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SHAPING VIBRANT INDIA

Monthly Tax Bulletin

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Grant Thornton Bharat is pleased to present the September 2026 edition of the Tax Bulletin, at a time when the conversation on tax is moving beyond rates, incentives and compliance. The sharper question is whether the tax system can provide the certainty, fairness and responsiveness needed to support business confidence and economic decision-making. As India grows in scale and complexity, the quality of implementation will be as important as the direction of policy itself.

The developments this month reflect this maturing phase of the tax and regulatory journey. Across GST and customs, greater judicial emphasis on valuation, input credit, refunds and classification is reinforcing the need for rules to operate with clarity and economic coherence. In direct and international tax, the widening architecture of information exchange and crypto-asset reporting points to a more transparent, data-led system, while transfer pricing jurisprudence continues to test whether tax outcomes reflect the true substance and function of transactions. At the same time, refinements to investment-related tax provisions, proposed changes to the foreign investment framework and evolving incentive structures suggest a broader effort to improve the conditions in which capital, technology, services and enterprise can be deployed.

These developments are increasingly interconnected since tax administration, trade treatment, investment regulation and business strategy now converge more often at the point where commercial decisions are made. For businesses, this raises the standard of preparedness. Strong tax governance will require not only technical compliance but also consistency between commercial intent, documentation, operational execution and regulatory position.

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

Happy reading!

A Key developments under direct tax laws:

Legislative developments:

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

CBDT issues[1] guidance note on crypto-asset reporting obligations under Section 509 of Income-Tax Act, 2025 (2025 Act)

India currently engages in the automatic exchange of information with competent authorities in other jurisdictions through established global tax-transparency initiatives, namely the Common Reporting Standards (CRS) and Foreign Account Tax Compliance Act (FATCA). However, crypto-assets can be acquired, held and transferred without the intervention of traditional financial intermediaries and, therefore, may not be captured under the existing tax-transparency frameworks.

To address this gap, the Organisation for Economic Co-operation and Development (OECD), at the request of the Group of Twenty (G20), developed the Crypto Asset Reporting Framework (CARF). CARF provides for the standardised automatic exchange of tax-relevant information relating to crypto-asset transactions between jurisdictions on an annual basis. India participated in the relevant international working groups and contributed to the development of CARF.

Legislative framework

The framework for implementing crypto-asset reporting obligations in India is contained in:

- Section 2(111)(d) of the 2025 Act which defines a crypto-asset;
- Section 509 of the 2025 Act, which provides for furnishing information relating to crypto-asset transactions;
- Rules 241 to 244 of the Income Tax Rules, 2026 (2026 Rules), which prescribe the definitions, reporting nexus, reporting requirements and due diligence procedures;
- Form No. 167, which is the prescribed statement for furnishing information relating to crypto-asset transactions; and
- Section 446 of the 2025 Act, which provides for penalties for failure to furnish information, furnishing inaccurate information or non-compliance with the due diligence requirements.

The CBDT released a guidance note on 24 July 2026 to explain, in a simple and practical manner, the obligations of Reporting Crypto Asset Service Providers (RCASPs) under the above framework.

The guidance note and the Frequently Asked Questions (FAQs) are issued for guidance purposes only and do not constitute legal advice.

In case of any inconsistency, the statutory position contained in the 2025 Act and the 2026 Rules shall prevail. Nothing contained in the Guidance Note should be construed as affecting the permissibility or legitimacy of any transaction involving crypto-assets or as constituting regulation of crypto-assets. Information exchanged under the framework is intended only for the limited purpose of the administration of taxes by the relevant jurisdiction.

(Please click here to view the guidance note)

CBDT releases[2] an updated Guidance Note on FATCA and CRS under section 508 of the Act

The United States enacted FATCA in 2010 to address tax evasion through offshore financial accounts held by US citizens and residents. The India-USA Intergovernmental Agreement was signed on 9 July 2015. Under this agreement, Indian Reporting Financial Institutions (RFIs) report the required information to the Indian tax authorities, which then transmit it to the United States automatically.

