

# Monthly Tax Bulletin

April 2026



Grant Thornton Bharat is pleased to present the April 2026 edition of the Tax Bulletin, marking the commencement of Financial Year 2026-27 with a phase that reflects a pronounced evolution in India's tax and regulatory landscape. The ongoing developments signal a transition towards a more integrated, technology-enabled, and forward-looking framework, where policy, administration, and compliance mechanisms are increasingly aligned.

A notable feature of this trajectory is the growing infusion of artificial intelligence and advanced data analytics into tax administration. The shift towards real-time data monitoring, risk-based scrutiny, and predictive insights is reshaping traditional approaches to compliance and enforcement, fostering a system that is both more targeted and facilitative. This transformation underscores a broader move from rule-based oversight to intelligence-driven governance.

Across direct tax, transfer pricing, and exchange control regimes, reforms indicate a calibrated effort to enhance clarity, reduce friction, and align with global standards, while maintaining a firm emphasis on economic substance. Concurrently, indirect tax developments continue to refine the GST framework and customs processes, with a focused push to ease compliance, foster alignment with global frameworks, and reinforce the foundational principles of neutrality, seamless credit flow, and efficient trade facilitation in an increasingly dynamic global environment.

Collectively, these trends reflect a maturing tax ecosystem that is adapting to leverage technology, strengthen institutional coherence, and position India at the forefront of the modern tax administration in an increasingly digital and interconnected economy. Happy reading!



## Riaz Thingna

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# A.

## Key developments under direct tax laws

### Legislative developments:

- **Key changes of India-France Protocol to Double Taxation Avoidance Convention (DTAC)<sup>1</sup>:**

The government of India and the government of the French Republic have signed an amending protocol to the India-France DTAC, originally concluded on 29 September 1992.

This signing took place during the recent visit of the President of France to India. The protocol was signed by Ravi Agrawal, Chairperson of the CBDT, and Thierry Mathou, Ambassador of France to India, on behalf of their respective governments. The changes are as follows:

Topic	Existing provision	Amendments (vide amending protocol)
<b>Capital gains from the sale of shares</b>	<ul style="list-style-type: none"> <li>• Under Article 14, source taxation on gains from alienation of shares is generally applied where the shares represented a participation of at least 10% in a company resident in a contracting state.</li> </ul>	<ul style="list-style-type: none"> <li>• Full taxing rights in respect of the capital gains arising from the sale of shares of a company, to the jurisdiction where such company is a resident.</li> <li>• 10% participation rule has been removed.</li> </ul>
<b>Most Favoured Nation (MFN) Clause</b>	<ul style="list-style-type: none"> <li>• The protocol to the DTAC contained an MFN clause</li> </ul>	<ul style="list-style-type: none"> <li>• The amending protocol deletes the MFN clause.</li> </ul>
<b>Dividend income</b>	<ul style="list-style-type: none"> <li>• Where the recipient is the beneficial owner, source taxation was capped at 10% of the gross amount of dividends under Article 11(2).</li> </ul>	<ul style="list-style-type: none"> <li>• A two-tier structure replaces the 10% limit:</li> <li>• 5% where the beneficial owner holds at least 10% of the capital.</li> <li>• 15% in all other cases.</li> </ul>
<b>Fee for Technical Services (FTS)</b>	<ul style="list-style-type: none"> <li>• The DTAC definition governed the FTS.</li> </ul>	<ul style="list-style-type: none"> <li>• The definition of FTS has been aligned with the definition in the India-US DTAC.</li> </ul>
<b>Permanent Establishment (PE)</b>	<ul style="list-style-type: none"> <li>• The DTAC did not contain a service PE clause</li> </ul>	<ul style="list-style-type: none"> <li>• The scope of PE has been expanded to include service PE.</li> </ul>
<b>Exchange of information</b>	<ul style="list-style-type: none"> <li>• Provisions already existed</li> </ul>	<ul style="list-style-type: none"> <li>• The provisions have been updated to international standards.</li> </ul>
<b>Assistance in the collection of taxes</b>	<ul style="list-style-type: none"> <li>• No separate article on assistance in the collection of taxes.</li> </ul>	<ul style="list-style-type: none"> <li>• A new article has been added regarding assistance in the collection of taxes in accordance with international standards.</li> </ul>
<b>Base Erosion and Profit Shifting (BEPS) - multilateral instrument Provisions (MLI)</b>	<ul style="list-style-type: none"> <li>• Not specifically embedded in the DTAC text.</li> </ul>	<ul style="list-style-type: none"> <li>• The amending protocol incorporates, within the DTAC, the applicable provisions of the BEPS MLI that have already become applicable consequent to India and France signing and ratifying the MLI.</li> </ul>

As per the official press release, the changes introduced through the amending protocol shall enter into effect upon completion of internal procedures under the laws of both countries, subject to the terms agreed between the two countries.

Please note that the above changes are based on the CBDT's press release, as the formal notification amending the protocol is awaited.

<sup>1</sup> Press Release dated 23 February 2026

- **Income-tax department conducts nationwide survey on food & beverage (F&B) sector and launches SAKSHAM Non-intrusive Usage of Data to Guide and Enable (NUDGE)<sup>2</sup>:**

The Income-tax department, vide press release, has informed of a recent nationwide survey on restaurants suppressing turnover. The department conducted this exercise on 8 March 2026 across 62 restaurants in 46 cities and 22 states, and the preliminary findings revealed suppressed sales of around INR 408 crore. Following the survey findings, the department has commenced the SAKSHAM NUDGE campaign to guide and advise taxpayers to correct their mistakes.

### Background

In November 2025, the Income-tax department analysed transactional data from 1.77 lakh restaurants in the F&B sector using AI-enabled tools. The data was compared with the turnover declared in Income-tax returns. The review showed the deletion of bulk bills, modifications to entries, and mismatches between actual sales and figures reported in the financial statements. Thus, a nationwide survey of restaurants revealed a suppression of sales amounting to approximately INR 408 crore, on a preliminary basis.

