to be made taxable based on legal ownership and not based on beneficial ownership. The taxpayer complied with the Limitation of Benefit (LOB) clause under Article 24A of the tax treaty.
  - During the assessment proceedings, the AO observed that two of the Directors are based in Singapore, while three are based in Taiwan and the U.S. The taxpayer does not have any employees working for it, and no expenses, such as electricity or internet, necessary for day-to-day business operations were incurred.
  - The taxpayer submitted that, as an investment holding company, its affairs are managed by its Board of Directors (BOD). The taxpayer does not employ full-time staff, nor does it maintain conventional office premises. Instead, it avails office space on an as-needed basis from one of its consultants; therefore, utility expenses, such as internet and electricity, are not billed separately.
  - The AO rejected the taxpayer's submissions, stating that an undertaking engaged in substantial business activities, including share investments, would necessarily incur expenses such as employee costs and infrastructure-related expenditure. In the absence of such expenses, the AO inferred that the entity functioned merely as a shell company, serving as a conduit for investments and maintaining a low-cost, minimal-activity profile to claim an unwarranted capital gains exemption.
  - The AO further observed that the authorised signatories and key controllers of the bank account were residents of the U.S. and Taiwan. According to the AO, this indicated that effective control over the bank account and decisions regarding the use of funds rested outside Singapore.
  - Holding of the Tax Residency Certificate (TRC) alone was insufficient. The only objective of interposing a holding company in Singapore was to obtain a tax advantage under the India-Singapore DTAA. Thus, it is merely a tax avoidance arrangement, which is illegal and impermissible. Tax treaty benefits were denied, and the capital gains were made taxable.
  - The Dispute Resolution Panel upheld the AO's findings, and the taxpayer thereafter filed an appeal before the ITAT Delhi Bench.

  ITAT's observation and decision:

  - The ITAT held that examination of the group structure and funding pattern indicated that the taxpayer had no independent operations in Singapore. It depended entirely on foreign group entities for decision-making and financial direction.
  - There is no commercial purpose or economic substance in incorporating a company in Singapore to route investment, except to take benefit/advantage under the India-Singapore DTAA.
  - Application of the LOB clause showed that the arrangement was principally designed to obtain treaty relief, with no commercial rationale for routing the investment through Singapore.
  - The TRC could not override factual indicators showing that effective control and management were exercised outside Singapore.
  - The taxpayer claimed that its BOD's meetings were held in Singapore. No Directors' salary, Director fees, Directors' travel costs, hotel bills, entertainment, etc., were recorded in the books of accounts prepared by the taxpayer.
  - Therefore, the taxpayer was treated as a shell or conduit entity lacking commercial/economic substance, and it was held that the tax treaty benefit shall not be available.
  - Capital gains arising from the sale of Indian securities were held taxable in India based on the source rule, and tax treaty benefits could not be availed relying upon the SC in the case of **AAR & Ors. V. Tiger Global International II Holdings in Civil Appeal No. 262 of 2026(Arising out of SLP(C) No. 2640 of 2025.**

[4] Hareon Solar Singapore Pvt Ltd vs DCIT (ITA No. 2226/Del/2024)

