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SHAPING VIBRANT INDIA

Monthly Tax Bulletin

July 2026

Grant Thornton Bharat is pleased to present the July 2026 edition of the Tax Bulletin, as India marks nine years of the Goods and Services Tax - a reform that has transformed the architecture of indirect taxation and laid the foundation for a more integrated, digital and data-driven economy. As GST enters its tenth year, the next phase must be defined not merely by compliance efficiency, but by institutional trust, predictable interpretation, proportionate enforcement and timely dispute resolution. The expanding role of technology, advanced analytics and artificial intelligence in tax administration will further reshape risk assessment, scrutiny and taxpayer engagement, making governance, data integrity and documentation increasingly central to business strategy.

This direction is visible across the tax and regulatory landscape. In direct tax and transfer pricing, global coordination, audit accountability, real-income principles and functional substance continue to influence tax policy and jurisprudence. FEMA reforms reflect a calibrated approach to capital flows, export realisation and cross-border restructuring. Customs, trade and sectoral policy developments, including deeper economic partnerships and sustainability-led regulation, further demonstrate how taxation is becoming an instrument of competitiveness, investment and long-term economic transformation.

The future of tax administration will increasingly lie at the intersection of law, technology and commercial substance. Businesses that embed digital readiness, robust governance and strategic tax oversight will be better positioned to navigate this evolving environment.

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

Happy reading!

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A Key developments under direct tax laws

International development

The OECD/G20 Inclusive Framework on BEPS has released the consolidated commentary to the Global Anti-Base Erosion Model Rules (2026):

The Organisation of Economic Cooperation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) has released the consolidated commentary[1] to the Global Anti-Base Erosion Model rules (2026), which provides comprehensive interpretative guidance on the application of the Pillar Two framework. The commentary is intended to promote consistent interpretation and administration of the GloBE rules across jurisdictions, thereby reducing the risk of divergent outcomes for in-scope multinational enterprise (MNE) groups.

Key areas covered:

- **Scope:**
  - Reiterates that the GloBE rules apply to constituent entities (CEs) of MNE groups with consolidated revenue of at least EUR 750 million in at least two of the preceding four fiscal years.
  - Provides definitions of key terms, including MNE group, CE and Ultimate Parent Entity and clarifies the treatment of excluded entities.
- **Charging provisions:**
  - Elaborates on the two core mechanisms—Income Inclusion Rule (IIR) and Undertaxed Profit Rule (UTPR).
  - The IIR enables parent entities to levy top-up tax on low-taxed subsidiaries ("top-down" approach), while the UTPR acts as a backstop by denying deductions or requiring an equivalent adjustment to CEs.
  - Further provides clarity on the application of rules, allocation mechanics and offset.
- **Computation of GloBE income or loss:**
  - Sets out the computation mechanism starting from the financial accounting net income/loss of the CE with prescribed adjustments.
  - Includes rules for allocating income between a main entity and a permanent establishment and income derived through a flow-through entity to other CEs.
- **Computation of adjusted covered taxes:**
  - Sets out the framework for identifying covered taxes and computing the Adjusted Covered Taxes (ACT).
  - Covered taxes broadly include taxes on income or profits, taxes on distributed profits, taxes imposed in lieu of corporate income tax and certain taxes on retained earnings or equity, while excluding items such as consumption taxes, excise taxes, payroll taxes, property taxes and top-up taxes.
  - Provides rules on allocation of taxes between CEs, treatment of controlled foreign company taxes, hybrid entities, permanent establishments, deferred tax accounting and post-filing adjustments.
- **Computation of effective tax rate and top-up tax:**
  - Explains jurisdictional blending mechanism for determining the Effective Tax Rate (ETR) of an MNE group in each jurisdiction.
  - The ETR is determined by comparing ACT with net GloBE income, and where the ETR is below the minimum rate, top-up tax is computed on excess profits after applying the substance-based income exclusion.
- **Corporate restructuring and holding structures:**
  - Addresses application of the GloBE rules in cases of mergers, demergers, transfer of assets and liabilities, joint ventures, etc.
  - Includes guidance on applying the consolidated revenue following group restructuring, transfer of assets and liabilities, treatment of deferred taxes and allocation of income during restructuring.

1. Tax Challenges Arising from the Digitalisation of the Economy – Consolidated Commentary to the Global Anti-Base Erosion Model Rules (2026)

- **Tax neutrality and distribution regimes:**
  - Introduces special rules for tax-neutral entities, e.g. for flow-through entities, entities subject to deductible dividend regimes and distribution-based systems.
  - Covers key elections such as Investment Entity Tax Transparency Election and Taxable Distribution Method Election.
- **Administration, transition rules and safe harbours:**
  - Specifies filing requirements, including submission of the GloBE Information Return.
  - Provides detailed guidance on transition rules and various safe harbours, including Country by Country Reporting Safe Harbour, Qualified Domestic Minimum Top-up Tax (QDMTT) Safe Harbour and UTPR Safe Harbour.
- **Definitions and central record:**
  - Contains an extensive definitions section covering key technical terms relevant to applying the GloBE rules.
  - Annexures set out the Central Record framework for Global Minimum Tax implementation.

Overall, the 2026 consolidated commentary is an important interpretative document for jurisdictions and MNE groups applying the Pillar Two/GloBE framework. Its key message is that effective implementation of the global minimum tax depends not only on adopting domestic legislation, but also on consistent interpretation of the rules, accurate computation of GloBE income and covered taxes, coordinated application of IIR/UTPR/QDMTT, robust compliance processes and proper use of transition rules and safe harbours.

Legislative updates

Ministry of Finance/Central Board of Direct Taxes (CBDT) circular/notification

CBDT releases C&AG draft report on Compliance Audit on application of Section 68 to 69D of 1961 Act:

The Central Board of Direct Taxes (CBDT) has issued directions[2] pursuant to the Comptroller and Auditor General (C&AG) Draft Report on compliance audit relating to application of provisions of Sections 68, 69A, 69B, 69C and 69D, read with Section 115BBE of the Income-tax Act, 1961 (1961 Act) [corresponding to Sections 102–106 and Section 195 of the Income-tax Act, 2025 (2025 Act)]. The audit had highlighted objections to the invocation of these provisions and to the incorrect application of the tax rate, resulting in a loss to the exchequer.