### SAKSHAM NUDGE campaign

This is intended to guide taxpayers in correcting discrepancies identified through the analytics and survey process. In the first phase of the campaign, emails and messages will be sent to the 63,000

identified restaurants, requesting that they update their returns before 31 March 2026. The Income-tax department has further reiterated its emphasis on a trust based compliance approach, encouraging taxpayers to file an updated return under Section 139(8A) of the Income-tax Act, 1961 (IT Act 1961).

- **Key direct tax highlights of Standing Committee 30th report<sup>3</sup>:**

The Standing Committee on Finance (Eighteenth Lok Sabha) has presented its 30th report on the Demands for Grants (2026-27) of the Ministry of Finance, Department of Revenue (DoR).

The Demands for Grants were examined by the Committee under Rule 331E(1)(a) of the Rules of Procedure and Conduct of Business in the Lok Sabha, after taking oral evidence of the Ministry of Finance (DoR) on 19 February 2026, and were adopted on 11 March 2026.

It covers the examination of the Demands for Grants relating to the DoR, including direct taxes and indirect taxes. The report reviews budgetary allocations, tax collection trends, refunds and arrears, litigation management, taxpayer facilitation measures, and administrative performance. It also examines the rollout and preparedness for the Income-tax Act 2025 (IT Act 2025), including digital systems, capacity building, and taxpayer outreach. Furthermore, it records the Committee's observations and recommendations on key policy and implementation issues.



<sup>2</sup> Press Release dated 9 March 2026

<sup>3</sup> The report was presented to the Lok Sabha and laid in the Rajya Sabha on 12 March 2026

The key highlights of the report are as follows:

S.NO	Subject	Key points
1.	Roll out of the IT Act 2025	<ul style="list-style-type: none"> <li>• The report notes that the IT Act 2025, enacted on 21 August 2025, is scheduled to come into force from 1 April 2026. In this context, the department outlined the status of preparedness for the transition as follows: <ul style="list-style-type: none"> <li>– The draft Income-tax Rules, 2026 (Rules 2026) were made public for stakeholder consultation and are proposed to be notified within the prescribed statutory timeline, likely within March 2026 itself.</li> <li>– Extensive preparedness from the information technology (IT) perspective, including updating forms, filing utilities, backend validations, rule engines, and the e-filing portal.</li> <li>– Implementing the IT Act 2025 would also require updating FAQs, help content, user manuals, and guidance materials, as well as the portal’s content architecture to reflect updated legal references and processes. These updates will be made available to users from 1 April 2026.</li> <li>– All pre-login and post-login services of the e-filing portal were modified by 1 April 2026.</li> <li>– An impact assessment of the IT Act 2025 on existing departmental IT applications and their inter-linkages has been carried out.</li> <li>– A total of 190 forms are envisaged under the new Act. Out of which, 54 critical and time-sensitive forms will be operational by 31 March 2026. The remaining forms will be rolled out in phases during Financial Year (FY) 2026-27, depending on the relevant statutory timelines.</li> </ul> </li> <li>• Legacy data integration plan for transitioning: <ul style="list-style-type: none"> <li>– The department has put in place a data integration framework to ensure a smooth transition to the IT Act 2025. Under this framework, proceedings relating to tax years before 1 April 2026 will continue to be governed by the IT Act 1961, while proceedings for subsequent tax years will be governed by the IT Act 2025.</li> <li>– The IT systems follow a unified data architecture with full backward compatibility, enabling seamless multi-year access to legacy data.</li> <li>– The department has clarified that a separate fail-over system is not required, as the new Act is being implemented as an integrated extension of the existing IT environment, rather than as a parallel system. System resilience and continuity will be ensured through the existing high-availability and disaster-recovery mechanisms, which already support large-scale taxpayer operations.</li> <li>– The CBDT has undertaken a nationwide awareness and outreach programme, including stakeholder sessions, multilingual brochures, and media campaigns, to assist taxpayers during the transition to the IT Act 2025. Wider outreach is planned from the second or third week of March 2026, commencing with a mega event in New Delhi.</li> </ul> </li> <li>• Handling of genuine errors during transition: <ul style="list-style-type: none"> <li>– To address genuine compliance errors arising during the initial implementation of the IT Act 2025, the government has proposed extending the time limit for filing revised returns to 31 March and permitting the filing of updated returns even after the issuance of reassessment notices.</li> <li>– The central government has also been empowered to issue general or special orders to remove difficulties, as required, to ensure the smooth implementation of the new law.</li> <li>– The department also informed the Committee that a Joint Committee of the Ministry of Corporate Affairs and the CBDT is proposed to be constituted to incorporate the requirements of the ICDS into Ind AS. The objective is to reduce separate tax accounting, compliance burden, and litigation from tax year 2027-28, without diluting alignment with the IFRS.</li> </ul> </li> </ul>

The key highlights of the report are as follows:

S.NO	Subject	Key points
2.	Tax refunds and tax arrears	<ul style="list-style-type: none"> <li>• Tax refunds <ul style="list-style-type: none"> <li>– In FY 2023-24, a total of 3.41 crore income-tax refunds amounting to INR 2.40 lakh crore were issued, with an average processing time of 25 days.</li> <li>– In FY 2024-25, the department issued 3.64 crore refunds aggregating to INR 3.42 lakh crore, with the average time for issuance reduced to 24 days.</li> <li>– In FY 2025-26 (up to 31 January 2026), 3.38 crore refunds amounting to INR 1.62 lakh crore were issued, with the average processing time increasing to 35 days.</li> </ul> </li> <li>• Tax arrears <ul style="list-style-type: none"> <li>– As of 31 January 2026, the total outstanding direct tax demand stood at INR 47.43 lakh crore, spread across 24.96 crore demand entries, with a significant portion of arrears concentrated in demands pending for more than one year.</li> <li>– The department has stated that, out of the total outstanding direct tax demand, INR 10.93 lakh crore is classified as collectible. In comparison, a substantially higher amount of INR 36.27 lakh crore is categorised as uncollectible.</li> <li>– To deal with large volumes of uncollectible direct tax arrears, the department has undertaken measures such as extinguishing small and legacy demands, proposing write-offs of insignificant outstanding demands, and correcting duplicate or fictitious demands.</li> <li>– The department has strengthened the demand facilitation centre initiatives, including automated taxpayer and Assessing Officer campaigns, with a view to cleaning up the demand register and focusing recovery efforts on genuinely collectible arrears.</li> </ul> </li> </ul>
3.	Tax litigation	<ul style="list-style-type: none"> <li>• The report shows that across FY 2022-23 to FY 2024-25, the highest pendency of direct tax appeals consistently lies at the first appellate level, i.e., the Commissioner of Income-tax (Appeals) [CIT(A)]/Joint Commissioner of Income-tax [JCIT(A)].</li> <li>• The pendency increased from 5.25 lakh appeals in FY 2022-23 to 5.40 lakh appeals in FY 2024-25, involving disputed tax of around INR 16-17 lakh crore each year. Pendency and disputed amounts at the Income Tax Appellate Tribunal (ITAT), the high court (HC), and the Supreme Court (SC) are significantly lower, highlighting the first appellate stage as the principal bottleneck in direct tax litigation.</li> <li>• The data furnished by the department shows that during FY 2022-23 to FY 2024-25, the success rate of the department was consistently highest before the SC (between 26.34% and 31.12%), followed by the HCs (between 12.07% and 26.45%), while the lowest success rate was recorded at the ITAT level, declining from 18.40% in FY 2022-23 to 14.50% in FY 2024-25.</li> <li>• The department stated that, as on 20 January 2026, out of 4,92,769 appeals pending at the first appellate level, 1,46,373 were more than 3 years old.</li> <li>• The sanctioned strength stands at 343 CIT(A) and 100 JCIT(A), with an average disposal of about 560 appeals per officer in the current financial year (up to 31 January 2026). The faceless appeal scheme has improved disposal, with disposals increasing from 1,11,506 appeals in FY 2023-24 to 1,72,361 appeals in FY 2024-25 and 1,76,760 appeals in FY 2025-26 (till 31 January 2026).</li> </ul>

- **Income-tax department releases tax collection data for FY 2025-26<sup>4</sup>:**

The Income-tax department has released data on direct tax collections (Corporate Tax, Non-Corporate Tax (NCT)), Securities Transaction Tax, and Other Taxes) and advance tax collections (Corporate Tax and Non-corporate Tax) for FY 2025-26, as of 17 March 2026. Key highlights are as follows:

- The gross direct tax collection stood at approximately INR 27.14 lakh crore, with a growth of 4.86%.
- Decline in tax refunds by 5.86% as compared to last year, and the amount of refund issued was approximately INR 4.34 lakh crore.
- The net direct tax collections stood at approximately INR 22.80 lakh crore, with a growth of 7.19%.
- The net corporate tax collection grew by 12.76% while NCT collection grew by only 2.70%.
- The advance tax collection stood at around INR 11.13 lakh crore, with a growth of 6.42%.
- Within advance tax collection, corporate advance tax grew by 9.54% while non-corporate advance tax declined by 1.78%.

- **CBDT releases form-wise FAQs and Guidance Notes for new Rules 2026<sup>5</sup>:**

- Following the release of the final Rules 2026, the CBDT has also issued FAQs and Guidance Notes, form-wise, on its official website to facilitate compliance for taxpayers and professionals. The same can be accessed at [FAQs and Guidance Notes on Forms as per Income-tax Rules, 2026](#).
- The FAQs are structured in a form-based format, with each form mapped to its corresponding form number, enabling easy navigation. For every prescribed form, a separate set of FAQs and a Guidance Note has been provided, both of which can be accessed directly through the link provided above.

**The key points covered in the FAQs are as follows:**

- The FAQs explain the purpose and scope of each form, clarify who must file it, and specify whether filing is mandatory or optional. It also sets out the applicable time limits and the frequency with which the form is required to be filed during the year.
- The FAQs provide clarity on the filing process, including the prescribed mode of filing and, where applicable, whether offline filing is permitted. It addresses whether the form can be revised or edited after submission and outlines any special conditions or prerequisites, such as PAN-based filing requirements.
- The FAQs further specify the supporting documents or information required for filing the form. Where certification is prescribed, they clarify whether certification is required and specify the authorised person who may certify the form.
- Importantly, the FAQs also highlight the consequences of non-filing, delayed filing, or incorrect filing of the form, along with the associated compliance implication

**The Guidance Notes outline the following:**

- It sets out the objective of the form and provides clarity on who must file it, the filing frequency, and the prescribed form-filling methodology.
- Importantly, it provides the broad and qualitative changes proposed in the form, highlighting key modifications, additions, and the intent behind introducing these changes in the new forms.
- It also explains the structure of the form, its legislative and legal framework, and the authority under which it is prescribed. The note also highlights key functional enhancements in the revised form, provides practical guidance on compliance-related issues, and outlines the implications and consequences arising from non-compliance.



<sup>4</sup> Released on 17 March 2026

<sup>5</sup> Released on 21 March 2026

## Judicial developments:

### • SC to decide the limitation period for passing under Section 201/201(1A) orders for Non-Resident (NR)<sup>6</sup>:

#### Brief facts of the case:

- The taxpayer was engaged in the mining and exploration of metals, oil, and natural gas. During the relevant FYs 2009-10 to 2014-15, the taxpayer entered into a consultancy agreement and a representative office agreement with Vedanta Resources Public Limited Company, an NR entity. Remuneration was paid by the taxpayer without deducting tax deducted at source (TDS).
- The department issued show cause notices (SCNs) under Sections 201(1) and 201(1A) of the IT Act, 1961, in respect of the AYs commencing from 2010-2011 to 2015-16, on various dates, and passed final orders treating the taxpayer as in default. After receiving the taxpayer's reply, final orders were also passed, and demands were raised. Challenging the same, the taxpayer filed writ petitions before the HC, contending that the orders were time-barred.

