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SHAPING VIBRANT INDIA

Monthly Tax Bulletin

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Riaz Thingna
Partner, Tax
Grant Thornton Bharat

Grant Thornton Bharat is pleased to present the August 2026 edition of the Tax Bulletin, at a time when India's tax and regulatory framework is becoming increasingly aligned with the country's economic ambitions. As India seeks to deepen its position in global value chains, attract long-term capital, and strengthen domestic manufacturing and consumption, tax policy is assuming a broader role: not only as a means of revenue mobilisation but also as an instrument for shaping investment, competitiveness, and economic behaviour.

Recent developments reflect this wider policy direction. The continuing evolution of GST jurisprudence is sharpening the contours of input tax credit, transaction characterisation and taxability across increasingly complex business models, while customs policy is being used more selectively to support strategic manufacturing and supply-chain resilience.

In parallel, greater international tax coordination, information exchange, and treaty developments are reinforcing transparency and substance in cross-border taxation, even as transfer pricing jurisprudence continues to test the interaction among legal form, economic reality, and procedural discipline. Foreign exchange reforms add another dimension, with a more facilitative approach to cross-border transactions, export-oriented commerce and rupee-denominated flows. Together, these developments point to a tax environment in which direct tax, indirect tax, and regulatory policy are becoming more closely connected to India's industrial, trade, investment, and digital economy priorities.

For businesses, this calls for an integrated approach to tax governance, in which legal interpretation, commercial substance, documentation, and regulatory exposure are considered together.

We trust this edition provides valuable insights into these developments and their implications for businesses and stakeholders.

Happy reading!

A Key developments under direct tax laws:

International development

The OECD has published Taxation Working Paper No. 77 - "MNE Responses to the Global Minimum Tax"

The Organisation for Economic Co-operation and Development (OECD) has provided the first empirical assessment[1] of how multinational enterprise (MNE) groups have responded to the implementation of the Pillar Two/Global Minimum Tax (GMT). The paper evaluates the impact of GMT on effective tax rates (ETRs), investment, employment and tax revenues.

- **First assessment post GMT implementation**
  - The study analyses actual MNE behaviour following the implementation of the GMT in 2024, moving beyond earlier ex-ante projections of revenue and behavioural impacts.
  - The analysis compares MNEs just above and below the EUR 750 million threshold to identify the causal effects of the GMT.
- **Increase in effective tax rates**
  - The implementation of GMT resulted in a statistically significant increase in the consolidated ETRs of in-scope MNEs.
  - Previously low-taxed MNEs experienced an increase in the ETRs of approximately 1.7 percentage points, while the increase across all in-scope MNEs was estimated at around 1.4 percentage points.
- **Increase in global corporate tax revenues**
  - Based on the observed ETR changes, the OECD estimates that the GMT generated approximately EUR 79 billion to EUR 109 billion (with 95% confidence intervals of EUR 22-187billion) of additional corporate income tax revenue globally in 2024.
  - This represents an increase of around 2.4% to 3.4% of global corporate income tax revenues, relative to 2023 values.
- **Higher tax payments rather than lower profits**
  - The findings indicate that the GMT increased the tax burden of affected groups without materially reducing profitability in the first year of implementation.
- **No significant impact on investment or employment**
  - The study does not find any statistically significant reduction in group-level investment or employment following the introduction of the GMT.
  - This may partly reflect the design of the GMT, including the substance-based carve-out, which reduces the impact of top-up taxation on substance-heavy activities.
- **Greater impact on MNEs with higher profit-shifting exposure**
  - ETR increases were concentrated among MNEs operating in sectors associated with aggressive tax-planning practices, groups with significant intangible assets, and MNEs reporting comparatively high profits relative to economic substance.
  - MNEs headquartered in jurisdictions implementing the Income Inclusion Rule (IIR) also exhibited stronger ETR responses than groups primarily affected through Qualified Domestic Minimum Top-up Tax (QDMTT).
- **No immediate restructuring of MNE groups**
  - No significant changes in the number of subsidiaries maintained by the MNE groups or in their presence in investment hub jurisdictions.
  - This suggests that the GMT has not yet triggered significant structural reorganisation of the MNE operations.
- **Short-term findings subject to future developments**
  - The OECD notes that these findings reflect only the first year of implementation and may evolve as more jurisdictions implement these rules.
  - Future analysis based on additional years of data will be necessary to complement the findings presented in this paper with a longer-run perspective.

Overall, the OECD Working Paper provides the first empirical evidence that the GMT has increased the tax burden of in-scope MNEs and generated additional tax revenues without producing measurable adverse effects on group-level investment or employment in the first year of implementation. The findings broadly support the policy objective of reducing low-taxed outcomes and strengthening global minimum taxation while suggesting that major behavioural responses may emerge, if at all, over a longer time horizon.

1. Taxation Working Paper No. 77 - "MNE Responses to the Global Minimum Tax

Legislative updates:

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

CBDT issues frequently asked questions (FAQs) related to transition provisions under Section 536 of the Income Tax Act 2025 (2025 Act)

The CBDT has issued[2] an office memorandum dated 6 July 2026 containing clarificatory FAQs on the transition provisions under Section 536 of the 2025 Act (Repeals and Savings).