Key directions are as follows:

- The Assessing Officer (AO) is required to satisfy himself as to the true nature and source of amounts before invoking the relevant provisions, including conducting necessary investigations and enquiries, inter alia, using provisions of Section 133(6) of the 1961 Act. The provisions of Sections 68 to 69D of the 1961 Act may be invoked based on inquiry and facts of the case.
- While making additions under the relevant sections, provisions of Section 115BBE should be considered, which mandate taxation at special rates for such additions and do not allow any expenditure or set-off of losses under any other provisions of the Act in computing income under these sections.
- Officers are required to ensure accurate reporting in Income Tax Business Application computation sheets, particularly for these sections, to avoid recurrence of errors in income computation, tax liability and carry forward of losses.
- The directions also set out the corresponding provisions under the 2025 Act (Sections 102–106, 195 and 252) alongside the provisions of the 1961 Act, for ready reference.

CBDT expands "eligible infrastructure entity" under Schedule V of the new Act [erstwhile section 10(23FE)]:

- The provisions of Schedule V [Table: Sl. No. 7] read with section 11(5) of the 2025 Act) [corresponding to section 10(23FE) of the 1961 Act] provide an exemption to specified person from tax on income in the nature of dividend, interest and long term capital gains arising from eligible investments in India.
- Exemption under this provision is available if the investment is made between 1 April 2020 to 31 March 2030 and held for at least 3 years in the specified entities. This is subject to satisfaction of conditions specified therein. One of the eligible investee categories is an "eligible infrastructure entity." Note 5(d)(ii) of Schedule V [corresponding to item (b) of sub-clause (iii) of clause (23FE) of section 10 of the 1961 Act] empowers the Central Government to notify such other business as an "eligible infrastructure entity" for the purposes of the aforesaid exemption.
- In this regard, the CBDT has now notified[3] the business engaged in the infrastructure sub-sectors mentioned in the Updated Harmonised Master List of Infrastructure Sub-Sectors (notified by the Department of Economic Affairs vide F.No.13/1/2025-IPP dated 19 September 2025). This is in addition to the business already covered under Note 5(d)(i), as an "eligible infrastructure entity" for the purpose of the aforesaid exemption.
- The notification came into force on 1 June 2026.

CBDT issues compulsory scrutiny parameters for returns filed in FY 2025-26:

- The CBDT has issued guidelines[4] laying down the parameters and procedure for compulsory selection of returns for complete scrutiny during Financial Year (FY) 2026-27, in respect of the returns filed in FY 2025-26.
- The said guidelines have been issued in pursuance of section 536(2)(c) of the 2025 Act [corresponding to section 297 of the 1961 Act]. The aim is to standardise the selection of high-risk cases requiring detailed examination by prescribing specific risk-based parameters such as search/survey actions, reassessment proceedings, recurring additions and specific tax-evasion inputs from enforcement agencies.

2. F. No. 225/26/2026-ITA.II (dated 29 May 2026)
3. Notification No. 70/2026 dated 1 June 2026
4. F. No. 225/56/2026/ITA-II dated 04.06.2026

Key directions are as follows:

S No.	Parameter - Cases covered	Procedure and compliance
1.	Cases pertaining to survey under Section 133A of the 1961 Act.	• Selected for compulsory scrutiny by the Directorate of Income-tax (Systems) with the approval of the DGIT (Systems), Delhi, on the basis of information of survey cases provided by the Commissioner (OSD)(Investigation), CBDT. • Notice u/s 143(2) of the 1961 Act served through the prescribed income-tax authority/AO. • Cases lying outside central charges to be transferred to central charge within 15 days of service of notice u/s 143(2).
2.	Search u/s 132 of 1961 Act initiated, or requisition u/s 132A of 1961 Act made, on or after 1 April 2024.	• Mandatorily selected for complete scrutiny by the AO concerned with prior administrative approval of the Principal Commissioner of Income Tax/Principal Director of Income Tax/Commissioner of Income Tax/Director of Income Tax concerned. • For searches initiated or requisitions made on or after 1 September 2024, the relevant Assessment Year (AY) shall be determined as per Section 158BA(6) of 1961 Act. • Cases lying outside central charges to be transferred to central charge within 15 days of service of notice u/s 143(2) of the 1961 Act.
3.	Notice u/s 148 in search/survey cases Notice u/s 148 of the 1961 Act issued in consequence of a search and seizure action initiated on or after 1 April 2021 but before 1 September 2024; or a survey action conducted on or after 1 April 2021.	• Jurisdictional AO to serve notice u/s 143(2) of the 1961 Act where the return is furnished. • The AO to upload all underlying documents forming the basis of notice u/s 148 of 1961 Act, whether or not the return is furnished. • If such a case lies outside central charges after issue of the notice, it shall be transferred to central charges under Section 127 of the 1961 Act. This transfer applies only where the case is covered by the Board's guidelines under F.No. 299/107/2013-IT(Inv.III)/1568 dated 25 April 2014.
	Notice u/s 148 in other cases - Cases other than search and seizure/survey, where notice u/s 148 of the 1961 Act is issued and the assessment is to be completed on or before 31 March 2027.	• Forwarded by the Directorate of Income-tax (Systems) to the National Faceless Assessment Centre (NaFAC). • Notice u/s 143(2) of the 1961 Act served through the NaFAC where the return is furnished. • In all cases, whether or not the return is furnished, the Jurisdictional AO must upload the underlying documents.
4.	Registration/approval under Sections such as 12A, 12AB, 10(23C)(iv)/(v)/(vi)/(via), 35(1)(ii)/(iia)/(iii), etc. of the 1961 Act, either not granted, or cancelled/withdrawn by the competent authority, on or before 31 March 2025, yet the assessee has claimed exemption/deduction in the return filed in ITR-7.	• Selected for compulsory scrutiny by the Directorate of Income-tax (Systems) with the approval of the DGIT (Systems), Delhi. • Notice u/s 143(2) of the 1961 Act served through the NaFAC or the prescribed income-tax authority. • Cases where the order of cancellation/withdrawal has been reversed/set aside in appellate proceedings shall not be selected.