Separately, the OECD and the G20 developed the CRS for the automatic exchange of financial account information. India is an early adopter of CRS and commenced its first exchanges in 2017. The global CRS framework was updated in 2025 to address transparency gaps arising from changes in financial products and practices.

With effect from 1 April 2026, the legal framework for CRS and FATCA reporting in India is contained in:

- Section 508 of the 2025 Act, which replaces Section 285BA of the Income Tax Act, 1961 (1961 Act);
- Rules 238 to 240 of the 2026 Rules, which replace rules 114F to 114H of the Income Tax Rules, 1962 (1962 Rules) and contain the definitions, due diligence procedures and reporting requirements; and
- Form No. 166, which is the annual statement of Reportable Accounts and replaces Form No. 61B.

1. E-Book Guidance Note on Crypto-Asset-Reporting Obligations dated 24 July 2026
2. E-Book Guidance Note on FATCA and CRS FAQs dated 24 July 2026

The CBDT released an updated Guidance Note on FATCA and CRS on 24 July 2026. It has been updated in line with the 2026 Rules and the OECD Consolidated Text of the CRS, 2025. It also contains 100 FAQs addressing practical implementation issues relating to RFI classification, financial accounts, due diligence, self-certification, reporting, trusts and partnerships, filing and enforcement.

(Please click here to view the guidance note)

Taxation and Other Laws (Amendment) Act, 2026 (TOLA Act) has been passed by Parliament

On 17 August 2026, the TOLA (Amendment) Act, 2026 received[3] President's assent after being passed by both houses of Parliament. The TOLA Act amends 2025 Act and the Finance Act, 2026 (Finance Act). It also repeals the Income-tax (Amendment) Ordinance, 2026 (Ordinance) dated 5 June 2026, while preserving actions already taken under it. The CBDT had also released frequently asked questions on the TOLA (Amendment) Bill, 2026. The TOLA Act rationalises the eligible investment fund framework and amends the exemptions available for electronics manufacturing and data centre services. It also introduces exemptions for rough-diamond sales and storage of electronic components and revises the taxation of dividend distributions by business trusts. Most direct tax provisions operate from 1 April 2026, while the two new exemptions are to take effect from 1 October 2026.

The key changes in the TOLA Act are:

Relaxation of the eligible investment fund framework

- The 2025 Act[4] provides that fund-management activity carried out through an eligible fund manager acting on behalf of an eligible investment fund does not constitute a business connection in India, if the conditions in Schedule I are satisfied.
- The 2025 Act currently contains 13 conditions for an eligible investment fund and 4 conditions for an eligible fund manager. Some of those conditions are relaxed where the manager is located in an International Financial Services Centre (IFSC).
- TOLA Act reduces the conditions applicable to an eligible investment fund from 13 to 5. The retained conditions require that the fund:
    - Is not resident in India
    - Is resident in a country or specified territory having a tax agreement with India or in a notified jurisdiction
    - Has aggregate investment by persons resident in India not exceeding 5% of its corpus as on 1 April and 1 October of the tax year
    - Does not carry on, control or manage any business in India, directly or indirectly an activity constituting a business connection in India, other than the permitted activities of the eligible fund manager.
    - Has no person acting on its behalf who undertakes an activity constituting a business connection in India, other than the permitted activities of the eligible fund manager
- TOLA Act omits the requirement that the eligible fund manager should receive at least the minimum remuneration computed in the prescribed manner.
- The changes respond to stakeholder representations. They are intended to facilitate the relocation of fund managers to India without the foreign
- Fund creating a business connection in India, while providing improved tax certainty for fund-management activity.

Benefits for electronics contract manufacturing

- The 2025 Act[5] currently exempts the income of a foreign company arising from providing capital goods, equipment or tooling equipment to a contract manufacturer that is an Indian company located in a Customs bonded area. Among other conditions, the foreign company must retain ownership of the assets and the assets must remain under the contract manufacturer's control and direction. The manufacturer must also produce electronic goods on behalf of the foreign company for consideration.
- TOLA Act extends the exemption by ten years, from tax year 2030-31 to tax year 2040-41.
- It also replaces the expression 'electronic goods' with 'specified electronic goods'. The 'specified electronic goods' comprise mobile phones, laptops, all-in-one personal computers and tablets, servers and ultra-small form factor products, sub-assemblies to those finished goods and hearables, wearables and accessories related to those finished goods.