Key points are summarised below:

S. No	Topic	Key points
1.	**Summons and notices**	• A summon is considered a notice for the purpose of Section 536(2)(c) of the 2025 Act. • Where any assessment of any matter flowing from Tax Evasion Petition (TEP)/Suspicious Transaction Report (STR)/Common Reporting Standard/ Foreign Account Tax Compliance Act, etc., relates only to a period prior to 1 April 2026, Section 536(2)(c) of the 2025 Act enables the usage of power under Section 131 of the Income-tax Act 1961 (1961 Act), for such purposes/matter. • Where a TEP/STR etc. does not specifically relate to a period prior to 1 April 2026 or where it may be difficult to assign any specific period to the said TEP/STR, etc., it would be appropriate to use powers under Section 246 of the 2025 Act for the issuance of summons. However, any proceeding, in consequence of the issuance of such summons, in respect of Tax Year (TY) 2025-26 and before, has to be initiated under the 1961 Act in view of Section 536(2)(c) of the 2025 Act. • For any assessment pertaining to TY 2026-27 onwards, summons is to be issued under Section 246 of the 2025 Act. • Section 536(2)(c) provides that the repealed 1961 Act continues to apply to the proceedings pending on the commencement date and to proceedings initiated on or after 1 April 2026 in respect of any TY beginning before 1 April 2026. Accordingly, the issuance of any notice constitutes a proceeding within Section 536(2)(c) of the 2025 Act. Therefore, where a summons is issued on or after 1 April 2026 for any TEP or STR pertaining only to a period prior to 1 April 2026, the summons is to be issued under Section 131(1) or 131(1A) of the 1961 Act, read with Section 536(2)(c) of the 2025 Act.
2.	**Search, requisition and post-search proceedings**	• Section 536(2)(v) of the 2025 Act preserves the 1961 Act for the proceedings connected with a search under Section 132 or a requisition under Section 132A initiated before 1 April 2026. Accordingly, for such searches or requisitions, the powers under Section 131(1) of the 1961 Act may be exercised, both for post search inquiries and for assessment. • For searches initiated or requisition made on or after 1 April 2026, Section 536(2)(v) is not applicable. Therefore, the powers under Section 246 of the 2025 Act are to be exercised wherever required, i.e., for post-search inquiries, as well as for assessment.
3.	**Power to call for information**	• Same principles as applicable for summons shall apply to call for information under Section 133(6) of the 1961 Act or under Section 252 of the 2025 Act.
4.	**Jurisdiction, PAN migration and search cases**	• The transfer of jurisdiction is not linked to any assessment year or TY, and once the jurisdiction is transferred, all matters relating to all years stand transferred to the new assessing officer (AO), in terms of Section 536(2)(e) of the 2025 Act. • Therefore, in cases where notices under Section 127(2) of the 1961 Act were already issued prior to 1 April 2026, the transfer order under Section 127 of the Income-tax Act, 1961, can be passed under the said section r.w.s 536(2)(e) and 536(4) of the 2025 Act. However, where transfer of jurisdiction or PAN migration has been initiated on or after 1 April 2026, the case can be transferred through passing the final order under Section 243 of the 2025 Act.

2. F. No. 370149/107/2026-TPL

S. No	Topic	Key points
5.	**Provisional attachment, attachment and recovery**	• Provisional attachment is done during the course of assessment. Accordingly, for assessment relating to a TY prior to 1 April 2026, provisional attachment is to be made under Section 281B of the 1961 Act; otherwise, under Section 500 of the 2025 Act. • The recovery of any demand pertaining to a period prior to 1 April 2026 is enabled under both the Acts, i.e., under the 1961 Act by virtue of Section 536(2)(c) of the 2025 Act and under the 2025 Act by virtue of Section 536(2)(i) of the 2025 Act.
6.	**Director's liability, penalties, tax clearance, prosecution and retention**	• Where any irrecoverable demand of a private company pertains to a particular period and a person is director of such company during the said period, then such person is jointly and severally liable for such demand. Thus, the liability under Section 179 of the 1961 Act or under Section 323 of the 2025 Act is to be fastened on such person in accordance with the period to which the demand relates. • Where the assessee is in default in the payment of tax, penalty shall be levied under Section 221 of the 1961 Act where the demand relates to a period prior to 1 April 2026, in view of Section 536(2)(d) of the 2025 Act. However, where the demand relates to a period on or after 1 April 2026, such penalty shall be levied under Section 412 of the 2025 Act. • With respect to the Tax Clearance Certificate (TCC), for applications received prior to 1 April 2026, the TCC is to be issued under Section 230 of the 1961 Act where the certificate applies to a period till 31 March 2026, and under Section 420 of the 2025 Act where it applies to a period thereafter. For applications received on or after 1 April 2026, the TCC is to be issued under Section 420 of the 2025 Act. • Furthermore, with respect to the prosecution and retention of books, the FAQs clarify that as a first step, the section under which default has taken place, is to be ascertained. Accordingly, action for prosecution is to be taken in view of Section 536(2)(c) of the 2025 Act. • With respect to the retention of books of accounts, it has been clarified that first the section under which action has taken place is to be ascertained. Accordingly, the retention of books of account needs to be done.
7.	**Applications seeking benefits under 1961 Act**	• Applications seeking benefits under Sections 10(46), 10(46A), 80E, 80C(2), 80G(2) and 11(1)(c) etc. of the 1961 Act, filed on or before 31 March 2026, seeking any benefit under the 1961 Act, may be disposed of by applying Section 536(2)(c) or, as the case may be, Section 536(2)(e) of the 2025 Act, read with the corresponding provisions of the 1961 Act.

S. No	Topic	Key points
8.	**Pending applications under Section 12AB/80G of the 1961 Act**	• Where a registration/approval application under Section 12AB or Section 80G of the 1961 Act, filed on or before 31 March 2026, is pending as on 1 April 2026 and approval is sought from TYs, including 2025-26, the proceedings may continue under the 1961 Act by virtue of Sections 536(2)(c) and 536(2)(e) of the 2025 Act. • Registration/approval granted for the period under Section 12AB or Section 80G of the 1961 Act remains valid and protected under Section 536(2)(j) of the 2025 Act. • For the matters relating to exemptions/deductions pertaining to TY 2026-27, the provisions of the 2025 Act are applicable. Accordingly, where an application under Section 12AB/80G of the 1961 Act filed on or before 31 March 2026 remains pending as on 1 April 2026 and approval is sought from TY 2026-27 onwards, it may be administratively treated as having been filed under the corresponding provisions of the Income-tax Act, 2025, and approvals under the corresponding sections of the 2025 Act may be considered/processed.
9.	**Pending Lower Deduction Certificates/ No Deduction Certificate applications**	• Certificates issued in respect of Lower Deduction Certificate (LDC)/No Deduction Certificate (NDC) applications, which were filed and disposed of on or before 31 March 2026, are protected in view of the provisions of Section 536(2)(b), read with Section 536(2)(j) of the 2025 Act. • For the matters relating to the LDC/NDC pertaining to TY 2026-27, the provisions of the 2025 Act are applicable. Accordingly, where an application under Section 197 of the 1961 Act filed on or before 31 March 2026 remains pending as on 1 April 2026 and approval is sought from TY 2026-27 onwards, it may be administratively treated as having been filed under the corresponding provisions of the 2025 Act and approvals under corresponding sections of the 2025 Act may be considered/processed. • The LDC/NDC applications filed on or after 1 April 2026 will be dealt with entirely in accordance with the provisions of the 2025 Act.