<table>
<tr><th>S No.</th><th>Parameter - Cases covered</th><th>Procedure and compliance</th></tr>
<tr><td>5.</td><td>Recurring issue of law and/or fact (including transfer pricing) where the addition in an earlier AY(s):
• Exceeds INR 50 lakh in the eight metro charges (Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai and Pune); or
• Exceeds INR 20 lakh in charges other than the eight metro charges.
In either case, the addition must also have: (i) attained finality, as no further appeal has been preferred against the assessment order; or (ii) been upheld by the Appellate Authorities in favour of the Revenue, even if the assessee's further appeal is pending.</td><td>• The Jurisdictional AO to prepare a list and obtain administrative approval of specified authority.
• A consolidated list submitted to Principal Chief Commissioner of Income Tax, who shall forward it to the Directorate of Income-tax (Systems) by 15 June 2026.
• Notice u/s 143(2) of the 1961 Act served through the NaFAC; underlying documents to be uploaded by the AO.</td></tr>
<tr><td>6.</td><td>Specific information pointing to tax evasion for the relevant AY provided by any law-enforcement agency (Investigation Wing/Intelligence/Regulatory Authority/Agency, etc.), and the assessee has furnished the return for the relevant AY.</td><td>• Compulsorily selected for scrutiny.
• The Jurisdictional AO to prepare and submit lists for administrative approval (Pr.CIT/Pr.DIT/CIT/DIT), forwarded to the Directorate of Income-tax (Systems) by 15 June 2026.
• Notice u/s 143(2) of the 1961 Act served through the NaFAC.
Clarification: A return furnished in response to a notice u/s 142(1) of the 1961 Act issued in connection with Non-filers Monitoring System Cycle/Annual Information Statement/Statement of Financial Transactions/Centralised Processing Centre for Tax Deducted at Source information/information from the Directorate of Intelligence and Criminal Investigation will not be taken up for compulsory scrutiny unless it falls under Parameter 6.</td></tr>
</table>

Other key clarifications:

International taxation and central charges	Such cases may be selected for compulsory scrutiny following the same parameters with prior administrative approval of the Pr.CIT/Pr.DIT/CIT/DIT concerned, but shall continue to be handled by International Taxation and Central charges respectively, as earlier. It is further clarified that communication to the NaFAC for access and/or further action after selection is not applicable to such cases.
Time limit for service of notice	As per the proviso to Section 143(2) of the 1961 Act and in terms of Section 536(2)(c) of the 2025 Act, the time limit for the service of notice u/s 143(2) of the 1961 Act for returns filed in FY 2025-26 is 30 June 2026.

Income-Tax Department releases tax collection data for FY 2026-27 (up to 17 June 2026):

The Income-Tax Department has released data[5] on direct tax collections (Corporate tax, non-corporate tax, securities transaction tax, and other taxes) and advance tax collections (Corporate tax and non-corporate tax) for FY 2026-27, as of 17 June 2026.

Key highlights are as under:

- Gross direct tax collection stood at approx. INR 6.10 lakh crore, registering a growth of 12.46% over the corresponding period of the preceding year.
- Refunds issued during the period stood at approx. INR 0.89 lakh crore, marginally higher by 1.19% over the corresponding period of the preceding year.
- Net direct tax collection stood at about INR 5.21 lakh crore, reflecting a growth of 14.64%.
- Net corporate tax collection grew by 22.44%, while non-corporate tax collection registered a growth of 8.40%.
- Securities transaction tax collection witnessed a robust growth of approximately 44.93%, rising from around INR 13,013 crore to about INR 18,856 crore.
- The advance tax collection stood at around INR 1.78 lakh crore, registering a growth of 15.30%.
- Within advance tax collection, corporate advance tax grew by 16.01% while non-corporate advance tax grew by 12.73%.

5. Direct Tax Collections for F.Y. 2026-27 (as on 17.06.2026)

B Key developments under transfer pricing law

Judicial developments:

- **Invokes real income theory, nixes taxation of 'excess royalty' refunded basis AE's APA[6]:**

  The assessee, a US-based company engaged in the business of gem grading and certification, had licensed technical know-how and expertise to its Indian Associated Enterprise (AE) and received royalty, which was offered to tax in the relevant assessment year. During scrutiny proceedings, the matter was referred to the TPO, who proposed a NIL adjustment; however, the final assessment order assessed the income at a higher amount. Meanwhile, the Indian AE had applied for an Advance Pricing Agreement (APA), including rollback years, following which the APA was executed in 2018, determining the arm's length royalty at a lower amount and requiring a refund of excess royalty received. Pursuant to the APA, the assessee refunded the excess royalty and claimed a corresponding reduction in its taxable income, which the ITAT accepted. On appeal by the Revenue, the court observed that only real income actually earned could be subjected to tax, and that royalty refunded pursuant to the APA could not be taxed, as it did not ultimately belong to the assessee. The court further held that Sections 92(3), 92C(4) and their provisos were inapplicable in a case where the arms' length price (ALP) was determined pursuant to an APA and noted that Section 92CE relating to secondary adjustments applied only to the Indian AE. Referring to Article 12 of the applicable tax treaty, the court observed that royalty "paid" denotes the amount ultimately retained and not the amount initially received and that only the royalty retained after refund represented the taxable royalty income. It also noted that taxing the refunded amount would create an incongruity since the same amount had already been taxed in the hands of the Indian AE and accordingly dismissed the Revenue's appeal.

- **Assessee only reseller/distributor of sim-cards etc., embossing logo will not alter functional profile[7]:**

  The assessee was engaged in the purchase and resale of chip-based products, including SIM cards and smart cards, imported from its AEs. The products were imported in a ready-to-use form with embedded chip memory and application software and the assessee carried out only the activity of electrically embossing the logo or design of telecom operators on the cards through a personalisation process at its Noida facility. The assessee characterised itself as a distributor/reseller of finished goods; however, the TPO treated it as carrying out diverse activities and selected comparables accordingly. The ITAT observed that the personalisation activity did not materially alter the nature of the products or the assessee's functional profile as a distributor of finished goods. It held that merely embossing SIM cards did not elevate the assessee's role to a company bearing significant economic risks and noted that the assessee remained an entity engaged in importing and selling products manufactured by its AEs. The Tribunal further observed that the assessee was neither engaged in manufacturing activities nor in providing software solutions or services but functioned solely as a reseller/distributor of SIM cards. Accordingly, it held that the assessee had been incorrectly characterised by the TPO and that the selection of comparables ought to be based on its proper functional characterisation. The assessee's appeal was allowed.