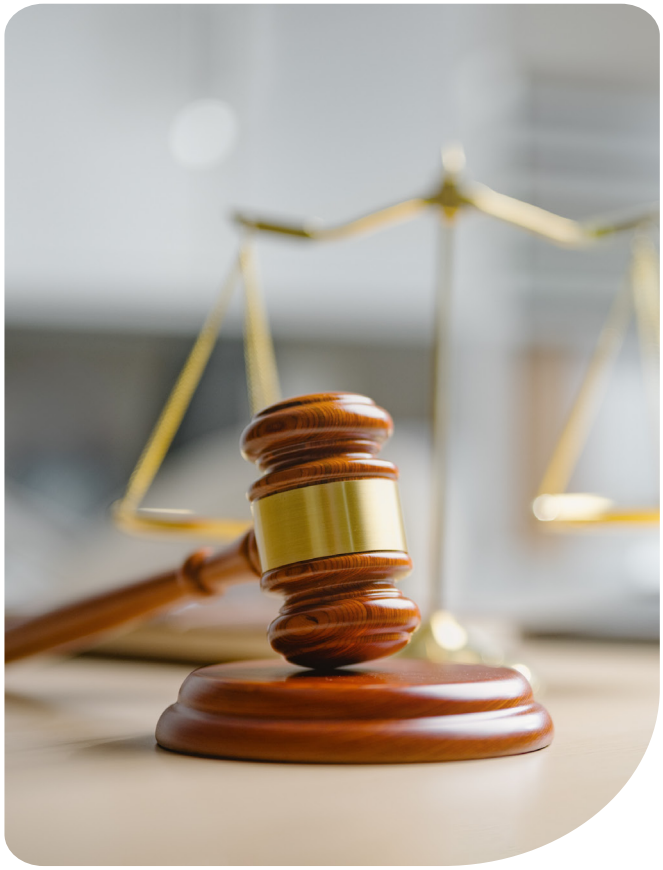
B.
Key developments under transfer pricing law

Judicial developments:

HC held that without any deliberate or conscious concealment, the penalty for under-reporting or misreporting cannot be invoked[5]: The assessee challenged the penalty levied under Section 270A on the ground that it had already sought immunity under Section 270AA. The penalty was imposed at 200% by treating the TP adjustment arising from the ALP determination as a case of misreporting under Section 270A(9)(a). The court observed that a TP adjustment is an exercise of estimation and cannot, by itself, be equated with concealment or misrepresentation. It further held that since the assessee had maintained TP documentation in compliance with Section 92D and Chapter X, the case fell within the exclusion provided under Section 270A(6)(d). In the absence of any material indicating deliberate or conscious concealment or furnishing of false particulars, misreporting could not be inferred. Therefore, the assessee was held entitled to immunity under Section 270AA, and the writ petition was allowed.

HC quashes final assessment passed without issuing a draft order, traces procedural lapse arising after the PCIT's Section 263 revision[6]: The PCIT invoked Section 263 and set aside the final assessment order, directing the AO to pass a fresh assessment order de novo after considering the issues already examined, along with the issues raised in revision. Fresh assessment proceedings were initiated thereafter, and final assessment orders were passed without issuing a draft assessment order. The issue before the court was whether the AO could pass a final assessment order without issuing a draft under Section 144C(1) after a revision under Section 263. The court noted that the revision order did not specify the stage from which de novo proceedings should commence, and that a reading of the order showed that the AO was required to revert to the stage of the TPO order. Since the draft assessment order culminated in the revised final order, the AO could not bypass Section 144C. The setting aside of the earlier final assessment order did not dilute the statutory requirement, and the Revenue could not rely on the assessee's earlier non-filing of the DRP objections. The impugned final assessment orders were quashed for violation of Section 144C, and the writ petition was allowed.

ITAT upholds CIT(A)'s restriction of Standby Letter of Credit (SBLC) fees rate to 0.5%[7]: The assessee advanced a loan to its wholly owned Hong Kong subsidiary and benchmarked the interest rate at LIBOR plus 340 basis points under CUP, while actually charging LIBOR plus 350 basis points. The subsidiary had also availed an external borrowing from HSBC at LIBOR plus 275 basis points, indicating that the rate charged by the assessee was higher than the local lending rate. Therefore, the CIT(A) deleted the TP adjustment and further restricted the SBLC fee to 0.5%, noting that the HSBC borrowing was secured through an SBLC issued by SBI against the assessee's limits. The Tribunal upheld these findings, observing that the lending rate applied by the assessee was at arm's length even on external comparables. Relying on judicial precedents, including Tata Autocomp Systems, Cotton Naturals, MK Shah Exports, Tega Industries, and Everest Kento Cylinders, the ITAT affirmed the deletion of adjustments. The appeal of the Revenue was accordingly dismissed.