CBDT authorises uploading of information received under the Automatic Exchange of Information(AEOI) framework under respective Double Tax Avoidance Agreements (DTAAs)

The CBDT has issued[3] two orders dated 8 July 2026, authorising the Director General of Income-tax (DGIT - Systems), Delhi, to upload the information received under the AEOI framework in the Annual Information Statement (AIS) form.

The key points are summarised below:

Particulars	Order under the 1961 Act	Order under the 2025 Act
Enabling provision	Section 119 of the 1961 Act, read with Rule 114-I(2) of the Income-tax Rules, 1962, and Section 536 of the 2025 Act.	Section 239 of the 2025 Act, read with Rule 245(2) of the Income-tax Rules, 2026.
AIS form	Form No. 26AS	Form No. 168
Information covered	Information received under the AEOI framework under agreements referred to in Sections 90 and 90A of the 1961 Act.	Information received under the AEOI framework under an agreement referred to in Section 159 of the 2025 Act.
Period/timing covered	For calendar years 2022, 2023 and 2024, information in the possession of DGIT-Systems within 90 days from the date of issue of the order. For calendar year 2025, information that comes into the possession of DGIT-Systems within 90 days from the end of the month in which such information is received.	Information in the possession of DGIT-Systems within 90 days from the end of the month in which such information is received.
Procedural aspects	DGIT-Systems, Delhi, shall specify the procedures, formats and standards for uploading the relevant information in Form No. 26AS.	DGIT-Systems, Delhi, shall specify the procedures, formats and standards for uploading the relevant information in Form No. 168.

3. F. No. 225/73/2025-ITA-II

- **CBDT notifies Cost Inflation Index for Financial Year (FY) 2026-27**
  - Section 72(8)(a) of the 2025 Act empowers the central government (CG) to specify the Cost Inflation Index, having regard to 75% of the average rise in the Consumer Price Index (urban) for the immediately preceding TY to such TY.
  - Accordingly, the CBDT has specified the Cost Inflation Index for FY 2026-27 as 384.
  - This notification[4] shall apply to the TY 2026-27 on and from 1 April 2026 and subsequent TYs.
- **CG notifies the amending protocol to India-Sri Lanka DTAA**
  - Section 159 of the 2025 Act [corresponding to Section 90 of the Income-tax Act, 1961] empowers the CG to enter into agreements with the government of any other country or specified territory for the purposes specified in Section 159(3) and to make, by notification, such provisions as may be necessary for implementing such agreements.
  - Accordingly, the CG has notified[5] the protocol amending the agreement between India and Sri Lanka for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income (India-Sri Lanka DTAA).
  - The notification records that the protocol was signed at New Delhi on 16 December 2024 and entered into force on 19 June 2026.
- **The key amendments introduced through the protocol are summarised below:**

  a) The preamble of the India-Sri Lanka DTAA has been replaced. The revised language is consistent with the minimum standard on prevention of treaty abuse under Action 6 of the OECD/G20 Base Erosion and Profit Shifting Project. The revised preamble clarifies that the treaty is intended not only to eliminate double taxation and promote economic cooperation, but also to prevent opportunities for non-taxation or reduced taxation through tax evasion or avoidance, including treaty-shopping arrangements.

  b) Article 28(6) of the DTAA has been deleted and replaced with a Principal Purpose Test (PPT) provision. Under the revised provision, a treaty benefit shall not be granted in respect of an item of income where it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining such a benefit was one of the principal purposes of an arrangement or transaction, unless it is established that granting the benefit would be in accordance with the object and purpose of the relevant treaty provisions.

  c) The notification records that the protocol was signed at New Delhi on 16 December 2024 and entered into force on 19 June 2026.
- **The protocol further provides that its provisions shall have effect :**

  a) In India, in respect of the income derived in any fiscal year beginning on or after 1 April next following the calendar year in which the agreement enters into force.

  b) In Sri Lanka, in respect of the income derived in any taxable year beginning on or after 1 April following the calendar year in which the agreement enters into force.

  Article 3(3) uses the word 'Agreement' in the effective date provision. Read contextually as referring to the protocol, which entered into force on 19 June 2026, the amended treaty provisions would generally apply in India in respect of the income derived in Fiscal Year/TY 2027-28 and subsequent years.
- **India-Mauritius Tax Treaty: Mauritius clears enabling regulations for the 2024 Protocol**
  - On 17 July 2026, the Mauritius Cabinet approved the DTAA (India) (Amendment) Regulations 2026 to give effect6 to the protocol signed on 7 March 2024, following India's reaffirmation that the benefits available to Mauritius under the treaty would not be undermined.
  - The DTAA (India) (Amendment) Regulations 2026 will provide for the entry into force of the protocol signed on 7 March 2024. This will amend the DTAA between Mauritius and India, to provide, inter alia, for the inclusion in the DTAA of:

    a) A paragraph in the preamble section to reiterate the common intention of both countries to eliminate double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance; and

    b) An article on the entitlement to benefits to prevent the abusive use of the DTAA, i.e., allowing either party to deny a benefit under the DTAA if one of the principal purposes of an investment is to benefit from the tax treaty (PPT).

  It is important to note that this represents only Mauritius' domestic enabling action. The protocol is not yet in force and will take effect only upon completion of the requisite notifications by both countries.