6 Gemological Institute of America Inc [ITA No.945 of 2022]
7. Gemalto Digital Security Pvt. Ltd. [ITA No. 3869/Del/2010]

- **Auditors' report bears high evidentiary value, disapproves rejection of AE/non-AE segmental profitability sans reasons[8]:**

  The assessee had entered into international transactions relating to the provision of design and engineering services. For transfer pricing purposes, the assessee maintained separate segmental accounts for AE and non-AE transactions. The TPO rejected the segmental accounts on the grounds that they were not accurate and reliable, citing the substantial profit earned in the AE segment and losses incurred in the non-AE segment, despite the assessee furnishing a detailed explanation for the variation in profitability and demonstrating that similar segmental results had been accepted in preceding and subsequent assessment years. The ITAT observed that while audit reports are not conclusively binding, they possess significant evidentiary value and cannot be disregarded without valid legal, factual and cogent reasons. It noted that the segmental data furnished by the assessee was supported by independent audit reports and that no specific finding had been recorded to establish why such reports were unreliable. The Tribunal held that rejection of the segmental accounts without identifying any defects was unjustified and, relying on the decisions in Tata Communication Transformation Services Limited, Spectrum Technologies Private Limited and SMA Nutrition India Private Limited, directed the ALP/TPO to recompute the adjustment based on the segmental profitability of the AE and non-AE segments. Accordingly, the assessee's appeal was allowed.

- **Upholds deletion of TP-adjustment qua operation and maintenance services, sale of port services[9]:**

  The assessee had entered into international transactions with its AEs involving the provision of operation and maintenance services to JSW Infrastructure Ltd. and the sale of port services to JSW Energy Ltd., in respect of which the AO made transfer pricing adjustments. The Commissioner of Income Tax (Appeals) (CIT(A) observed that both parties to the operation and maintenance services transaction were taxable in India and eligible for deduction under Section 80-IA and accordingly held that the transaction was revenue neutral and did not result in any loss to the Revenue. In relation to the sale of port services, the CIT(A) noted that no corresponding adjustment had been made in the hands of JSW Energy Ltd and accepted the transaction as being at arm's length. On appeal by the Revenue, the ITAT noted that these findings were undisputed and that no evidence had been brought on record to demonstrate erosion of the tax base or diversion of profits outside the tax net. Relying on judicial precedents and a coordinate bench ruling, the tribunal upheld the order of the CIT(A) and dismissed the Revenue's appeal.

8. Worley Services India Private Limited [ITA No. 6793/MUM/2024]
9. JSW Jaigarh Port Limited [ITA No. 5144/MUM/2024]

C Key developments under FEMA

Legislative developments:

- **RBI relaxes investment framework for FPIs in government securities:**

  The Reserve Bank of India (RBI), vide A.P. (DIR Series) Circular No. 11 dated 5 June 2026, has introduced significant amendments to the regulatory framework governing the Foreign Portfolio Investor (FPI) investments in government securities under the Foreign Exchange Management (Debt Instruments) Regulations, 2019. The key changes introduced are as follows –

  1. **Removal of investment restrictions**

     The RBI has withdrawn key regulatory restrictions applicable under the General Route, including:

     - Short-term investment limits (earlier capped at 30% of portfolio)
     - Security-wise limits (earlier capped at 30% of outstanding stock)
     - Concentration limits (10%/15% based on FPI category)

     This move significantly enhances flexibility for FPIs investing in government securities.

  2. **Simplification of investment limits**

     The earlier distinction between 'General' and 'Long-term' categories has been removed.

     A single consolidated investment limit now applies for Central Government Securities (CGS) and State Government Securities (SGS).

  3. **Revised FPI investment limits (FY 2026–27)**

     - Central government securities:
       - INR 4.62 lakh crore (Apr–Sep 2026)
       - INR 4.77 lakh crore (Oct–Mar 2027)
     - State government securities:
       - INR 1.53 lakh crore (Apr–Sep 2026)
       - INR 1.64 lakh crore (Oct–Mar 2027)

  4. **Expansion of Fully Accessible Route ('FAR')**

     The RBI has expanded the scope of 'specified securities' under FAR:

     - Government securities: Inclusion of new issuances in 15-year, 30-year and 40-year tenors
     - Sovereign green bonds: Inclusion across 5, 7, 10, 15, 30 and 40-year tenors
     - Addition of certain existing securities

- **RBI reduces export realisation timelines from 15 months to 9 months:**

  The RBI has issued the Foreign Exchange Management (Export of Goods and Services) (First Amendment) Regulations, 2026 vide Notification No. FEMA 23(R)/(8)/2026-RB dated 5 June 2026. This amendment substitutes the existing provision under Regulation 9 of the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015 ('Principal Regulations').

  Vide the said notification, the RBI has reduced the period available for realisation and repatriation of the full export value of goods/software/services exported from India from 15 months to 9 months from the date of export from India.

  A brief summary of timelines applicable to export transactions is provided below –

Particulars	Applicable timeline
Exports prior to 13 November 2025	9 months
Exports from 13 November 2025 to 4 June 2026	15 months
Exports on or after 5 June 2026	9 months

  This amendment will be effective from the date of its publication in the Official Gazette i.e. 05 June 2026.

- **Amendment to Cross-Border Merger Regulations, 2026:**

  The RBI has issued the Foreign Exchange Management (Cross Border Merger) (Amendment) Regulations, 2026 ('Amendment Regulations') vide Notification No. FEMA 389 (1)/2026-RB dated 29 May 2026, amending the Foreign Exchange Management (Cross Border Merger) Regulations, 2018 ('Principal Regulations')

  Vide the said amendment, a new definition of "Competent Authority" has been introduced to mean any authority empowered under the Companies Act, 2013, or any subordinate legislation made thereunder to approve a scheme of merger or amalgamation.

  Further, the existing definition referring to the National Company Law Tribunal ('NCLT') has been removed. In addition, references to "NCLT" have been replaced with "Competent Authority" across the Principal Regulations.

  The amendment shall be effective from the date of its publication in the Official Gazette, i.e. 29 May 2026

- **RBI liberalises portfolio investment regime for non-resident Individuals:**

  The government of India and the RBI, vide the Foreign Exchange Management (Non-Debt Instruments) (Third Amendment) Rules, 2026, and the FEMA (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019, have significantly liberalised the portfolio investment framework for non-resident individuals. The key changes introduced are as follows –

  1. **Expansion of investor base**

     The earlier framework permitted investment only by non-resident Indians (NRIs)/Overseas Citizens of India. It is now extended to all individuals resident outside India. It enables direct participation in equity instruments of listed Indian companies.