[5] Verizon Data Services Pvt Ltd [WP. No. 18377 of 2024]
[6] Sun Pharmaceutical Industries Ltd [SCA NO. 5973 of 2025]
[7] Himadri Speciality Chemical Limited [ITA No.2223/KOL/2025]

- **ITAT held that the TPO misconceived the nature of metro-construction JVs and therefore sustained the assessee's CUP analysis over TNMM[8]:** The assessee, a project office (PO) of Continental Engineering Corporation Taiwan, entered bids for large BMRC and DMRC projects through joint ventures formed only to facilitate execution, with contract values split based on work allocation. The assessee executed its allocated portion through back-to-back arrangements and adopted CUP as the benchmarking method, but the TPO rejected CUP and applied TNMM. The CIT(A) held that all JV-related dealings were pass-through domestic transactions with no profit-shifting possibility and that CUP was the correct method. The ITAT observed that the JVs functioned purely as pass-through entities, that the TPO had completely misunderstood how such metro construction JVs operate, and that all partners performed work entirely in India. It noted that international transactions between the assessee, as PO, and Continental Engineering Corporation Taiwan were internal transactions, and that the TPO's role was limited to verifying reimbursements. The Tribunal held CUP to be the MAM and rejected TNMM, since profits from allocated work had already been recorded and offered to tax in India.
- **ITAT upholds CIT(A)'s treatment of amortisation of goodwill as a non-operating expense[9]:** The TPO treated the amortisation of goodwill as an operating expense, whereas the CIT(A) directed that it be treated as a non-operating expense. The Tribunal noted that an identical issue had already been considered in the case of Novateur Electrical and Digital Systems Pvt. Ltd., wherein goodwill amortisation was held to be a one-time extraordinary expense not arising in the regular course of business and therefore not an operating cost for margin computation. It observed that goodwill represented excess payment for acquisition expected to yield future economic benefits and was not an asset actively employed in business operations. The contention that an increase in revenue and profitability had a nexus with goodwill was rejected, as a separate business had merged with the assessee and the post-merger figures included the merged entity's business. The Tribunal reiterated that the amortisation of goodwill arises due to acquisition and is extraordinary in nature. Finding no reason to interfere with the CIT(A)'s direction, the ITAT upheld the treatment of goodwill amortisation as non-operating.

C.
Key developments under FEMA

RBI issues Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026:

The RBI notified the First Amendment to the Borrowing and Lending Regulations on 9 February 2026. Key regulatory changes have been introduced to modernise and streamline the ECB framework.

- Revised and expanded definitions, including benchmark rate, arm's length basis, recognised lenders, eligible borrowers, and related parties.
- Broadened eligibility for Indian entities (other than individuals) to raise ECB, including LLPs, statutory bodies, and borrowers undergoing insolvency or restructuring, subject to approved plans.
- Recognised lenders expanded to include persons resident outside India, foreign branches of RBI-regulated lenders, and IFSC-based financial institutions.
- ECB may be raised in FCY or INR, with flexibility to change currency without increasing the liability.
- Forms of borrowing clarified, covering FCCBs, FCEBs, and excluding trade credits under three years, export advances, debt instruments under FEMA rules, and convertible notes.
- Borrowing limit revised to the higher of USD 1 billion or 300% of net worth; limits not applicable to the entities regulated by financial sector regulators.
- The Minimum Average Maturity Period (MAMP) is set at 3 years, and the manufacturing sector is permitted to raise up to USD 150 million with a 1 to 3-year maturity.
- End-use restrictions tightened, prohibiting use for real estate (except FDI-aligned construction-development), agricultural/plantation activities with defined exceptions, TDR trading, securities transactions except for corporate actions taken by Indian entities, and the repayment of restricted domestic loans.
- The cost of borrowing aligns with market conditions; shorter-maturity ECBs must follow trade credit caps; related-party ECBs must follow arm's-length pricing.
- The ECB proceeds must be drawn only after obtaining LRN, repatriated to India for INR expenditure, or kept in FCY accounts for permissible FCY expenditure.
- Temporary parking of the ECB funds is allowed only in unencumbered deposits (up to 1 year).
- Detailed provisions introduced for refinancing, conversion of the ECB into equity, and change of parameters, subject to lender consent and regulatory compliance.
- Reporting framework revamped to include Form ECB 1, Revised Form ECB 1, and Form ECB 2, with defined timelines and late submission fee provisions.