4. Notification F. No. 85/2026/F.No.370149/112/2026-TPL dated 16 July 2026
5. Notification No. 88/2026/F. No. 503/8/2005-FTD-II dated 16 July 2026.
6. HIGHLIGHTS OF CABINET MEETING - FRIDAY 17 JULY 2026

B Key developments under transfer pricing law:

Judicial developments:

HC notes that subsequent communication of DIN through intimation doesn't invalidate orders, constitutes compliance with Circular 19/2019[7]:

The Revenue challenged the ITAT's orders, which had invalidated the assessment order, and the order passed under Section 263 on the ground that the communications initially issued to the assessees did not contain a Document Identification Number (DIN) as required under CBDT Circular No. 19/2019. The facts revealed that although the DRP order and Section 263 order were first communicated without mentioning a DIN, the orders had been uploaded in the system for DIN generation, and the corresponding DINs were subsequently communicated through separate intimation letters issued either on the same day or shortly thereafter.

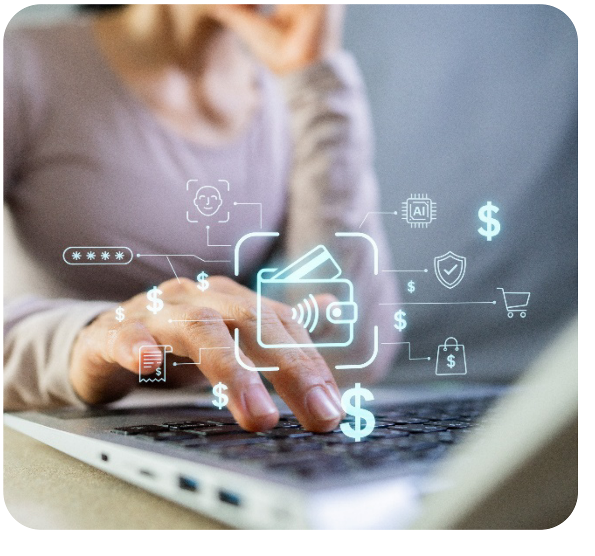
Examining the purpose and scope of the DIN framework, the HC observed that the objective of Circular No. 19/2019 is to maintain authenticity and an audit trail of departmental communications rather than to invalidate proceedings on account of procedural irregularities. The court noted that the departmental process of uploading orders for DIN generation, followed by communication of the DIN, achieved the circular's intended objective and constituted substantial compliance with its requirements. It further held that the requirement to obtain prior approval for issuing communications without a DIN applies only to manual communications, not to electronically generated communications. The court also clarified that typographical mistakes or incorrect mention of a DIN would not invalidate an order where the accompanying communication correctly identifies the order and enables verification of its authenticity. Accordingly, the HC held that orders are not rendered invalid merely because the DIN is communicated subsequently through a separate intimation, and that invalidation would arise only where no DIN is generated or communicated at all. Consequently, the Revenue's appeals were allowed.

Deletes penalty on goodwill accounting entry, rules transaction not reportable as an international transaction[8]:

The assessee was subjected to penalty proceedings under Section 271AA for allegedly failing to report an international transaction relating to the acquisition of goodwill in Form 3CEB. The goodwill was recorded pursuant to a demerger scheme under which the business of the Indian branch office of its Hong Kong AE was transferred to the assessee. The Revenue contended that the non-disclosure warranted a penalty, whereas the assessee maintained that the goodwill was only an accounting entry arising from the demerger and did not involve any acquisition or transfer of goodwill or other intangible assets that would constitute an international transaction under Section 92B.

The ITAT observed that no goodwill existed in the books of the transferor entity and that the recorded goodwill merely reflected the excess of liabilities over assets of the demerged undertaking. It further noted that the accounting treatment was revenue-neutral, as the goodwill amortised through the profit and loss account had been added back when computing taxable income. The Tribunal also took cognisance of the fact that all material particulars had been furnished to the accountant for the preparation of Form 3CEB and that the penalty notice was vague and mechanical in nature.

Accordingly, accepting that the assessee had reasonable cause for the non-disclosure, the ITAT upheld the deletion of penalty under Section 271AA and dismissed the Revenue's appeal.



7. Unisys India Pvt. Ltd [ITA No. 55 of 2024]
8. TPV Technology India Pvt. Ltd [ITA No. 1947/Del/2023]

Considering assessee's reliance on documents filed before foreign tax authorities, remits TP issues for fresh adjudication[9]:

The assessee is engaged in the manufacture of brake pads and brake linings for the automotive industry, and challenged the TP adjustment made by the TPO/DRP in relation to its international transactions with AEs. During the proceedings, the assessee furnished TP documentation and various supporting documents, including materials submitted by its AEs to foreign tax authorities, to substantiate the group pricing mechanism and demonstrate that the AE had earned a 2.9% markup. The assessee contended that the authorities had failed to adequately consider the documentary evidence supporting the actual mark-up earned by the AE. The ITAT observed that the lower authorities had not comprehensively examined the evidentiary value of the documents filed before foreign tax authorities and had failed to record reasoned findings either accepting or rejecting such evidence. The ITAT noted that material evidence with a direct bearing on the determination of the ALP cannot be disregarded without cogent reasons and that the Revenue should have an opportunity to verify the authenticity and relevance of the documents. Accordingly, the Tribunal restored the entire issue to the AO/TPO for de novo adjudication. Accordingly, the assessee's appeal was allowed for statistical purposes.

ITAT Bangalore holds extraordinary expenditure incurred during COVID pandemic as non-operating[10]:

The assessee, engaged in the manufacture of mining tools, metal castings, fixtures and jigs, special purpose machines, and hard metal products, challenged the transfer pricing adjustment arising from the TPO's rejection of its claim for the exclusion of certain COVID-19 related expenses from operating costs and its request for a capacity underutilisation adjustment. The assessee contended that the COVID-19 pandemic had led to a significant decline in sales, resulting in under-absorption of fixed overheads, employee costs, and other expenses that were extraordinary in nature and did not reflect normal business operations. The ITAT observed that such COVID-19-related fixed overheads and employee costs constituted exceptional and non-recurring expenditure and, therefore, should not form part of the operating costs for the purpose of computing the profit level indicator (PLI). The Tribunal also referred to the OECD guidance recognising the separate treatment of COVID-19-related exceptional costs and held that the assessee was entitled to a capacity underutilisation adjustment. It further directed the AO/TPO to examine the assessee's claim and obtain capacity utilisation details of comparable companies under Section 133(6), where such information was not available in the public domain, for granting an appropriate adjustment. In addition, the Tribunal reiterated that any transfer pricing adjustment must be limited to international transactions with AEs and cannot extend to transactions with non-AEs. Accordingly, the assessee's appeal was allowed, and the matter was remanded to the AO/TPO for appropriate relief in accordance with these directions.