  2. **Revised investment limits**

     - Individual limit: < 10% (earlier 5%) of paid-up equity capital (fully diluted basis);
     - Aggregate limit: ≤ 24% (earlier 10%) of the total paid-up equity capital.
     - Any breach of 10% limit must be rectified within 5 trading days. Failing which:
       - Reclassification as Foreign Direct Investment (FDI)
       - Restriction on further portfolio investment

  3. **Government approval requirement**

     Approval is required where an investment results in the transfer of ownership/control of a listed Indian entity to entities or citizens of countries sharing a land border with India, or where beneficial ownership lies in such jurisdictions.

  4. **Transfer of equity instruments**

     Transfer provisions expanded to all non-resident individuals. Permitted sale/gift to another non-resident (subject to approval, if applicable).

  5. **Introduction of "investor group" concept**

     The concept of an "investor group" has now been introduced for monitoring investment limits. This is in alignment with the SEBI (Foreign Portfolio Investors) Regulations, 2019. The amendment clarifies that the investment limits will be assessed at the investor group level.

  6. **Opening a bank account in India**

     Under the existing framework, investments by NRIs/OCIs on a repatriation basis were required to be routed primarily through the NRE accounts, with transactions typically executed through a non-resident external (NRE) account designated under the Portfolio Investment Scheme (PIS) for such investments.

     The revised provisions now require foreign individuals to open a Repatriable Rupee Account to make such investments. Furthermore, flexibility has been allowed for making payments by an individual residing outside India (including NRIs/OCIs) to be made through:

     - Inward remittance
     - Funds in repatriable deposit accounts

  7. **Remittance of sale proceeds**

     Sale/maturity proceeds may be repatriated outside India or credited to a designated INR account.

     Additional flexibility for proceeds from mutual funds/NPS to be credited to any account maintained under the FEMA (Deposit) regulations, 2016, at the option of the NRI/OCI investor.

  8. **Mode of payment for purchase of equity shares of Indian companies on the International Exchanges Scheme by a permissible holder**

     Payment towards the purchase/subscription of the equity shares listed on international exchanges may now be made:

     - Through banking channels to a foreign currency account of the Indian company, or
     - By inward remittance through banking channels, or
     - From funds held in repatriable foreign currency or rupee accounts under the FEMA (Deposit) Regulations, 2016

  9. **Reporting framework**

     The Authorised Dealer Category-I banks ('AD Banks') must report the purchase/transfer of equity instruments by non-resident individuals through Form LEC (Individual Foreign Investors – s IFI). Replaces earlier Form LEC (NRI). AD banks to ensure compliance, monitoring and reclassification (FPI to FDI) where applicable.

- **RBI withdraws obsolete FEMA circulars:**

  The RBI, vide A.P. (DIR Series) Circular No. 18 dated 24 June 2026, has undertaken a review of circulars issued under the FEMA 1999 since 1 June 2000. Pursuant to such review, the RBI has withdrawn certain FEMA circulars that have become inoperative due to subsequent regulatory amendments, redundancy, overlap or supersession by newer directives. The withdrawal exercise is part of the RBI's ongoing initiative to rationalise and streamline the FEMA regulatory framework. The withdrawn circulars are listed in the annexure to the circular.

D Key developments under GST law

Legislative developments

Notification

- **Government extends GSTAT appeal filing deadline to 31 July 2026:**

  The Ministry of Finance has extended the deadline for filing appeals and applications before the GST Appellate Tribunal (GSTAT) from 30 June 2026 to **31 July 2026.** The extension has been granted in view of representations regarding technical difficulties faced by taxpayers due to a significant increase in filings on the GSTAT portal.

  Key highlights:

  - The extended deadline of 31 July 2026 applies to appeals against orders communicated to taxpayers on or before 1 May 2026.
  - Appeals relating to orders communicated on or after 1 May 2026 will continue to be governed by the statutory limitation period of three months under Section 112(1) of the CGST Act.
  - The extension is also available for departmental applications under Section 112(3) of the CGST Act in respect of orders passed before 1 February 2026.
  - For departmental appeals relating to orders passed on or after 1 February 2026, the normal limitation period of six months from the date of the order will apply.

  Taxpayers have been advised to complete appeal filings sufficiently before the revised deadline to avoid portal-related issues and ensure timely compliance.

  (Please click here to refer to the notification)

Goods and Services Tax Network advisory

- **GSTAT advisory on online payment of court fees on portal:** The GSTAT has issued an advisory to address instances where online payments made towards court fees are not immediately reflected as "Success" on the GSTAT portal due to processing delays. The advisory clarifies that taxpayers should wait for up to 72 hours for the payment status to be updated. Further, where the payment status remains unresolved beyond this period, the portal will not restrict or block the filing of appeals, and taxpayers may continue with the filing process without interruption. Any payment status mismatch will be reconciled through backend processes to ensure that appeal filings remain unaffected.

  (Please click here to refer to the advisory)

- **GSTAT issues advisory on higher court exemption or correction of pre-deposit amount for appeal filing:**

  The GSTAT has issued an advisory prescribing the procedure for claiming exemption from the mandatory pre-deposit pursuant to orders of higher courts, or for correcting discrepancies in auto-populated pre-deposit amounts, while filing appeals on the GSTAT portal. The advisory provides dedicated functionality that enables taxpayers to claim exemptions or make self-calculation corrections when the pre-deposit amount fetched from the GSTN differs from the amount considered payable. Further, taxpayers are required to verify the demand details, complete payment of the applicable pre-deposit through the GST portal, and upload relevant supporting documents, such as higher court orders or calculation sheets, wherever applicable, before proceeding with the appeal filing.

  (Please click here to refer to the advisory)

- **EWB closure functionality, from 15 June 2026 to 1 August 2026:**

  The GSTN has issued an advisory extending the timeline for implementation of the proposed e-Way Bill (EWB) enhancements. Accordingly, the mandatory capture of the 'Ship To GSTIN' field in Bill-To/Ship-To transactions and the functionality for voluntary closure of e-Way Bills will now be made available from 1 August 2026 instead of 15 June 2026. The extension has been provided to facilitate additional time for system readiness, testing, ERP integration and operational preparedness by taxpayers and other stakeholders.