Benefits for data centre services

- The 2025 Act[6]. currently exempts the income of a notified foreign company from procuring data centre services from a specified data centre in India up to the tax year ending 31 March 2047. In order to be eligible to avail this benefit, the foreign company must not own or operate the data centre's physical infrastructure or resources, its sales to users in India must be made through an Indian reseller and prescribed information must be maintained and furnished.

3. The Taxation and Other Laws (Amendment) Act, 2026
4. Section 9(12) of 2025 Act
5. Sl. No. 13A of Schedule IV of 2025 Act
6 Sl. No. 13C of Schedule IV of 2025 Act

- At present, a specified data centre must be set up under an approved scheme, notified by the Central Government (CG) through the Ministry of Electronics and Information Technology and owned and operated by an Indian company.
- TOLA Act removes the notification requirements for both the foreign company and the specified data centre, discontinue the approved-scheme condition and permit the Indian company to operate a data centre that it either owns or has taken on lease. The data centre will instead be required to satisfy prescribed conditions.
- Prescribed information will be required from the foreign cloud-service company and the Indian data centre operator, in place of entity-specific notifications. It has also been clarified that where the Indian operator is an associated enterprise of the foreign company and is remunerated on cost, a 15% safe harbour is available.

Benefits for rough diamond sales: New provision[7]

- TOLA Act provides a new exemption for income arising to an eligible foreign company from the sale of rough diamonds. It has been clarified that an eligible company may be engaged in the business of diamond mining or may function as a sightholder of such business, broker, aggregator, or tender and auction entity for that business.
- The sale must take place in a special notified zone referred to in the 2025 Act[8]. The FAQs identify the relevant zones as those in Mumbai and Surat. The foreign company will also be required to maintain and furnish information in the prescribed form and manner.
- For this purpose, a rough diamond is a diamond that is unworked or simply sawn, cleaved or bruted, falls under Customs provisions[9] and is accompanied by a Kimberley Process Certificate.
- The exemption will take effect from 1 October 2026 and will be available up to the tax year ending 31 March 2041.

Benefits for electronic-component storage: New provision[10]

- TOLA Act exempts income accruing or arising to a foreign company on account of storing components in a warehouse in a Customs-bonded area. The storage must be for sale and supply to an Indian contract manufacturer, for use in manufacturing specified electronic goods.
- The contract manufacturer must be an Indian company that produces specified electronic goods on behalf of a foreign company in a Customs-bonded area. The CBDT FAQs clarify that the Customs-bonded area is a warehouse referred to in the Customs Act, 1962[11] and the specified electronic goods definition is the same as that used for electronics contract manufacturing.
- The exemption will be subject to furnishing prescribed information and is to be available up to the tax year ending 31 March 2041. These benefits will take effect from 1 October 2026.

Business trusts and special purpose vehicles

- At present, dividend income distributed by a business trust is exempt in the hands of a unit holder only where the Special Purpose Vehicle (SPV) has not opted for the new/concessional tax regime under the 2025 Act[12]. TOLA Act provides that the exemption would remain available even where the SPV has exercised that option.
- The corresponding amendment to the Finance Act proposes an additional surcharge of 15% for such an SPV, increasing the applicable surcharge from 10% to 25% with effect from 1 April 2026. The 25% rate is to be substituted in both the Income-tax and Advance-tax surcharge tables.
- The CBDT FAQs explain that the proposal preserves the unit holder exemption on dividend income where an SPV opts for the new tax regime, while the additional surcharge is intended to compensate for the resulting revenue loss.