#### Before the HC:

- The taxpayer contended that an order could not have been passed beyond four years from the end of the relevant FYs. The learned Single Judge rejected the said contention and held that such an order can be passed at any time within seven years. The taxpayer was given the right to file statutory appeals. Aggrieved thereby, the taxpayer filed the writ appeals.
- The taxpayer argued that the payments made to the foreign group entity were in lieu of 'management services,' and the case was before the International Taxation Circle. The department was further informed, in their returns, that no TDS was deducted under the India-UK treaty.
- It was further submitted that the department was fully aware of the nature of the transactions. In earlier periods, no TDS was required, and the expenditure was allowed. However, for the relevant years, the department changed its position and treated the remittances as fees for technical services.
- The taxpayer urged that since no limitation period was prescribed in the statute in respect of payments made to NR, courts are of the view that the order under Sections 201 and 201(1A) of the IT Act 1961 cannot be passed beyond a period of 4 years. The taxpayer also cited various decisions to that effect.

- The department submitted that, for the relevant period, the statute prescribed a seven-year term for residents. Therefore, applying analogous principles, the 'reasonable period' for NR transactions could not be less than 7 years. The department also urged that the writ petitions were not maintainable, as the taxpayer had not exhausted the appeal remedy.
- The HC reiterated the SC's ruling in the case of UOI vs. Citi Bank N.A. [(2022) 19 SCC 188], observing that even where the statute does not prescribe a specific limitation period, proceedings must be initiated within a reasonable period. What constitutes a reasonable period depends on the facts and circumstances of each case.
- The HC observed that the concept of a reasonable period cannot be confined to a straitjacket formula and noted that the limitation under Section 201 of the IT Act 1961, in respect of residents, has undergone statutory changes over time.
- It was noted that before 1 April 2010, no limitation was prescribed under Section 201. By the Finance (No. 2) Act, 2009, with effect from 1 April 2010, a limitation was prescribed as 2 years from the end of the FY in which the statement under Section 200 was filed. Four years was prescribed from the end of the FY in which payment was made, or credit was given, in any other case. The 4 years under Clause (ii) was subsequently enhanced to 6 years by the 2012 amendment, with retrospective effect from 1 April 2010.
- Thereafter, it was extended to 7 years, effective from 1 October 2014. The court further observed that it is equally well settled that, if during the running of the limitation period there is an amendment extending the period, the Amendment Act will apply.
- The court further observed that transactions involving NR are fewer in number and comparatively less demanding to examine. Therefore, the reasonable period for NR cases cannot exceed that applicable to residents.
- It further observed that while seven years could operate as an outer limit, it could not be applied uniformly across all assessment years (AYs), particularly where the department had failed to initiate proceedings simultaneously and had delayed action without justification. The court noted that the SCNs for AYs 2010-11 and 2011-12 were issued in February/March 2017, and final orders were passed on 31 March 2017.

<sup>6</sup> DCIT vs. Vedanta Limited (SLP (C) Diary No. 12078 of 2026

- However, for AYs 2012 13 and 2013 14, SCNs were issued only on 31 January 2018, with final orders passed on 28 March 2019 and 22 March 2021, respectively. Further, for AYs 2014 15 and 2015 16, SCNs were issued only on 1 March 2021. The court observed that there was no justification for not initiating proceedings for the later years, given that action was first taken in February 2017, even though the taxpayer was the assessee in respect of all six AYs.
- Lastly, the court observed that by the amendment effective from 1 April 2025, the distinction between residents and NRs has been removed, and a uniform limitation period of 6 years has been prescribed. In view of this statutory position and the facts of the case, the court held that 6 years could be taken as the appropriate yardstick for determining the reasonable period for proceedings under Section 201 of the IT Act 1961.
- The court held that the order passed under Sections 201(1) and 201(1A) of the IT Act 1961 for AY 2011 12, having been passed on the last date of the 6-year period, was within limitation and accordingly sustained. The orders passed for AYs

2010 11 and 2012 13 to 2015 16 were held to be time-barred and set aside. The common order of the learned Single Judge was set aside, and the assessee was granted the liberty to file a statutory appeal in respect of the surviving order.

#### Before the SC

- The Revenue filed a special leave petition (SLP) before the SC against the judgement of the Madras HC. The SC condoned the delay in filing the petition.
- The Revenue submitted that since, during the relevant period, the limitation prescribed for residents was seven years, the same period ought to have been treated as a reasonable period for NRs by applying analogous principles. In this regard, the SC has, as of now, issued a notice, returnable on 4 May 2026.

## B.

# Key developments under transfer pricing law

### Judicial developments:

- **ITAT deleted interest levied u/s. 234B and 234C pursuant to the APA conclusion<sup>7</sup>:** The assessee filed a modified return for the relevant assessment year and duly paid tax on the additional income offered under the Advance Pricing Agreement (APA) within the time prescribed under the Income Tax Act. However, during reassessment proceedings, the Assessing Officer (AO) levied interest under Sections 234B and 234C on such additional income retrospectively. The issue before the Tribunal was

whether such interest could be imposed when the assessee had already discharged the tax liability within the statutory timeline. The Tribunal observed that the tax had indeed been paid on time, noted the AO's retrospective levy of interest, and referred to the coordinate bench's ruling in the Colt Technology Services (I) Pvt. Ltd. case on an identical issue. The Tribunal held that interest under Sections 234B and 234C was not leviable on the additional income arising from the APA and deleted the interest charged.