  (Please click here to refer to the advisory)

- **GSTN revises AATO amendment timeline for FY 2025-26:**

  The GSTN has issued an advisory revising the timeline for Amendment of Aggregate Annual Turnover (AATO) for FY 2025-26 on the GST portal. The advisory provides that taxpayers may submit AATO amendment applications from 1 July 2026 to 31 July 2026, while the review of amended details by jurisdictional tax officers shall be undertaken between 1 August 2026 and 15 August 2026. The revised timeline has been introduced as part of enhancements to the AATO functionality, which will facilitate automatic updation of turnover details based on subsequent return filings. Taxpayers are advised to carefully review the auto-populated AATO details and ensure the accuracy of amendments submitted on the portal.

  (Please click here to refer to the advisory)

Circular

- **CBIC clarifies validity and continuation of GST proceedings where taxpayer shifts the principal place of business[10]**

  The CBIC has issued a clarification clarifying the jurisdictional framework applicable where a registered person shifts its principal place of business, resulting in migration from one GST jurisdiction to another. The circular clarifies that the validity of any action or proceeding under the CGST Act is to be determined with reference to the jurisdiction existing on the date such action was initiated, and accordingly, proceedings validly undertaken by the erstwhile jurisdictional authority shall remain legally valid notwithstanding the subsequent transfer of jurisdiction.

  Further, the transferee jurisdictional authority shall be responsible for continuing, concluding and implementing such proceedings, including adjudication, recovery and other consequential actions, while the transferor authority shall cease to have jurisdiction to initiate fresh proceedings after migration. The clarification seeks to ensure administrative uniformity and avoid jurisdictional disputes arising from changes in the taxpayer's principal place of business.

  (Please click here to refer to the circular)

Judicial developments

- **Writ jurisdiction cannot be invoked to bypass time-barred statutory appeal against GST assessment order – SC[11]**: The SC upheld the refusal of the HC to entertain a writ petition challenging a GST assessment order where the taxpayer had failed to avail the statutory appellate remedy within the limitation period prescribed under Section 107 of the CGST Act. The court observed that the assessment order had been duly communicated through the GST portal and rejected the contention that the taxpayer was unaware of the proceedings, noting the absence of any cogent evidence to disregard valid electronic communication. The court further noted that the taxpayer had admittedly become aware of the proceedings earlier but approached the HC belatedly. Accordingly, the SC held that writ jurisdiction cannot be used as a substitute for a time-barred statutory appeal and dismissed the Special Leave Petition (SLP).

  (Please click here to refer to the order copy)

- **Partners retaining the benefit of GST evasion can be penalised under Section 122(1A), even for pre-2021 transactions – Gauhati HC[12]:** The Gauhati HC has upheld penalty proceedings against the partners of a partnership firm under Section 122(1A) of the CGST Act, holding that the provision is not restricted to the taxable person alone. It extends to any person who retains the benefit of transactions covered under the provision and at whose instance such transactions are undertaken. The court further observed that Section 122(1A) does not create a new offence but merely identifies an additional category of persons liable for penalty. Accordingly, the provision may be invoked even in respect of transactions undertaken prior to 1 January 2021, provided the SCN is issued after the provision came into force.

  (Please click here to refer to the order copy)

10. Circular No. 255/01/2026-GST dated 25 June 2026

- **Government cannot expand GST rate notifications beyond GST Council recommendations – Madras HC[13]:** The Madras HC has held that notifications issued under Sections 9 and 11 of the CGST Act cannot travel beyond the recommendations of the GST Council. The court observed that while the GST Council had recommended levy based on brand names in respect of which an "actionable claim" was available, the impugned notifications additionally covered brand names in respect of which an "enforceable right in a court of law" was available. Holding that the latter expression has a wider scope and lacked the foundation of a GST Council recommendation, the court declared the notifications ultra vires to that limited extent. The Court further held that the GST Council has no constitutional or statutory power to ratify notifications already issued by the government and accordingly, set aside the consequential show cause notices.

  (Please click here to refer the order copy)

- **Flipkart challenges WBAAAR ruling denying GTA exemption on delivery charges[14]:** The West Bengal Appellate Authority for Advance Ruling (WBAAAR) had held that services involving hub-based transportation, sorting, transhipment, tracking and last-mile delivery of goods are in the nature of courier, logistics or fulfilment services and cannot be classified as Goods Transport Agency (GTA) services merely on account of issuance of a consignment note. Accordingly, the exemption available to GTA services provided to unregistered persons was denied. The ruling has been challenged by Flipkart India Private Limited before the Calcutta HC, wherein the matter was scheduled for hearing on 7 July 2026.

  (Please click here to refer the order copy)

- **Haryana Appellate Authority for Advance Ruling (AAAR) allows ITC on QIP expenses, sets aside Authority for Advance Ruling (AAR) ruling[15]:** The Haryana AAAR has allowed input tax credit (ITC) on expenses incurred in relation to a Qualified Institutional Placement (QIP), holding that the eligibility of ITC must be examined based on the nexus between the expenditure incurred and the business activities of the taxpayer. The authority observed that where funds raised through a QIP are utilised for business purposes, including repayment or prepayment of loans availed in the course of business, the related expenses cannot be regarded as being disconnected from taxable business operations. Accordingly, the AAAR set aside the AAR's ruling and held that ITC on QIP-related expenses is admissible, subject to the satisfaction of the prescribed conditions under the GST law.

  (Please click here to refer the order copy)

11. Kamal Ideal Infratech Private Limited [SLP(C) Diary No(s). 28802/2026, Order dated 16 June 2026]
12. Guru and Co. [W.P.(MD)No.14115 of 2022: Order dated 15 June 2026]
13. Mayank Bansal and Nadar Hussain [WP(C)/24/2026, Order dated 8 June 2026]
14 Flipkart [WPA/11242/2026, Order dated 16 June 2026]
15 15. RSI Magnesita India Limited [HAAAR/2023-24/05, Order dated 22 May 2026]

E

Key developments under erstwhile indirect tax laws, Customs, foreign trade policy, FTAs, SEZ laws, incentives and state amnesty schemes

Legislative/other developments:

- **India-UK Comprehensive Economic and Trade Agreement (CETA) to enter into force on 15 July 2026[16]:**

  The governments of India and the United Kingdom have announced that the India–UK Comprehensive Economic and Trade Agreement (CETA) and the Double Contribution Convention (DCC) will enter into force on **15 July 2026.** The CETA is expected to provide duty-free access for nearly 99% of India's exports to the UK, strengthen bilateral trade, facilitate investment flows and enhance supply chain integration. Under the DCC, the social security contribution exemption for Indian professionals on temporary assignments has been extended from 3 to 5 years, improving the competitiveness of Indian service providers in the UK. Separately, both countries have also reached an understanding on the UK's steel trade measures, under which around 85% of India's steel exports to the UK will remain outside the scope of the proposed measures, while the remaining exports will be protected through country-specific quotas, residual quotas, and the Authorised Use Scheme.