9. Sangsin Brakes India Private Limited [IT(TP)A No. 28/Chny/2026]
10. Kennametal India Ltd [IT(TP)A No.2564/Bang/2024]

C Key developments under FEMA

Legislative developments:

RBI liberalises framework for Special Non-Resident Rupee (SNRR)

The Reserve Bank of India ('RBI'), vide Notification No. FEMA 5(R)(6)/2026-RB, dated 18 June 2026 ('Notification'), published on 29 June 2026, has amended the Foreign Exchange Management (Deposit) Regulations, 2016 ('Deposit Regulations') through the Foreign Exchange Management (Deposit) (Sixth Amendment) Regulations, 2026. The amendments primarily liberalise the framework governing the Special Non-Resident Rupee Accounts ('SNRR Accounts').

- **Key changes are as follows:**
  - **Definition of International Financial Services Centre ('IFSC')**: The definition of 'IFSC' has been inserted in the Deposit Regulations. The term shall have the same meaning as assigned under the International Financial Services Centres Authority Act, 2019.
  - **Expansion of SNRR account opening facilities**: The notification now permits a person resident outside India to open, hold and maintain an SNRR Account with a branch located in an IFSC in India. Earlier, the regulatory framework did not specifically permit the opening of SNRR Accounts with the branches of AD banks operating in an IFSC in India.
  - **Transfers involving NRO accounts**: The Deposit Regulations have been amended to expressly permit the transfer from an NRO account to an NRE account or an SNRR account within the limits prescribed under Regulation 4 of the FEMA (Remittance of Assets) Regulations, 2016. Earlier, transfers from NRO accounts to SNRR accounts were expressly prohibited.
  - **Wider scope of SNRR account operations**: The scope of SNRR accounts has been expanded. A person resident outside India may now maintain an SNRR account for:
    - Undertaking permissible current account and capital account transactions with persons resident in India; and
    - Undertaking any bonafide transaction with a person resident outside India.

The requirement of having a business interest in India has been removed for opening an SNRR account.

  - **Removal of certain SNRR account conditions:** The notification has deleted Paragraphs 2, 5, 6, 7 and 8 of Schedule 4 of the Deposit Regulations relating to SNRR accounts, including:
    - Requirement to maintain the account under a specific business nomenclature;
    - Restriction that account transactions should be linked to a specific business activity;
    - Requirement for balances to be commensurate with business operations; and
    - Requirement for the account tenure to be linked to the underlying contract/business period.
  - **Transactions between non-residents through SNRR accounts**: A new paragraph has been inserted in Schedule 4 of the Deposit Regulations, which provides that the transactions between persons resident outside India involving SNRR accounts may be affected by the AD bank based on instructions/mandate from the account holder, indicating the underlying purpose of the transfer.

The above amendments are effective from the date of publication of the notification in the Official Gazette, i.e., 18 June 2026.

RBI extends annual foreign liabilities and assets return deadline

In view of the technical issues being faced on the Foreign Liabilities and Information Reporting (FLAIR) System, the Reserve Bank of India has extended the deadline for filing the annual return on Foreign Liabilities and Assets (FLA return) for FY 2025-26 from 15 July 2026 to 31 July 2026.

- **Government allows foreign direct investment in an inventory-based model for e-commerce exports**
  - The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, has reviewed the extant foreign direct investment (FDI) policy and proposed limited amendments as applicable to the e-commerce sector.
  - Under the existing FDI Policy, 100% FDI is allowed under the Automatic Route in the marketplace model of e-commerce. However, the FDI was not permitted in the inventory-based model of e-commerce. Under the inventory-based model of e-commerce, the inventory of goods and services is owned by e-commerce entities and sold directly to consumers. With a view to promoting exports and providing greater access to global markets for Indian products, the government has now relaxed this restriction.
  - According to Press Note No. 3 (2026 Series) dated 23 July 2026, e-commerce entities are now permitted to engage in an inventory-based e-commerce model exclusively for the export of goods/products manufactured and/or produced in India. Such exports are required to be undertaken in accordance with the Foreign Trade Policy, 2023, Handbook of Procedures (HBP) and the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015, as amended from time to time.
  - The above policy change will take effect from the date of the corresponding FEMA notification. Necessary amendments are also expected to be incorporated in the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019.

D Key developments under GST law

Legislative developments:

GST Appellate Tribunal (GSTAT) order

- **GSTAT revises Bench constitution and classification of cases effective 1 August 2026[11]**

  The GSTAT has revised the classification and allocation of cases across GSTAT Benches and reconstituted certain Benches with effect from 1 August 2026. The revised mechanism is aimed at streamlining case allocation and ensuring efficient functioning of the Tribunal.

- **Key highlights:**
  - A revised two-category classification framework for all Benches across India, except the Bengaluru Bench, which has a separate three-category classification framework.
  - The order reconstitutes the Delhi, Chennai, Coimbatore, Madurai, Puducherry and Lucknow Benches with revised member combinations and sitting arrangements for different categories of cases.
  - All part-heard matters are required to be released and reassigned in accordance with the revised classification and roster.
  - The GSTAT registry has directed not to rely solely on the category declared by the appellant or petitioner and must independently examine the pleadings, factual matrix and questions of law before assigning matters to the appropriate Bench.