<sup>7</sup> Ericsson India Global Services Private Limited [ITA No.2367/Del/2019]

- **ITAT declines to extend India-US MAP Resolution to transactions with non US AEs, deletes arbitrary TP addition on reimbursements and remitted matter of working capital (WC) adjustment<sup>8</sup>:** The assessee, engaged in providing software development services (SDS) to associated enterprises (AEs) in both the U.S. and non U.S. jurisdictions and had accepted a mutual agreement procedure (MAP) resolution reached between the competent authorities of India and the U.S. for transactions with U.S. AEs. However, the assessee sought to extend the same MAP resolution to the SDS provided to the non U.S. AEs across 17 jurisdictions. The AO also denied WC and risk adjustments and adjusted delayed receivables. Furthermore, an ad hoc 5% markup on reimbursed expenses was applied, despite the Transfer Pricing Officer (TPO) not proposing any such adjustment. The Tribunal dismissed grounds relating to the U.S. AEs as withdrawn, held that the MAP resolution under the India U.S. treaty could not be applied to non U.S. AEs, given differing contractual terms and treaties, restored the issue of WC adjustment to the AO while upholding the denial of risk adjustment, and directed that the WC adjustment should subsume the adjustment on delayed receivables. On reimbursements, the Tribunal noted that the AO had not examined the underlying facts and had adopted an arbitrary 5% markup without any basis, which was impermissible given that the TPO had proposed no adjustment. Consequently, the addition of reimbursements was deleted, and the assessee's appeal was allowed.
- **ITAT upholds allowability of LTCL on redemption of compulsorily convertible preference shares<sup>9</sup>:** The assessee recorded a long term capital loss (LTCL) of INR 566.85 crores on the redemption of non cumulative compulsorily convertible preference shares of its AEs. While the AO and TPO had earlier re characterised such investments as loans and disallowed the loss, the CIT(A) deleted the disallowance by following coordinate bench rulings in the assessee's own case for prior years, which had held the loss allowable. The Tribunal observed that in earlier years, the investment in preference shares had already been held to be a capital asset, and the recharacterisation as a loan had been quashed. It found the CIT(A)'s order consistent with those rulings, upheld the deletion of disallowance, and dismissed the Revenue's appeal.
- **ITAT directs assessee to establish that no actual conversion/redemption of CCDs into equity and adjustments related to AE segmental results<sup>10</sup>:** The assessee faced TP adjustments in its IT division due to the non acceptance of AE segmental results and on account of interest on compulsorily convertible debentures (CCDs). Although the assessee had furnished the AE segmental data in its TP report and later submitted audited segmental results, the lower authorities rejected them. The Tribunal, relying on rulings in the case of Honeywell Electrical Devices and Systems India Ltd. and 3i Infotech Ltd., observed that the reasons for non acceptance were based on conjecture. The AE segment margins of 16% were found to be within the arm's length range of comparables selected by the TPO. Accordingly, the adjustment in the IT division was deleted. On the issue of CCDs, the Tribunal clarified that while Ind AS 32 requires hybrid instruments to be reclassified between equity and debt for disclosure purposes, such reclassification does not alter the true nature of CCDs, which remain debt until conversion. Referring to the Stahl India Pvt. Ltd. case, the TPO and DRP recorded findings of actual conversion and directed the assessee to furnish evidence to establish whether there was, in fact, no conversion or redemption during the relevant year. It held that if no actual conversion had occurred, the interest paid should be allowed as a deduction.
- **ITAT accepts berry ratio, restricts TP-adjustment w.r.t business services basis agreed formula<sup>11</sup>:** The assessee, engaged in the provision and availing of business services within the group, faced adjustments after the TPO rejected its TNMM methodology and limited risk model, recharacterising it as a full risk service provider. The assessee contended that its compensation, based on the higher of 11% return on sales or 14% on value added expenses, exceeded industry averages. The Tribunal reviewed service agreements and noted the group's hub-and-spoke model, with the assessee functioning as a profit center but delivering services only in India, while marketing was performed abroad. It held that the berry ratio could be applied, as the assessee merely added value to the services offered by the group entities. Observing that the assessee was not compensated properly, the Tribunal directed the AO/TPO to restrict the ALP adjustment to INR 23.81 crores, being the difference between the targeted profit computations.

<sup>8</sup> NTT DATA Global Delivery Services Ltd [ITA No.2533/Bang/2019]

<sup>9</sup> Reliance Industries Limited [I.T.A. No. 3985/Mum/2025]

<sup>10</sup> Movate Technologies Private Limited [ITA No.:2467/Chny/2024]

<sup>11</sup> Verizon Communication India Pvt Ltd [ITA No.442/DEL/2017]

## C.

# Key developments under FEMA

### Legislative developments:

- **Cabinet approves changes in guidelines on investments from countries sharing a land border with India:**

The Union Cabinet has approved certain changes to the Foreign Direct Investment (FDI) policy relating to investments from countries sharing land borders with India, requiring approval under Press Note 3 of 2020 ('PN3'). These restrictions were introduced during COVID-19 to prevent opportunistic takeovers/acquisitions of Indian companies by entities from neighbouring countries.

However, to provide clarity and the ease of doing business in India, and to facilitate investments that can contribute to greater FDI inflows, access to new technologies, domestic value addition, expansion of domestic firms, and integration with the global supply chain, certain amendments to the FDI Policy were approved by the Cabinet. The same was communicated vide a press release dated 10 March 2026.

- Formal definition of beneficial ownership -
  - PN3 earlier referred to "Beneficial Ownership" without a clear definition.
  - The Cabinet has now introduced a formal, unambiguous definition aligned with the Prevention of Money Laundering Rules, 2005.
  - Beneficial ownership (BO) will be tested at the level of the investing entity.
  - This replaces prior reliance on the Significant Beneficial Owner concept under the Companies Act, 2013, through SOPs.
- Relaxation in investment route for non controlling investors -

Earlier, any investment from a land-border-sharing country, or from the BO in such a country, required government approval.

Pursuant to the amendment, investments with non-controlling BO up to 10% from land-border sharing countries are now permitted under the automatic route. Applicable sectoral caps, entry routes, and conditions will continue to apply. The investee company must report relevant particulars to the Department for Promotion of Industry & Internal Trade ('DPIIT').