  (Click here to read the press release)

- **CBIC notifies Customs Tariff (Determination of Origin of Goods under Comprehensive Economic and Trade Agreement between India and the United Kingdom of Great Britain and Northern Ireland) Rules, 2026[17]:**

  The CBIC has notified the Customs Tariff (Determination of Origin of Goods under the Comprehensive Economic and Trade Agreement between India and the United Kingdom of Great Britain and Northern Ireland) Rules, 2026, effective from 15 July 2026, the same date on which the India–UK CETA will enter into force.

  These rules provide the statutory framework for determining whether goods qualify as originating goods under the India–UK CETA and are therefore eligible for preferential tariff treatment. They set out the applicable origin criteria, including wholly obtained goods, goods produced exclusively from originating materials and goods satisfying product-specific rules. Additionally, the rules prescribe the methodology for calculating regional value content and provide related principles, such as accumulation, de minimis tolerance, and the treatment of non-originating materials.

  It further lays down conditions relating to non-alteration of goods, proof of origin, verification of origin claims, maintenance of records and post-import claims for preferential benefits.

  The circumstances in which customs authorities may deny preferential tariff treatment, including non-compliance with prescribed origin or procedural requirements, have also been delineated.

  (Click here to read the alert)

  Government of NCT of Delhi notifies the Delhi Electric Vehicles Policy, 2026, with effect from 1 July 2026[18]:

  The government of NCT of Delhi has notified the Delhi Electric Vehicles Policy, 2026, effective from 1 July 2026 and valid until 31 March 2030. The policy aims to accelerate EV adoption across key vehicle segments, reduce vehicular emissions, improve air quality, expand charging and battery-swapping infrastructure and support a sustainable EV ecosystem in Delhi.

  The policy provides phased purchase incentives for electric two-wheelers, electric three-wheeler auto-rickshaws and electric N1 goods vehicles, along with scrapping incentives for Delhi-registered BS-IV and older vehicles. Eligible EVs registered during the policy period will also receive 100% exemption from road tax and registration fee, subject to prescribed conditions, including price thresholds for electric cars.

  A key feature of the policy is its shift towards mandate-led electrification. Only electric three-wheelers and electric N1 goods vehicles will be permitted for new registration from 1 January 2027, while only electric two-wheelers will be permitted for new registration from 1 April 2028. The policy also prescribes phased electrification targets for school buses and fleet aggregators and encourages the transition of government fleets to electric vehicles. Delhi Transco Limited has been designated as the nodal agency for public EV charging and battery-swapping infrastructure. The policy also provides for a digital portal, single-window approvals, deployment of community and private charging infrastructure, and dealer-level charging obligations for OEMs operating in Delhi.

  (click here to read the alert)

16. Press release dated 17 June 2026
17. Notification No. 62/2026 -Customs (N.T.) dated 3 July 2026
18. F. No. JC/EV/TPT/2026/02/281

- **USTR proposes additional Section 301 duties on economies lacking forced labour import controls[19]:**

  The United States Trade Representation (USTR) has concluded its Section 301 investigations against 60 economies, including India, concerning alleged failure to impose and effectively enforce prohibitions on imports of goods produced using forced labour. The responsive tariff action includes 12.5% additional duty on products from India and other economies without such restrictions while a 10% additional duty is proposed for economies that already have or have committed to introduce forced labour import restrictions. A separate textile mechanism has also been proposed to permit certain apparel and textile imports at a reduced Section 301 tariff rate. Interested persons must submit hearing appearance requests by 22 June 2026 and written comments by 6 July 2026, with the public hearing scheduled on 7 July 2026.

- **US modifies Section 232 tariff regime for aluminum, steel, copper and derivative products[20]:**

  The US has issued a proclamation, effective 8 June 2026, revising Section 232 tariffs on aluminum, steel, copper and derivative products. The changes expand concessional tariff coverage to agricultural equipment, certain HVAC systems and mobile industrial equipment, while adding aluminum lithographic plates and steel racks to prevent circumvention. The proclamation also reduces the US-origin metal threshold from 95% to 85%, prescribes a 25% additional duty on specified aluminum and steel articles till 31 December 2027 and continues preferential treatment for select countries, USMCA-origin goods and products made entirely from US-origin metals.

- **Government of Haryana announces the Make in Haryana Industrial Policy, 2026:**

  Effective 26 May 2026, the policy seeks to strengthen Haryana's position as a preferred investment destination by promoting manufacturing competitiveness, innovation, exports, and employment generation. It applies to new industrial units, eligible expansion/diversification projects, standalone R&D units, and specified service sectors, while MSMEs will continue to be governed under a separate MSME policy. The policy identifies priority sectors including EVs, semiconductors, defence and aerospace, renewable energy, pharmaceuticals, agro-processing, electronics, textiles, chemicals, and advanced manufacturing. The policy offers a comprehensive incentive framework, including net SGST reimbursement, capital subsidy, stamp duty and electricity duty reimbursement, employment-linked incentives, R&D and patent commercialisation support, green manufacturing incentives and customised packages for Mega and Ultra Mega projects.

  (Please click here to refer to the alert)

- **Government of Haryana announces Haryana Global Capability Centres (GCC) Policy, 2026:**

  Valid for five years from 27 May 2026, the policy positions the state as a preferred GCC destination and promotes knowledge-driven, innovation-led services. The policy aims to attract over 100 new GCCs, generate 30,000+ jobs, strengthen Gurugram's existing GCC ecosystem and develop emerging hubs such as Panchkula and Hisar. The policy applies to eligible GCCs established by multinational corporations and group entities, including BOT, JV, and hybrid structures, as well as eligible expansion/diversification projects. Key incentives include CAPEX and OPEX support, employment-linked subsidy, EPF reimbursement, job-readiness support, R&D centre assistance, and additional benefits for mega and ultra-mega projects.