(Please click here to refer to the order)

GSTN advisories

- **GSTN keeps proposed e-Way Bill system enhancements on hold until further notice**

  GSTN has announced that the proposed e-Way Bill system enhancements, scheduled to be implemented from **1 August 2026**, have been put on hold until further notice. Consequently, taxpayers, transporters and other stakeholders are not required to make any changes in the production environment at this stage. GSTN has also stated that the advisories and FAQs issued on 2 July 2026 regarding the proposed enhancements will be withdrawn from the GST portal. The decision provides temporary relief to stakeholders who were preparing for the upcoming system changes and indicates that the revised implementation timeline will be communicated separately.

(Please click here to refer to the order)

Circulars

- **CBIC clarifies procedure for filing departmental appeals before GSTAT in DGGI-CAA matters[12]**

  The CBIC has clarified the procedure for filing departmental appeals before the GSTAT against orders passed by appellate authorities in cases where the order-in-original was issued by a common adjudicating authority (CAA) pursuant to investigations undertaken by the Directorate General of Goods and Services Tax Intelligence (DGGI). The circular seeks to ensure uniformity in identifying the reviewing authority, determining the jurisdictional authority responsible for filing appeals, and ascertaining the appropriate GSTAT Bench having territorial jurisdiction over such matters.

- **Key highlights:**
  - The appellate authority is required to upload the order-in-appeal on the common portal and forward a copy, through e-mail and physical mode, to the Principal Commissioner/ Commissioner having jurisdiction over the CAA.
  - The jurisdictional Principal Commissioner/ Commissioner of the CAA shall examine the appellate order, obtain inputs from the DGGI wherever necessary, and share such inputs along with recommendations with the jurisdictional CGST commissionerates of the concerned taxable persons/noticees. The jurisdictional CGST Principal Commissioner/Commissioner of the concerned taxable person/noticee shall act as the reviewing authority and independently examine the legality and propriety of the appellate order.
  - Appeals must be filed before the GSTAT Bench having territorial jurisdiction over the concerned taxable person/noticee.
  - After filing an appeal, the jurisdictional Commissionerate must intimate the Commissionerate having jurisdiction over the CAA and provide a copy of the appeal. A similar intimation is required when a decision is made not to file an appeal.

(Please click here to refer to the circular)

11. Order No. 4/GSTAT/PB/2026 dated 29 July 2026
12. Circular No. 256/02/2026-GST dated 25 July 2026

Judicial developments:

- **The SC affirms that the supplier's payment of tax to the government is a mandatory condition for ITC entitlement[13]:** The SC has upheld the Gujarat HC's judgement affirming the constitutional validity of Section 16(2)(c) of the CGST Act and held that the payment of tax by the supplier to the government is a mandatory precondition for the availment of the ITC by the recipient. The court observed that all conditions prescribed under Section 16(2) must be satisfied conjointly. The SC further agreed that the GST regime operates under a fundamentally different statutory framework from the erstwhile Delhi VAT regime and, therefore, VAT-era precedents protecting bonafide purchasers cannot be mechanically applied to GST. Noting that the recipient is entitled to re-avail the reversed ITC once the supplier subsequently discharges the tax liability, the court affirmed the Gujarat HC's ruling and dismissed the SLP.

(Please click here to refer to the alert)

- **Online gaming companies seek review of SC ruling upholding 28% GST on full face value of bets[14]:** Online gaming companies have filed review petitions before the SC, seeking reconsideration of its ruling on the online gaming issue, wherein the SC upheld the levy of 28% GST on online gaming, including on the full face value of bets or entry amounts, and validated retrospective tax demands. The review petitions contend that the judgement requires reconsideration in light of the significant legal and industry-wide implications arising from the levy. Accordingly, the matter is expected to be re-examined by the SC through the review jurisdiction.

(Please click here to refer to the order copy)

- **SC dismisses Revenue's SLP against HC's judgement on assignment of leasehold rights in land[15]:** The SC dismissed the Revenue's SLP against the Gujarat HC judgement, which held that assignment of leasehold rights in land is not liable to GST. The HC observed that the assignment of leasehold rights amounts to a transfer of rights arising out of land and, consequently, constitutes a transaction in immovable property falling outside the scope of GST. The SC also noted the dismissal of a similar SLP arising from the Bombay HC's decision in the Aerocom Cushions Pvt. Ltd. case. Accordingly, the Revenue's challenge was rejected, reinforcing the position that the assignment of leasehold rights in land is not leviable to GST.

(Please click here to refer to the order copy)

- **SC issues notice on validity of composite show cause notices spanning multiple financial years under GST[16]:** The SC issued a notice in an SLP challenging the Karnataka HC Division Bench ruling, which upheld the validity of a consolidated show cause notice issued under Section 74 of the CGST Act covering multiple financial years. The Division Bench held that Sections 73 and 74 do not prohibit the issuance of a common notice for multiple tax periods and that the expression "any period" permits such proceedings. Challenging the ruling, the taxpayer contended that GST determinations must be undertaken on a financial-year basis. Accordingly, the SC has agreed to examine the issue and tagged the matter with a connected case, which is further listed for hearing on **11 August 2026.**

(Please click here to refer to the order copy)

- **SC issues notice on whether uploading of order on GST portal triggers limitation for filing appeal[17]:** The SC issued a notice in an SLP challenging the Orissa HC ruling, which upheld the rejection of a GST appeal as time-barred. The dispute concerns whether mere uploading of an adjudication order on the GST portal constitutes valid communication of the order for computing limitation under Section 107 of the CGST Act. While the HC observed that the taxpayer's appeal records reflected the communication of the order on the date of its issuance, the taxpayer contended that it became aware of the order only upon attachment of its bank account. Accordingly, the SC has agreed to examine the issue, which is further listed for hearing on **19 August 2026.**

(Please click here to refer to the order copy)

13. Bhandari Scrap Traders [(SLP(C) No. 23931/2026, order dated 24 July 2026)
14. Play Games24x7 (Diary No- 41230/2026), Junglee Games (Diary No. - 41282/2026) and Sachiko Gaming (Diary No- 41266/2026).
15. Gujarat Chamber of Commerce and Industry (SLP (C) Diary No. 33270/2025, order dated 21 July 2026)
16. Pramur Homes and Shelters, (SLP(C) No(s). 22321/2026, order dated 9 July 2026)
17. Sri Balaji Metallics Private Limited SLP (C) No(s). 22223/2026, order dated 2 July 2026)