- Time bound approval mechanism for strategic manufacturing sectors -

Delays in PN3 approvals have been a long-standing concern, despite an indicative 12-week timeline. The amendments introduce a fast-track approval process for investments from land-border sharing countries in specified sectors:

- Capital goods
- Electronic capital goods
- Electronic components
- Polysilicon and ingot-wafer manufacturing

Investment proposals from countries sharing a land border with India, falling within the above sectors, will now be processed within a 60 day timeframe. In these cases, majority ownership and control must remain with resident Indian citizens or Indian-owned and controlled entities.

The amendments are intended to reinforce India's competitiveness as a preferred jurisdiction for foreign investment and manufacturing activities. Enhanced FDI inflows are envisaged to augment domestic capital formation, support the government's policy objectives under Atmanirbhar Bharat, and contribute to sustained, broad-based economic growth.

- **DPIIT updates FDI Policy on investments from countries sharing a land border with India:**

The DPIIT, under the Ministry of Commerce and Industry, has now issued Press Note No. 2 (2026 Series) on 15 March 2026 ('PN2').

Under the Consolidated FDI Policy Circular of 2020, dated 15 October 2020, and as amended from time to time ('FDI Policy'), foreign investment from countries sharing land borders with India ('LBC') or where the beneficial owner of the investing entity is situated in or is a citizen of LBC, could only be made through the government approval as prescribed via Press Note 3 (2020).

- Relaxation in the restrictions for investors situated in LBC:

The PN2 has amended the FDI Policy by omitting the phrase 'is situated in'. Therefore, only a 'citizen' or beneficial owner who is a resident of an LBC will require prior approval from the government for making FDI in Indian entities. Thus, a citizen of any country, but 'situated in' LBC, can make FDI in Indian entities without any government approval.

- Term "Beneficial Owner" defined:

The PN2 has assigned a clear meaning to the term "Beneficial Owner" ('BO') for investment into India. According to this –

- The investor entity incorporated/registered outside an LBC – BO will be determined in line with the Prevention of Money-laundering Act, 2002, and Rule 9(3) of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 ('PML Rules'), which generally applies a 10% ownership threshold.
- The investor entity incorporated/ registered in LBC – BO shall be treated as vested in an LBC if citizens or entities of an LBC (directly or indirectly, individually or cumulatively, independently or collectively) can:
  - Hold more than the applicable ownership threshold prescribed under Rule 9(3) of the PML Rules over an investor entity that is incorporated outside LBC; or
  - Exercise control over the investor entity; or
  - Exercise ultimate effective control over the Indian investee entity.

- New reporting requirement:

PN2 has introduced a new reporting obligation covering investments into India from an investor entity that has any direct or indirect ownership by a citizen or entity of an LBC, and that does not require prior government approval. The format of such reporting will be prescribed through a standard operating procedure to be laid down by the DPIIT. This reporting obligation is in addition to compliance with applicable sectoral caps, entry routes, and attendant conditions.

- **RBI notified format of Currency Declaration Form to declare foreign exchange brought into India:**

The Reserve Bank of India ('RBI') has issued the Foreign Exchange Management (Export and Import of Currency) (Amendment) Regulations, 2026, vide Notification No. FEMA 6 (R)/(5)/2026-RB dated 23 February 2026, published on 16 March 2026. This amendment introduces a Currency Declaration Form (CDF) under Regulation 6 of the existing Foreign Exchange Management (Export and Import of Currency) Regulations, 2015 ('Principal Regulations').

Vide the said notification, passengers bringing foreign exchange (in the form of currency notes, bank notes, or travellers' cheques) into India are now required to declare such currency in the newly introduced CDF when:

- The aggregate value of foreign exchange brought in the form of currency notes, bank notes, or travellers' cheques exceeds USD 10,000 or its equivalent, and/ or
- The value of foreign currency notes alone exceeds USD 5,000 or its equivalent,
- The CDF will be required to be presented to authorised banks or authorised money changers at the time of:
  - Converting foreign currency into Indian rupees, OR
  - When re-converting rupees back into foreign currency.

Further, visitors to India who do not fully utilise the declared foreign exchange must retain the CDF and present it to customs authorities upon departure to take the unspent foreign exchange out of India. This amendment will be effective from the date of its publication in the Official Gazette, i.e., 23 February 2026.

## D.

# Key developments under GST law

## Legislative developments:

- **Finance Act, 2026, enacted: Key indirect tax amendments, including changes to intermediary services:** The Finance Bill, 2026, has been enacted as the Finance Act, 2026 (No. 4 of 2026), upon receiving the Presidential assent on 30 March 2026. On the GST front, a key reform is the omission of the intermediary-specific place of supply provision under the IGST Act, effective from 30 March 2026, thereby aligning the determination of the place of supply with the general rule based on the recipient's location and enabling cross-border intermediary services to qualify as exports, subject to conditions. The Act also provides for the rationalisation of post-supply discount valuation provisions, the expansion of the provisional refund mechanism (effective from a date to be notified), and the introduction of an interim appellate framework effective 1 April 2026.

On the customs side, amendments effective 30 March 2026 focus on procedural simplification and trade facilitation, including the removal of prior approvals for inter-warehouse transfers and the extension of the validity of advance rulings, thereby improving operational efficiency and providing greater certainty to trade.

(Please [click here](#) to refer to the alert)

## Goods and Services Tax Network Advisory:

- **Linkage of DRC-03 payments with demand orders for appeal pre-deposit (First Appellate Authority):** The GSTN has issued an advisory clarifying that payments made during investigation through DRC-03 are treated as voluntary payments and are not automatically linked to any Demand ID (such as those arising from Form GST DRC-07) in the Electronic Liability Register, and therefore may not be considered by the system while determining the pre-deposit requirement.

To ensure such payments are properly considered, taxpayers must link DRC-03 payments to the relevant Demand ID by filing Form GST DRC-03A on the GST portal. Upon such linkage, the payment will be reflected in the Electronic Liability Register and considered for pre-deposit computation. The GST portal auto-calculates the required pre-deposit based on payments linked to the Demand ID, and any shortfall must be discharged prior to filing the appeal.