Government security exemptions and replacement of the Ordinance

- The 2025 Act[13] exempts any interest on a government security and capital gains arising from its sale, exchange or transfer in the hands of a Foreign Institutional Investor, subject to prescribed reporting. It further[14] provides the corresponding exemption to the Bank for International Settlements.
- These exemptions and the related definitions in the 2025 Act[15] were already inserted by the Ordinance with effect from 1 April 2026. The Bill carries them forward without substantive change and preserves actions already taken under the Ordinance.

7. Sl. No. 13F of Schedule IV of 2025 Act)
8. Section 9(9)(c)(ii)(C) of the 2025 Act
9. Customs Tariff Heading 7102 10, 7102 21 or 7102 31
10. Sl. No. 13G of Schedule IV of 2025 Act
11. Section 65
12. Section 200(4) of IT Act (section 115BAA of erstwhile 1961 Act)
13. Sl. No. 13D of Schedule IV of 2025 Act
14. Sl. No. 13E of Schedule IV of 2025 Act
15. Note 4 of Schedule IV of 2025 Act

Our comments

- While the Ordinance addressed immediate concerns arising from global economic developments, the government has now supplemented those measures with additional reforms following stakeholder consultations. The result is a broader package designed to provide greater tax certainty and reinforce India's economic resilience. The liberalisation of the fund management regime, incentives for electronics supply chains, facilitation measures for data centres and diamond trading and tax relief for foreign investors in government securities point towards a policy objective of attracting global capital and business activity into India. Collectively, the amendments reflect a clear emphasis on investment facilitation, supply-chain resilience and long-term tax certainty.

(Please click here to view the Act)

CG notifies the Foreign Assets of Small Taxpayers - Disclosure Scheme Rules, 2026

The CG has notified[16] the Foreign Assets of Small Taxpayers Disclosure Scheme (FAST-DS) vide Notification No. 114/2026/F.No. 370142/18/2026-TPL dated 14 August 2026. The Foreign Assets of Small Taxpayers Disclosure Scheme Rules, 2026 (The Rules) were issued under section 143 of the Finance Act, 2026 (the Act). It lays down the framework for valuation of assets, computation of amount payable, filing and processing of declarations, payment procedures, prescribed forms and procedural requirements under the FAST-DS, 2026. The scheme itself is contained in Chapter IV, sections 130 to 144, of the 2025 Act.

The key highlights of the Rules, read with the issued FAQs are summarised below

- The Rules came into force on 16th August 2026
- "Valuation date" has been prescribed as 31 March 2026.
- "Last date" for making declarations has been prescribed as 31 December 2026.
- The scheme permits eligible taxpayers to declare certain undisclosed foreign income, undisclosed assets located outside India and specified foreign assets that were not disclosed in the relevant schedule of the return of income.
- The scheme covers an assessee who was resident in India in the relevant previous year. It also covers a person who is presently a non-resident or resident but not ordinarily resident, subject to the person having been resident in India in the previous year to which the undisclosed foreign income relates or in the previous year in which the undisclosed foreign asset was acquired.
- Fair Market Value (FMV) of bullion, jewellery or precious stones shall be the higher of their cost of acquisition or open market price on the valuation date for which the assessee may obtain a report from a valuer recognised by the Government of a country or specified territory outside India or any of its agencies, under any applicable regulation or law. Where no such market valuation is carried out, indexed cost of acquisition shall be deemed to be FMV. Similar valuation methodology has been prescribed for archaeological collections, drawings, paintings, sculptures and other artistic works.

Valuation of shares and securities

- FMV of quoted shares and securities shall be the higher of cost of acquisition or the average of the lowest and highest quoted price on the valuation date. Where no trading occurs on the valuation date, the nearest immediately preceding date on which such shares or securities were traded on the established securities market shall be considered.
- FMV of unquoted equity shares shall be the higher of cost of acquisition or the value computed under the prescribed balance-sheet based formula. The formula takes into account the book value of specified assets, FMV of specified assets, prescribed liabilities, total paid-up equity share capital and the paid-up value of the relevant equity shares. Where such valuation is not carried out, indexed cost of acquisition shall be deemed to be FMV .
- FMV of unquoted shares and securities other than equity shares in a company shall be the higher of cost of acquisition or open market price on the valuation date for which the assessee may obtain a report from a valuer recognised by the Government of a country or specified territory outside India or any of its agencies, under any applicable regulation or law. If such market valuation is not carried out, indexed cost of acquisition shall be deemed to be FMV.