- **10% pre-deposit inapplicable for penalty-only appeals arising from SCN issued before 1 October 2025 – Delhi HC[18]:** The Delhi HC held that the 10% pre-deposit requirement introduced under the amended Section 107(6) of the CGST Act, with effect from 1 October 2025, for appeals against penalty-only orders, cannot be applied to adjudicatory proceedings initiated through a SCN issued before that date. The court observed that the right of appeal is a substantive vested right that attaches upon commencement of the lis and cannot subsequently be burdened by a more onerous condition unless expressly provided by the legislature. The court further clarified that appellate authorities have no power to waive a statutory pre-deposit requirement where one is otherwise applicable. Accordingly, the appellate authority was directed to register and entertain the appeals without insisting on the payment of 10% pre-deposit of the disputed penalties.

(Please click here to refer to the alert)

- **Uttarakhand HC held that Limitation Act cannot be invoked to extend statutory time limit for GST appeals[19]:** The Uttarakhand HC held that a delay beyond the maximum period prescribed under Section 107 of the CGST Act cannot be condoned by invoking Section 5 of the Limitation Act, 1963. The court observed that GST is a special fiscal statute and a self-contained code and that the limitation prescribed therein forms an integral part of the statutory appellate framework. It was further held that appellate authorities lack jurisdiction to entertain the appeals filed beyond the prescribed statutory time limit. Accordingly, the writ petition was dismissed.

(Please click here to refer to the order copy)

- **State GST officers empowered to exercise powers under IGST Act without separate notification – Gujarat HC20:** The Gujarat HC held that the officers appointed under the State GST Act are empowered to exercise powers under the IGST Act by virtue of Section 4 of the IGST Act itself and that no separate notification is required for such cross-empowerment. The court observed that Section 4 creates a statutory mechanism authorising state GST officers to act as proper officers under the IGST framework, unless the government prescribes specific exceptions or conditions. Rejecting the taxpayer's challenge to confiscation proceedings initiated by state GST authorities in respect of an inter-state supply, it held that the orders passed by such officers are appealable before the state appellate authorities. Accordingly, the writ petition was dismissed on account of the availability of an alternate statutory remedy.

(Please click here to refer to the order copy)

18. Gaurav Jain (W.P.(C) 8414/2026, Order dated 31 July 2026)
19. Radhika Furniture (WP (M/B) No. 317/2025, Order dated 17 July 2026)
20. Jai Ganesh Enterprise (R/Special Civil Application No. 9269 of 2026, Order dated 13 July 2026)

E Key developments under erstwhile indirect tax laws, Customs, Foreign Trade Policy, FTAs, SEZ laws, incentives schemes, state amnesty schemes, etc.

Legislative/other developments:

- **CBIC exempts customs duty on key electronics and battery manufacturing inputs[21]:** The Central Board of Indirect Taxes and Customs (CBIC) has notified basic customs duty (BCD) exemptions for specified components used in the manufacture of display assemblies for automotive, medical, and industrial applications; inputs for wireless charging modules used in cellular mobile phones; and capital goods required for the manufacture of lithium-ion cells. The notifications also remove the existing end-use restriction on the import of capital goods for lithium-ion cell manufacturing, thereby extending the benefit across multiple battery applications. These exemptions, which are effective till **31 March 2029**, are intended to reduce the cost of critical inputs and manufacturing equipment, strengthen domestic value addition, promote investments in electronics and battery manufacturing, and support the government's objective of enhancing India's electronics manufacturing ecosystem.

(Please click here to read in detail)

- **DGFT introduces a framework to prohibit imports of goods produced using forced labour[22]:** The Directorate General of Foreign Trade (DGFT) has amended the Foreign Trade Policy (FTP) 2023 to prohibit the import of goods produced or manufactured, wholly or partly, using forced labour. The amendment empowers the central government to notify goods whose import may be prohibited based on enquiries conducted by the DGFT or other material relating to the use of forced labour in their production, while the detailed enquiry procedure will be prescribed separately in the Handbook of Procedures, 2023. The notification also introduces a definition of "forced labour" aligned with the International Labour Organization's (ILO's) Forced Labour Convention, 1930, and will come into effect 30 days from its publication in the Official Gazette. The amendment seeks to strengthen India's import control framework, align its trade policy with evolving international standards on ethical sourcing and responsible supply chains, and reinforce measures against the import of goods linked to forced labour.

(Please click here to read in detail)

- **US imposes Section 301 tariffs on imports from 60 economies over forced labour concerns; India subject to 10% tariffs:** The United States has imposed additional tariffs under Section 301 of the Trade Act of 1974 on imports from 60 economies, including India, following investigations into the adoption and enforcement of measures restricting the imports of goods produced using forced labour. Effective 24 July 2026, India has been placed in the 10% tariff category following the introduction of a forced labour import prohibition during the investigation, while countries that have not adopted or committed to similar measures will generally be subject to an additional 12.5% tariff. The tariffs are subject to specified product exemptions, including goods already covered by Section 232 measures and products for which additional duties could disrupt US supply chains or are unlikely to further the policy objective. The Presidential Memorandum also authorises future modification or withdrawal of the tariffs and exemptions. The measure marks a shift from the temporary Section 122 tariffs to a targeted trade enforcement framework linked to forced labour compliance and is expected to influence global sourcing strategies and supply chain due diligence requirements.