(Please [click here](#) to refer to the advisory)

- **Mandatory confirmation of 'Tax liability breakup' tab in GSTR-3B from February 2026 tax period:** The GSTN has issued an advisory introducing a mandatory confirmation step for the 'Tax liability breakup, as applicable' tab in Form GSTR-3B from the February 2026 tax period onwards. The tab captures tax liabilities arising from earlier tax periods that are reported and discharged in the current period, in line with Section 50 of the CGST Act, which governs interest on delayed tax payments. The GST portal now auto-populates this tab based on the document dates reported in GSTR-1/GSTR-1A/IFF for supplies that pertain to previous periods but are discharged in the current GSTR-3B.

Taxpayers are required to open the tab on the payment page and click 'SAVE' (or edit, if required) after offsetting liability, before proceeding with filing the return. Although it has been stated that such confirmation should apply only to prior-period supplies, the portal currently requires confirmation in all cases. Taxpayers are advised to complete the confirmation step to ensure successful filing.

(Please [click here](#) to refer to the advisory)

- **Mandatory confirmation of 'Tax liability breakup' tab in GSTR-3B from February 2026 tax period:** An advisory has been issued to address the difficulties faced by taxpayers in filing appeals where adjudication orders reflect a 'NIL' demand, particularly in cases where voluntary payments were made at the SCN stage without the admission of liability. In such cases, adjudicating authorities have treated such payments as full discharge without determining or recording the actual liability, resulting in the GST portal not reflecting any demand and restricting appeal filing due to errors such as 'Disputed amount cannot exceed the demand amount itself.'

It has been clarified that payments made during the SCN stage do not amount to the acceptance of liability, and taxpayers retain the right to contest the same in appeal. Accordingly, taxpayers are required to approach the adjudicating authority to seek the issuance of a rectification order through the GST portal, reflecting the correct demand; post which, the appeal can be filed within the prescribed timelines.

(Please [click here](#) to refer to the advisory)

## Legislative developments:

- **ISD credit distribution triggered on legal availability of ITC, not invoice receipt – Madras HC<sup>12</sup>:** The Madras High Court has (HC) upheld the validity of Rule 39(1)(a) of the Central Goods and Services Tax (CGST) Rules, 2017, while clarifying that the requirement to distribute the Input Tax Credit (ITC) by an Input Service Distributor (ISD) in the same month applies only to credit that has become legally available under Section 16(2) of the CGST Act. The HC held that the expression ‘input tax credit available for distribution in a month’ must be interpreted harmoniously with Sections 16 and 20, and that mere receipt of an invoice does not render the ITC available. Credit becomes distributable only upon fulfillment of statutory conditions, such as receipt of goods/services, payment of taxes, and filing of returns. Accordingly, the HC rejected the department’s view of invoice-based distribution and clarified that the timing requirement under Rule 39(1)(a) is linked to the month of legal entitlement to the ITC, and not the month of invoice receipt.

(Please [click here](#) to refer to the ruling)

- **ITC to bonafide recipients cannot be denied for supplier’s default in tax payment – Karnataka HC<sup>13</sup>:** The Karnataka HC has read down Section 16(2)(c) of the CGST/SGST Acts and Rule 36(4) of the CGST/SGST Rules, holding that the ITC cannot be denied to a bonafide recipient merely on account of the supplier’s failure to discharge tax, where all other conditions under Section 16(2) are satisfied. The HC held that requiring the recipient to ensure

the supplier's tax payment imposes an impossible and unreasonable burden, in violation of Article 14, unless the transaction is found to be non-genuine, collusive, or fraudulent. Relying on established jurisprudence, the HC clarified that the provisions must be interpreted to protect bonafide recipients, while preserving the Revenue’s right to proceed against defaulting suppliers.

(Please [click here](#) to refer to the ruling)

- **Deposit made during search proceedings cannot be treated as voluntary – Bombay HC<sup>14</sup>:** The Bombay HC has held that tax and penalty payments made during search proceedings cannot be regarded as voluntary, particularly where such payments are made before the adjudication of liability. The HC observed that the deposits made during the subsistence of the search cast doubt on their voluntary nature and relied on judicial precedents to reiterate that payments made at the stage of search or before determination of liability cannot be treated as voluntary. It further noted non-adherence to safeguards laid down in prior rulings, which prohibit recovery during search and require voluntary payments to be made only after the conclusion of proceedings. Accordingly, the HC directed the Revenue to reconsider the matter and take corrective steps, including refund where appropriate..

(Please [click here](#) to refer to the ruling)



<sup>12</sup> Reliance Jio Infocomm Limited (W.P. Nos. 27038 & 28371 of 2025)

<sup>13</sup> Instakart Services Private Limited (WP No. 4917/2021)

<sup>14</sup> Modern Traders (WP No. 4344/2025)

## E.

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

### Legislative/other developments:

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

In this regard, the CBIC has issued detailed eligibility criteria, application procedures, and operational guidelines vide Circular No. 08/2026–Customs dated 28 February 2026. The facility is applicable from 1 April 2026 until **31 March 2028**. Eligible importers must meet specified conditions related to GST and Customs compliance, turnover, financial solvency, and compliance track record. Existing AEO-T1 entities, including MSMEs, which satisfy the prescribed criteria, are also eligible. Applications can be submitted electronically from 1 March 2026 through the AEO portal under the “Eligible Manufacturer Importer” module.

(Please [click here](#) to refer to the detailed alert)

- **U.S. imposes revised Section 232 tariffs on steel, aluminium, copper, and patented pharmaceuticals; APIs to drive domestic manufacturing and curb imports:** The United States (U.S.) has significantly expanded and recalibrated its Section 232 tariff framework for strategic metals and pharmaceuticals. On metals (steel, aluminium, and copper), the U.S. has moved to a stricter regime by applying tariffs on the full customs value of imports, with rates set at 50% for primary articles and 25% for derivatives, alongside the rationalisation of exemptions and inclusion rules to curb circumvention.