[8] Continental Engineering Corporation [ITA No.2327 & 7781/DEL/2018]
[9] Doosan Bobcat Pvt. Ltd [ITA No.2288/Chny/2025]

D.
Key developments under GST law

Goods and Services Tax Network Advisory:

- **Facility for withdrawal from Rule 14A simplified registration:** A new functionality has been enabled on the GST portal, allowing eligible taxpayers registered under Rule 14A of the CGST Rules to apply for withdrawal from the option availed under the rule by filing Form GST REG-32. The facility is subject to certain conditions, including the furnishing of all pending returns from the effective date of registration.

  During the pendency of Form GST REG-32, taxpayers will not be permitted to file core or non-core amendments or apply for cancellation of registration. Upon approval through Form GST REG-33, the taxpayer will be allowed to furnish details of output tax liability on supplies made to registered persons exceeding INR 2.5 lakh from the first day of the succeeding month in which the withdrawal order is issued.

  (Please click here to refer to the advisory)

Judicial developments:

- **ITC on leasehold rights not restricted under Section 17(5)(d) in absence of construction – Gujarat HC[10]:**

  The Gujarat HC has held that the ITC cannot be denied under Section 17(5)(d) of the CGST Act where GST is paid on charges relating to the transfer of leasehold rights and no construction of immovable property is undertaken. The HC observed that the restriction under Section 17(5)(d) applies only where goods or services are used for the construction of immovable property on one's own account, and cannot be invoked for expenses such as subdivision fees, transfer charges, or administrative charges incurred for business transactions involving the transfer of leasehold rights. Accordingly, the HC quashed the SCN and directed the unblocking of the ITC, clarifying that Section 17(5)(d) cannot be applied in the absence of a direct nexus with construction activity.

  (Please click here to refer to the ruling)

- **Gujarat HC cautions against reliance on unverified AI-generated case citations in GST adjudication[11]:**

  The Gujarat HC has expressed serious concern that quasi-judicial authorities are relying on incorrect, misattributed, or non-existent judicial precedents, apparently generated by AI, while deciding GST adjudication matters. The HC observed that rejecting the assessee's objections based on such unverified and irrelevant citations reflects a non-application of mind and undermines the integrity of the adjudication process. It noted that certain judgements cited by the adjudicating authority were either non-existent, wrongly attributed to different HCs, or unrelated to the issues involved.

  Emphasising the need for due diligence, the HC highlighted that judicial precedents must be properly verified for authenticity and relevance before being relied upon in quasi-judicial proceedings. Considering the seriousness of the issue, the HC also observed that guidelines may be required to regulate the manner in which quasi-judicial authorities rely upon the judgements of the HC and the SC while adjudicating disputes. The court granted interim relief in favour of the petitioner and listed the matter for further hearing on 12 March 2026.

  (Please click here to refer to the ruling)

- **ISD credit distribution linked to legal availability of ITC, not mere invoice receipt – Madras HC[12]:**

  The Madras HC has upheld the validity of Rule 39(1)(a) of the CGST Rules while clarifying that the obligation to distribute the ITC by an ISD in the same month arises only when the credit becomes legally available under Section 16(2) of the CGST Act, and not merely on receipt of the supplier's invoice. The court held that the expression 'ITC available for distribution' shall be read harmoniously with Sections 16 and 20, which govern entitlement to and distribution of credit.