Valuation of immovable property, bank accounts and partnership interests

- FMV of immovable property shall be the higher of cost of acquisition or open market value on the valuation date which the assessee may obtain a valuation report from a valuer recognised by the Government of the country or specified territory where the property is located or any of its agencies, under any applicable regulation or law. Where such market valuation is not carried out, indexed cost of acquisition shall be deemed to be FMV.

16. FAST-DS Rules,2026 , Notification No. 114/2026/F.No. 370142/18/2026TPL

- Value of a foreign bank account shall be the aggregate of all deposits made from the date of opening of the account up to the valuation date. Deposits made out of withdrawals from the same account shall be ignored.
- Where such account was earlier declared under Chapter VI of the Black Money Act and the value computed for such account was charged to tax and penalty under that Chapter, only deposits made since the date of such declaration shall be considered.
- Interest in a partnership firm, Association of Persons (AOP) or Limited Liability Partnership (LLP) shall be valued based on allocation of net assets in the prescribed manner.

Valuation of other assets and anti-double counting mechanism

- Any other asset shall be valued at the higher of cost of acquisition / amount invested and the price that the asset would fetch if sold in the open market on the valuation date in an arm's-length transaction. Where such market valuation is not carried out, indexed cost of acquisition shall be deemed to be FMV.
- Where an asset (other than a bank account) was transferred before the valuation date, FMV shall be the higher of cost of acquisition and sale price. If transferred without or for inadequate consideration, FMV shall be the higher of cost of acquisition and FMV on the date of transfer.
- Where a new asset is acquired or made from sale proceeds of an old asset or withdrawal from a bank account, FMV of the old asset or bank account shall be reduced by the amount of the consideration invested in the new asset to prevent double counting.

Amount payable under the scheme

- In respect of declarations relating to undisclosed asset located outside India or undisclosed foreign income, tax is payable at 30% of the value of the undisclosed foreign asset located outside India or the amount of undisclosed foreign income, together with a penalty equal to 100% of such tax.
- In respect of the following declarations, a fee of INR 1 lakh is payable:
  a) asset located outside India acquired from income accruing or arising outside India, by an assessee, during the period in which such assessee was a non-resident, but such assets were not declared by him in the relevant Schedule in the return of income on becoming a resident; or
  b) asset located outside India acquired from income which has been offered to tax under the 1961 Act by the assessee, but such assets were not declared by him in the relevant Schedule in the return of income.

Cases where the scheme does not apply

- The scheme does not apply to income or assets that directly or indirectly represent proceeds of crime in respect of which proceedings have been initiated or are pending under the Prevention of Money-laundering Act, 2002, as well as to income or assets relating to assessment years for which assessments have already been completed under the Black Money Act.

(Please click here to view the Rules and click here to view the related FAQs)

CBDT press release on verification of suspicious foreign remittances

- The Income-tax Department has launched[17] a nationwide verification exercise concerning suspicious foreign remittances. The exercise follows the identification, based on ground intelligence and analysis of data on outward foreign remittances, of several suspicious entities that remitted large amounts of foreign exchange over the last three years.