  (Please click here to refer to the alert)

- **Government of Gujarat unveils Viksit Gujarat Industrial Policy, 2026:**

  Effective 1 June 2026 for a period of five years, this policy aims to position the state as a globally competitive manufacturing and innovation hub. The policy focuses on advanced manufacturing, green energy, semiconductors, EVs, healthcare, electronics, critical minerals, textiles and other future-ready sectors, while promoting exports, research and innovation, sustainability, and integration with global value chains. The policy provides a comprehensive incentive framework for MSMEs, large, mega and ultra-mega projects, including capital subsidy, interest subsidy, power tariff support, electricity duty exemption, employer contribution reimbursement and stamp duty reimbursement. It also introduces dedicated incentives for start-ups, women entrepreneurs, R&D centres, patent filings, environmental stewardship, cleaner technologies, and Zero Liquid Discharge systems, reflecting Gujarat's integrated approach towards investment promotion, innovation, and sustainable industrial growth.

  (Please click here to refer to the alert)

19. Press Release dated 2 June 2026
20. Proclamation dated 1 June 2026

Judicial developments

- **US Court of Appeals stays injunction against Section 122 tariffs pending appeal[21]:**

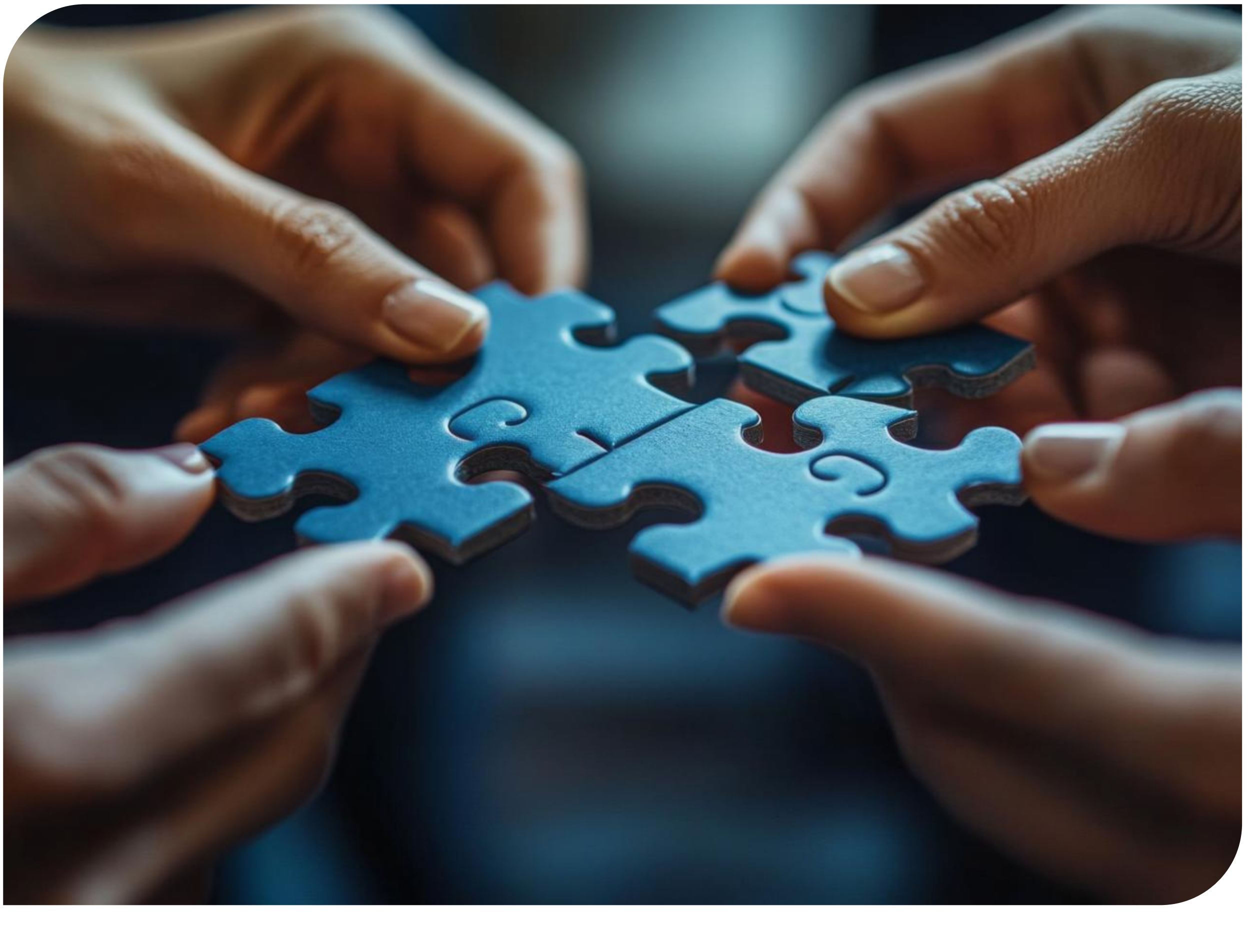
  The US Court of Appeals for the Federal Circuit, vide order dated 11 June 2026, has granted the U.S. government's request for a stay pending appeal, allowing the Section 122 import surcharge to remain in force until the appeals against the US Court of International Trade (CIT) judgment are decided. The CIT had earlier invalidated the temporary import surcharge, holding that the President had exceeded the authority conferred under Section 122 of the Trade Act of 1974, and granted injunctive relief against its enforcement. While granting the stay, the appellate court observed that the government had a reasonable likelihood of success on appeal, noting that the CIT may have adopted an unduly narrow interpretation of "balance-of-payments deficits" under Section 122. Consequently, importers will remain subject to the surcharge pending final adjudication, with the outcome expected to have significant implications for the scope of presidential trade powers under Section 122.

  (Please click here to refer to the alert)

- **Maintenance of minimum average balance by customers does not constitute consideration for taxable services – Karnataka HC[22]:**

  The Karnataka HC held that the maintenance of Minimum Average Balance (MAB) by bank customers is only a contractual condition for operating bank accounts and does not constitute monetary or non-monetary consideration for banking services. Charges recovered for non-maintenance of MAB are compensatory in nature and arise from breach of contractual terms and therefore cannot be treated as consideration for any taxable service. Accordingly, the court quashed the service tax demands and rejected the Revenue's attempt to adopt MAB penalty charges as the notional value of services. The ruling may have persuasive relevance under GST, where similar disputes on the taxability of MAB-related banking services are pending.

  (Please click here to refer to the alert)



21. US States vs President of the United States [Case: 26-1804, order dated 11 June 2026]
22. Canara Bank [WP No. 10234/2020 dated 1 June 2026]

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