  Rejecting the Revenue's interpretation that the ISD credit must be distributed in the same month as the invoice receipt, the HC clarified that the rule operates with reference to the month in which the taxpayer becomes legally entitled to the ITC, thereby aligning the rule with the statutory scheme.

  (Please click here to refer to the ruling)

[10] Niket Bipinbhai Patel (R/Special Civil Application No. 18068 of 2025)
[11] Marhabba Overseas Pvt. Ltd. (R/SCA No. 2229 of 2026)
[12] Reliance Jio Infocomm Limited (W.P. Nos. 27038 and 28371 of 2025)

- **Hookah served in restaurants not eligible for concessional 5% GST as 'restaurant service' – West Bengal AAR[13]:**

  The West Bengal AAR has held that tobacco-based or herbal hookah served in restaurants, along with food, does not qualify as 'restaurant service' eligible for the concessional 5% GST rate. The AAR observed that while food and beverages are consumed for nutrition upon digestion, hookah smoke is inhaled for pleasure or stimulation, and therefore, cannot be treated as an 'article for human consumption' under Paragraph 6(b) of Schedule II of the CGST Act.

  The AAR further clarified that the supply of hookah constitutes a composite supply, with the principal supply being the tobacco or non-tobacco product, and the service elements of preparation and ambience being incidental. Accordingly, where food and hookah are supplied together, restaurant service remains taxable at 5% GST. In comparison, hookah is taxable separately at 40% GST for tobacco-based hookah and 18% GST for non-tobacco hookah under the residuary entry.

  (Please click here to refer to the ruling)

E.
Key developments under erstwhile indirect tax laws, Customs, Foreign Trade Policy, SEZ laws, etc.

Legislative/other developments:

- **U.S. imposes temporary 15% import surcharge after withdrawal of reciprocal tariffs:** Following the U.S. Supreme Court's ruling striking down reciprocal tariffs, the US administration has withdrawn them. However, vide a proclamation dated 20 February 2026, the U.S. administration has imposed a temporary 15% ad valorem import surcharge under Section 122 of the Trade Act of 1974 on most goods imported into the U.S., effective 24 February 2026 for a period of 150 days. The measure, introduced to address the U.S. trade and current account deficits, applies in addition to existing duties and broadly covers all imports, subject to specified exemptions, including critical minerals, pharmaceuticals, certain electronics and aerospace products, Section 232 goods, USMCA-qualifying imports, and select CAFTA-DR textile imports.

  (Please click here to refer to the update)

- **RBI notifies the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026, effective from 1 October 2026:** The Reserve Bank of India (RBI) has notified the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026, which will come **into force on 1 October 2026.** These regulations shall supersede the FEMA (Export of Goods and Services) Regulations, 2015 (erstwhile regulations). These regulations introduce a consolidated legal framework governing the export and import of goods and services. The revised framework expands declaration requirements, strengthens monitoring through digital systems, and provides greater operational flexibility to Authorised Dealer (AD) banks while imposing stricter compliance obligations on exporters and importers. The earlier SOFTEX form required for software exporters has been replaced by a consolidated Export Declaration Form (EDF), which must be filed within 30 days of the end of the month in which the export invoice is raised.

  In addition, for transactions up to INR 10 lakh, simplified closure of entries is permitted based on self-declarations by exporters or importers. Export proceeds must be realised within 15 months (18 months where invoiced or settled in INR). Failure to realise proceeds within this period may result in restrictions on future exports, including permitting exports only against advance payment or irrevocable letters of credit.