17. CBDT Press Release date 18 August 2026

Key highlights are as follows:

- During a search operation conducted on a group of fictitious charitable trusts involved in providing accommodation entries against bogus donations or contributions, the Department uncovered a nationwide network of entities engaged in remitting funds abroad.
- Preliminary ground verification indicated that the remitting entities were either non-filers or were filing income-tax returns showing very small turnovers. The turnovers reported in their returns had no apparent correlation with the large amounts remitted abroad.
- The reported turnovers also did not appear to correspond with the stated purposes of the remittances, such as payment for freight, import of software or import of consulting services. Further, ground-level intelligence indicated that the entities were not actually operating from the addresses declared by them.
- Further analysis revealed that a large number of Form 15CB certificates had been issued by a relatively small group of professionals and that the remitted funds were also received by a clustered group of entities.
- The press release state that Form 15CB read with rule 37BB of the 1962 Rules (corresponding to Form 146 read with rule 220 of the Income-tax Rules, 2026) requires the certifying accountant to verify the taxability of the remittance with reference to the books of account and other relevant documents. The findings have raised concerns as to whether adequate due diligence was undertaken before issuing such certificates.
- On 18 August 2026, the Department launched a nationwide detailed verification exercise focusing on shell entities, the persons behind them and the professionals who issued Form 15CB certificates. The exercise covers approximately 394 entities, including 117 entities located in land-border States, and 36 professionals. Entities situated in districts along India's land borders and remitting significant amounts of money abroad have also been covered.
- The Department has emphasised that accountants issuing Form 15CB/Form 146 certificates are expected to exercise due care, diligence and professional judgment while examining the underlying transactions and relevant facts before certifying foreign remittances.
- Further investigations are underway.

Key takeaway

- The press release places specific emphasis on the professional responsibility of accountants issuing Form 15CB or Form 146 certificates. Engagement teams dealing with foreign remittances should ensure that the taxability analysis is adequately supported by the books of account, relevant documents, the stated purpose of the remittance and the underlying facts.

(Please click here to view the press release)

Judicial developments:

Supreme Court (SC) dismisses assessee's Special Leave Petition (SLP), upholds disallowance of bogus share trading losses

- The SC in the case of M/s. Jajodia Finance Limited v. PCIT [SLP(Civil) Diary No. 67794 of 2025] vide order dated 27 July 2026, has dismissed[18] the SLP filed by the Assessee. The SC declined to interfere with the Calcutta High Court (HC) judgment and dismissed the SLP after condoning the delay. The Calcutta HC set aside the Income Tax Appellate Tribunal (ITAT)'s order deleting the addition made by the Assessing Officer (AO) in respect of alleged bogus share trading losses claimed by the assessee for Assessment Year (AY) 2014-15.

Brief facts of the case

- The assessee was a Non-Banking Financial Company (NBFC) and is involved in trading and investment in shares, advancement of loans on interest etc. It filed the return of income declaring total income of 'NIL', claiming a share trading loss of about Indian Rupee (INR) 1.98 crore which was adjusted against interest income, with the resultant net income being set off against brought forward loss.
- AO raised suspicion about the losses claimed by the assessee. It was noted that information was received from Directorate of Income Tax (DIT)(Investigation), New Delhi that the assessee is an entry operator and involved in giving bogus entries for purchase and sale of investments, share application etc. on commission basis.
- The AO also relied on the statement made on oath of the director of the assessee company, on issuance of summons under section 131 of the 1961 Act. Therein he admitted that the assessee was engaged in providing accommodation entries for purchase and sale of investments, share applications, etc., in consideration of commission.
- Accordingly, AO after giving show-cause notice (to which the assessee did not respond) added back the loss as bogus share trading loss. On appeal against this Assessment order by the assessee, Commissioner of Income Tax (Appeals) (CIT(A)) confirmed the addition made by the AO in the absence of any participation by the assessee despite several opportunities, vide order dated 24 April 2023.
- On further appeal by the assessee before the ITAT, the additions made by the AO were deleted on the ground that the AO had made such additions solely on the basis of information received from DIT (Investigation), New Delhi without conducting any inquiry/investigation into the evidences filed by the assessee during the course of assessment proceedings. It was also noted that the statement made by the director of the assessee company had been retracted.