(Please click here to read in detail)

21. Notification No. 25/2026-Customs, Notification No. 26/2026-Customs, Notification No. 27/2026-Customs dated 8 July 2026
22. Notification No. 23/26-27 dated 13 July 2026
23. Press Release dated 23 July 2026

- **WTO concludes India's Eighth Trade Policy Review[23]:** The World Trade Organization (WTO) concluded India's Eighth Trade Policy Review (TPR) on 23 July 2026, reviewing developments in India's trade policy framework since 2021. The WTO Secretariat Report highlighted reforms in customs, trade facilitation, and quality infrastructure, while WTO Members sought clarifications on India's Production Linked Incentive (PLI) schemes, tariff measures, Quality Control Orders (QCOs), import licensing regime, and other industrial policy initiatives. In response, the government of India reiterated that its trade measures are transparent, WTO-consistent and aimed at balancing developmental priorities with greater integration into the global economy. The review also highlighted India's expanding free trade agreement strategy, digital public infrastructure, acceptance of the WTO Agreement on Fisheries Subsidies, and commitment to an open, inclusive, and rules-based multilateral trading system, while the members emphasised the importance of transparency, regulatory predictability, timely WTO notifications, and continued stakeholder consultation.

Please click here to refer to the alert

- **Special Economic Zones Rules, 2006, amended to extend timelines for submission of Annual Performance Report (APR)[24]:** The Ministry of Commerce and Industry (Department of Commerce) has notified the Special Economic Zones (Second Amendment) Rules, 2026, amending the Special Economic Zones Rules, 2006, to extend the timelines relating to the submission and review of the Annual Performance Report (APR) for SEZ units. Under the amended rules, the due date for submission of the chartered accountant-certified APR has been extended from 180 days to nine months from the close of the financial year, while the timeline for the Approval Committee to complete the annual performance review has been extended from the end of the second quarter to the end of the third quarter of the following financial year. The amendments are intended to streamline the annual compliance framework for SEZ units, reduce the need for recurring relaxations and provide greater certainty and predictability in the monitoring process.

(Please click here to read in detail)

- **Ministry of Commerce, SEZ Division, convened stakeholder consultation meeting on SEZ reforms and harmonisation of various export promotion scheme[25]:** The Ministry of Commerce and Industry, Department of Commerce (SEZ Section), held a stakeholder consultation on 30 June 2026 to deliberate on reforms to the Special Economic Zone (SEZ) framework and the harmonisation of export promotion schemes. Key proposals discussed included rationalisation of overlapping export promotion schemes, permitting SEZ supplies to the domestic tariff area (DTA) on a duty-foregone basis, greater operational flexibility for services and job work, rationalisation of the Net Foreign Exchange (NFE) requirements for toll manufacturing, alignment of the SEZ framework with the MOOWR and EOU schemes, enhanced flexibility for SEZ developers, simplified exit and debonding procedures, and measures to improve the ease of doing business through technology integration and procedural simplification. Stakeholders also emphasised that any reforms should preserve the export-oriented character of SEZs while ensuring competitive neutrality, revenue neutrality and appropriate safeguards against regulatory arbitrage.

Please click here to view the minutes of the meeting

- **Government of Haryana notifies the One-Time Settlement Scheme for Recovery of Outstanding Dues, 2026[26]:** The government of Haryana has notified the Haryana One Time Settlement Scheme for Recovery of Outstanding Dues, 2026 (Scheme) to facilitate the settlement of quantified outstanding dues under specified pre-GST state tax laws. The scheme applies to outstanding tax, interest, penalty and other dues relating to periods up to 30 June 2017 under various state tax enactments and shall remain in force **till 28 September 2026**. It provides a slab-based waiver of outstanding tax demand, 100% waiver of interest and penalty, declaration-linked relief for eligible statutory forms under the Haryana VAT Act and Central Sales Tax Act, and flexible lump-sum or instalment-based payment options. The scheme also permits the settlement of cases involving pending appeals and legacy demands migrated under the GST regime, while excluding cases involving erroneous refunds, criminal proceedings and certain applicants under the earlier OTS schemes. The scheme seeks to expedite the resolution of pre-GST legacy tax disputes and reduce the outstanding tax arrears.

Please click here to view the scheme notification

24. Notification No. G.S.R. 609(E), dated 9 July 2026
25. Office Memorandum, dated 13 July 2026
26. Haryana Government, Excise and Taxation Department Notification No.07/ST-1 dated 29 May 2026

Judicial developments:

- **SC holds CNG-dispensing arrangement between MGL and oil marketing companies to be an agency relationship; holds that commission earned is liable to service tax[27]:** The Supreme Court held that the CNG-dispensing arrangement between Mahanagar Gas Ltd. (MGL) and oil marketing companies was one of principal and agent, and not a principal-to-principal sale, making the commission earned by the oil marketing companies liable to service tax as a business auxiliary service. The court observed that the true nature of a transaction must be determined by the substance of the contractual arrangement, noting that MGL retained the ownership, pricing control, commercial risk, and operational oversight of the CNG, while the oil marketing companies merely facilitated its sale. It further held that the commission/profit margin received by the assessees constituted consideration for agency and marketing services rather than a trade discount arising from an outright sale. Accordingly, the court set aside the CESTAT order and restored the service tax demands, reaffirming that the commercial substance of an arrangement prevails over its contractual description for determining the indirect tax liability.

(Please click here to refer to the alert)

- **CESTAT clarifies that 'intended use' is sufficient under MOOWR; no interest payable on clearance of unused capital goods[28]:** The CESTAT Kolkata held that the capital goods imported into a bonded warehouse under the MOOWR scheme qualify for duty deferment based on their intended use in manufacturing, and actual installation or utilisation is not a prerequisite. The Tribunal observed that the expression "for use" under Section 61(1)(a) of the Customs Act refers to the intention at the time of import, and subsequent non-use due to commercial or operational reasons does not affect eligibility. It further held that the CBIC circulars cannot override the statutory provisions or settled Supreme Court jurisprudence interpreting "intended for use". Accordingly, the Tribunal set aside the demand for interest under Section 61(2) of the Customs Act and held that only the deferred customs duty was payable upon ex-bond clearance. The ruling provides greater certainty for businesses operating under the MOOWR scheme and reinforces that administrative interpretations cannot curtail statutory duty deferment benefits.

(Please click here to refer to the alert)

27. Bharat Fetroleum Corp. Ltd [Civil Appeal Nos. 2471-2473 of 2015 dated 20 July 2026]
28. M/s Dalmia Cement (Bharat) Limited [Customs Appeal No. 76097 of 2024 dated 17 July 2026]

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18724 | AK | NP