  (Please click here to refer to the detailed alert)

[13] Indian Wire Products Company (33/WBAAR/2025-26)

- **CBIC issues guidelines enabling deferred customs duty payment for Eligible Manufacturer Importers:** Pursuant to the announcement in the Union Budget 2026–27, the CBIC has extended the deferred payment facility for Customs duty to Eligible Manufacturer Importers (EMIs). Under this facility, eligible manufacturers can clear imported goods without upfront duty payment and instead discharge duty on a deferred monthly basis, thereby improving cash flow and working capital efficiency.

  In this regard, the CBIC has issued detailed eligibility criteria, application procedures, and operational guidelines[14]. The facility will be effective from 1 April 2026 and remain available until 31 March 2028. Eligible importers must meet specified conditions relating to GST and Customs compliance, turnover, financial solvency, and compliance track record. Existing AEO-T1 entities, including MSMEs, which satisfy the prescribed criteria, are also eligible. Applications can be submitted electronically from 1 March 2026 through the AEO portal under the "Eligible Manufacturer Importer" module.

  (Please click here to refer to the detailed alert)

- **CBIC notifies Baggage Rules, 2026, and mandates electronic declaration:** The CBIC has replaced the Baggage Rules, 2016, with the Baggage Rules, 2026, effective 2 February 2026, alongside the Customs Baggage (Declaration and Processing) Regulations, 2026, introducing a digital-first, risk-based framework for baggage declaration through the Atithi system and consolidating prior operational clarifications.

  Some of the key changes are:

  - Duty-free limited to used personal effects for daily necessities; other goods subject to prescribed monetary limits and exclusions.
  - Revised free allowances (INR 75,000 for eligible air/sea arrivals; INR 25,000 for foreign tourists; limited relief for land arrivals) and a duty-free laptop (≥18 years) without pooling.
  - Clarified rules for re-import, temporary import, jewellery allowances, and Transfer of Residence (TR) with defined value caps.
  - Annexure-based listing of restricted items and expanded TR-eligible household goods.
  - Mandatory electronic declaration for dutiable/prohibited goods, with the Green Channel restricted to passengers with nothing to declare.

(Please click here to refer to the notifications)

- **RoDTEP benefits reduced to 50% following Budget allocation cut; agriculture exports excluded[15]:** Pursuant to the Union Budget 2026 reducing the allocation for the RoDTEP Scheme to INR 10,000 cr for FY27 (from INR 18,233 crore in the current year), the DGFT has restricted benefits to 50% of the notified rates and value caps under Appendix 4R and Appendix 4RE for all eligible HS lines with immediate effect. The revision reduces the quantum of remission available to exporters and is expected to increase the effective export costs for sectors dependent on the RoDTEP refunds.

  Subsequently, through a corrigendum to the same notification, the DGFT clarified that the reduced rates will not apply to products under ITC (HS) Chapters 01 to 24, covering live animals, animal products, dairy products, fruits, edible oils, prepared foodstuffs, coffee, tea, and beverages. These sectors will continue to be eligible for RoDTEP benefits at the previously notified rates and value caps, providing exporters in the agriculture and food sectors with relief.

  (Please click here to refer to the public notice and corrigendum)

Judicial developments:

- **U.S. Supreme Court strikes down Trump's reciprocal tariffs[16]:** The U.S. Supreme Court has struck down the reciprocal tariffs imposed by President Donald Trump, holding that the President does not have authority under the IEEPA to impose tariffs. The court clarified that the power to impose tariffs vests exclusively with Congress. Such powers cannot be exercised unilaterally by the Executive without clear statutory authorisation. It further held that while the IEEPA permits the President to regulate or restrict imports, it does not authorise the imposition of tariffs or duties. The ruling reinforces the constitutional separation of powers by confirming that any broad-based tariff action must be backed by clear authorisation from Congress.

  (Please click here to refer to the detailed alert)

[14] Circular No. 08/2026-Customs dated 28 February 2026
[15] vide Notification No. 60/2025-26 dated 23 February 2026
[16] Learning Resources, Inc. [Order No. 24–1287]

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Shaping Vibrant Bharat

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