Before the HC

- On appeal by the Revenue, the Calcutta HC set aside the ITAT's order holding it as "perverse". The Hon'ble HC noted that the ITAT's finding that the assessee has filed evidences before the AO as called for during the course of assessment proceedings, was factually incorrect.
- The HC observed that the assessee's response was only to the statutory notices under sections 143(2) and 142(1), and that it did not reply to the subsequent show-cause notice.
- It was noted that the assessee, admittedly, could not substantiate with documents that the share trading loss was a genuine loss.
- It was noted that the ITAT had lost sight of the aspect that the assessee did not appear before the AO.
- With respect to the retraction of statement by the director, it was noted that, such retraction was done beyond the period of two years, that too after the assessment had been completed. Therefore, the ITAT ought to have taken note of the legal position and rejected such retraction as an afterthought.
- Further, it was noted that even if the ITAT wanted to examine the retraction then it should have gone into the facts and determined whether it was a valid retraction. This was not done by the ITAT.
- Accordingly, Revenue's appeal was allowed by the HC and the AO's order dated 16 December 2016, as affirmed by the CIT(A), was restored, with the substantial questions of law answered in favour of the Revenue.

Before the SC

- On appeal by the assessee before SC, the delay in filing the SLP was condoned. However, the SC declined to interfere with the judgment and order of the Calcutta HC and dismissed the SLP.

18. M/s. Jajodia Finance v. PCIT, SLP (Civil) Diary No. 67794 of 2025]

SC dismisses Revenue's appeal; upholds Section 44B taxation for Non-resident cruise operator's income

- The SC in the case of DIT (International Taxation) v. M/s Star Cruises (India) Pvt. Ltd. [CIVIL APPEAL NO(S). 3334-3336 OF 2012], vide judgment dated 30 July 2026, dismissed[19] the Revenue's appeals and declined to interfere with the decision of the Bombay HC, which had upheld the order of the ITAT.
- The SC held that the cruise operations carried on by the non-resident cruise operator through its Indian agent constituted the business of operating ships and were eligible for presumptive taxation under section 44B of the 1961 Act. The SC further held that the provision of hospitality and entertainment services during a cruise voyage does not alter the fundamental character of the activity as carriage of passengers. The relevant AYs were 2006-07, 2007-08 and 2008-09.

Brief facts of the case

- The assessee acted as the Indian agent of Superstar Libra Ltd. (SLL) a non-resident company that operated a cruise known as "Superstar Libra" in India. The assessee was responsible for conducting cruise operations and collecting revenue from the sale of cruise packages and shore excursions in India.
- The assessee filed applications seeking determination of withholding tax under section 195 of the 1961 Act in respect of remittances proposed to be made to SLL. The assessee contended that SLL's income was to be computed under section 44B of the Act and estimated such income at 7.5% of the cruise fare collected.
- The AO rejected the assessee's claim on the ground that section 44B applies to carriage of passengers or goods and that SLL's cruises originated from and terminated at Mumbai while also providing hospitality and entertainment services on board. Accordingly, the AO held that SLL's activity fell under entertainment and hospitality and did not include carriage of passengers or goods within the meaning of section 44B of the 1961 Act. The AO consequently estimated the deemed income at 25% of the cruise fare receipts for and on behalf of SLL instead of 7.5% as claimed by the assessee.
- On appeal, the CIT(A) allowed the appeal and set aside the AO's order. The CIT(A) held that the deemed income of SLL was to be estimated at 7.5% of the receipts from cruise fare.
- On further appeal by the Revenue, the ITAT upheld the CIT(A)'s order. It held that a round-trip voyage constitutes two separate acts of carriage, namely, from station A to station B and back to station A. It also noted that the assessee offered one way cruises and that passengers booking round trip cruises were entitled to disembark at intermediate ports without being compelled to return to Mumbai.
- The ITAT further noted that the booking slips established that the primary fees collected from passengers were for cabin and transport fares. Any entertainment provided on board, whether included in the fare or paid for separately, was incidental to the main business of operating ships.
- The ITAT also referred to **CBDT Circular Nos. 169 and 763,** and noted that carriage payments included handling charges and that section 44B of the Act was designed to simplify the computation of taxable profits of foreign shipping enterprises
- Accordingly, it directed that SLL's income be assessed at the presumptive rate of 7.5% of gross cruise fare receipts for the purpose of tax deduction under section 195 of the 1961 Act, instead of the rate of 25% estimated by the AO.