Simultaneously, a baseline 100% tariff is imposed on patented pharmaceuticals and APIs<sup>15</sup>, subject to calibrated relief (0%–20%) for companies that commit to onshoring and MFN pricing arrangements. At the same time, generic drugs remain outside the scope for now.

These measures are explicitly anchored in national security considerations, with a clear policy objective of reducing import dependence and strengthening domestic manufacturing across critical sectors.

(Please [click here](#) to refer to the detailed alert)

- **DGFT grants automatic EO extension for AA and EPCG authorisations and provides relief on average EO<sup>16</sup>:** The DGFT has granted a one-time automatic extension of the Export Obligation Period (EOP) for advance authorisation and EPCG authorisations expiring between 1 March 2026 and 31 May 2026, extending such timelines to 31 August 2026.

The extension is granted automatically without any application or composition fee. It is in addition to the extensions available under the HB, with no refund of fees already paid for prior extensions. Customs authorities have been directed to allow exports accordingly, with EO compliance to be examined at the EODC or regularisation stage.

Furthermore, the DGFT has provided relief<sup>17</sup> in the form of the average EO under the EPCG scheme for sectors witnessing a decline in exports in FY 2024–25. The regional authorities have been directed to re-fix the average EO proportionately in eligible cases and issue amendment sheets, and to consider applicable relief provisions while processing the EODC applications or shortfall cases before initiating any demand or recovery proceedings.

(Please [click here](#) to refer to the update)

<sup>15</sup> active pharmaceutical ingredients

<sup>16</sup> Public Notice No. 51/2025–26 dated 6 March 2026

<sup>17</sup> Policy Circular No. 10/2025–26 dated 26 February 2026

- **CBIC notifies concessional customs duty for SEZ units' DTA clearances till 31 March 2027<sup>18</sup>:** Pursuant to the Union Budget 2026 proposal, the CBIC has granted concessional customs duty on specified goods manufactured by SEZ units and cleared to the DTA, effective 1 April 2026 to 31 March 2027. The benefit applies to select goods across tariff lines at reduced BCD rates (generally ranging from 6.5% to 12.5%) and, in certain cases, to the AIDC, to address capacity underutilisation in SEZs while maintaining safeguards for the domestic industry.

The benefit is subject to conditions, including that production commences on or before 31 March 2025, that there is a minimum 20% value addition, and that the DTA clearances are capped at 30% of the highest FOB export value in the preceding three financial years. It is not available where drawback or other export benefits have been availed on inputs, and it requires certification from the Development Commissioner, along with a declaration for duty liability in case of non-compliance.

The exemption excludes FTWZ units and traded goods, and units availing the benefit will be subject to audit under the SEZ Rules, reflecting a calibrated, temporary measure to support the SEZ manufacturing activity.

(Please [click here](#) to refer to the update)

- **Punjab notifies Industrial and Business Development Policy, 2026:** The government of Punjab has announced the Industrial and Business Development Policy, 2026, effective 8 March 2026, aimed at promoting industrial growth, attracting investments, and strengthening manufacturing and services, with a target to increase manufacturing share in GSVA to 32% by 2030. The policy applies to new units and existing units undertaking expansion/diversification (subject to exclusions). It focuses on priority sectors, such as EVs, agri-processing, IT/ITeS, ESDM, defense, textiles, and auto components, supported by the development of industrial infrastructure and the promotion of MSMEs and start-ups.

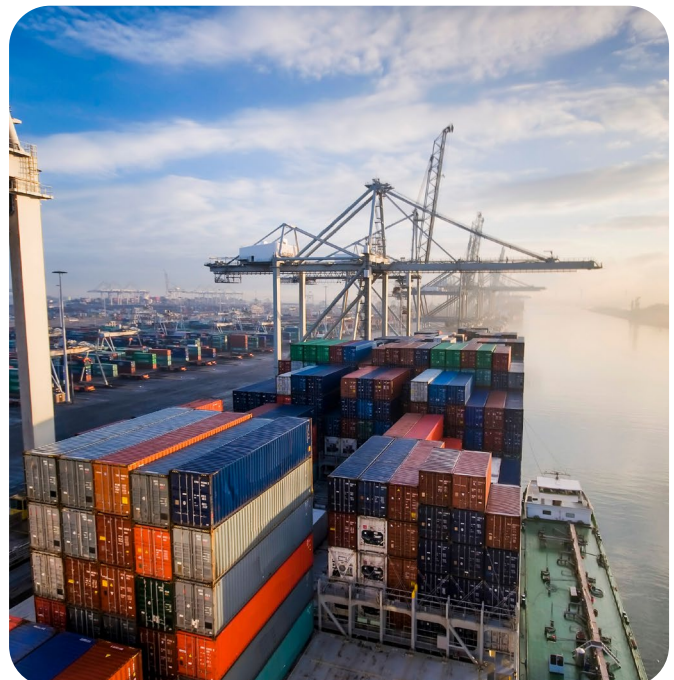
(Please [click here](#) to refer to the update)

## Judicial developments:

- **U.S. CIT directs refund of reciprocal tariffs following Supreme Court's ruling:** Following the U.S. Supreme Court's decision dated 20 February 2026 striking down reciprocal tariffs imposed under the IEEPA, the U.S. Court of International Trade (CIT), vide an order dated 4 March 2026, has directed the U.S. Customs and Border Protection (CBP) to process import entries without applying such duties and to refund tariffs already collected. The Supreme Court had clarified that the power to impose tariffs vests exclusively with Congress, thereby invalidating duties imposed under the executive measures.

The CIT further directed CBP to liquidate unliquidated entries without such duties and reliquidate non-finalised entries, covering millions of affected import entries. It also emphasised its exclusive jurisdiction over trade matters and stated that refund claims will be handled uniformly and expeditiously.

(Please [click here](#) to refer to the detailed alert)



<sup>18</sup> Notification No. 11/2026-Customs dated 31 March 2026



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