Before the SC

- The SC clarified that it was not defining the meaning of the word “carriage” but was examining its application to the facts of the case.
- The SC observed that the AO's interpretation of the term "carriage" was excessively restrictive. It held that the possibility of passengers disembarking at intermediate ports had not been adequately considered. It was further observed that the provision of ancillary services during a voyage does not take away from the character of carriage of passengers under section 44B.
- Accordingly, the SC held that section 44B applied to the estimated income of SLL and dismissed the Revenue's appeals.

19. DIT(International Taxation) v. M/s Star Cruises (India) P. Ltd.]

SC dismissed Revenue's appeal to uphold allowability of provision for discount created on accrual basis

- The SC in the case of Principal Commissioner of Income Tax (PCIT) v. M/s LTI Mindtree Ltd. [SLP (Civil) Diary No. 40271 of 2026] vide judgement dated 04 August 2026 has dismissed[20] Revenue's SLP and declined to interfere with the decision of the Karnataka HC, which upheld the order of the ITAT.
- The HC had held that provision for volume-based discounts made by the assessee on accrual basis was allowable under section 37 of the 1961 Act. The HC noted that such provision was completely discharged in the subsequent year. Accordingly, the deduction was allowable in accordance with the matching principle of accounting. The relevant AY was 2014-15.

Brief facts of the case

- The assessee LTI Mindtree Ltd is engaged in software development and consultancy services. It filed a return of income and claimed deduction of INR 29.00 crore as provision for discount in the AY 2014-15.
- The assessee granted volume-based discounts to customers upon achievement of specified sales targets. Since revenue from the underlying transactions was recognised during the relevant year while the discounts were often payable later (including in some cases after the end of the financial year), the assessee created a provision of INR 29 crore towards such discounts following the mercantile system of accounting and the matching principle.
- The AO disallowed the provision for discount, treating it as a contingent liability. The AO also noted that the Department had not accepted the favourable decisions in earlier years and had challenged them before the HC.
- On appeal, CIT(A), relying on the ITAT's order in the assessee's own case for AY 2004-05 on identical facts, directed deletion of the disallowance.
- On further appeal by Revenue, the ITAT upheld the CIT(A)'s order. It observed that the provision for discount was made on the basis of volume of the sale and after reaching a specified target. It had been discharged fully in the subsequent years showing the provision was computed on a scientific method. Accordingly, applying the matching principle of accounting, the ITAT held that the expenditure relating to discounts accrued during Financial Year (FY) has to be recognised in the said FY itself even if actual payment was deferred.
- ITAT further observed that the AO had himself allowed such provision for discount in subsequent assessment years and thus was an allowable deduction.
- On appeal by the Revenue, HC dismissed the Revenue's appeal. The HC noted that the Revenue had accepted similar provision for discount claims in earlier and subsequent years and the provision was admittedly discharged in full subsequently. Accordingly, the Revenue's challenge was contrary to its own stand and no substantial question of law arose for consideration.

Before the SC

- The Revenue filed a SLP before the SC against the Karnataka HC's judgment. The SC declined to interfere with the judgment and order of the Karnataka HC and dismissed the SLP. However, it must be noted that while dismissing the SLP, the SC clarified that the question of law, if any, was kept open.

20. PCIT v. M/s LTI Mindtree Ltd. [SLP (Civil) Diary No. 40271 of 2026

SC allows Revenue's appeal; holds that an omitted return claim cannot be raised through revision under section 264

- The SC in the case of Deputy Commissioner of Income Tax (DCIT), Centralized Processing Centre (CPC) & Ors. v. M/s Om Siddhakala Associates [Civil Appeal No. 10175 of 2026 arising out of SLP (C) No. 27302 of 2026], vide order dated 5 August 2026, allowed[21] the Revenue's appeal to that extent and set aside the judgment of the Bombay HC. The HC had remanded the matter for fresh consideration of the assessee's application filed under section 264 of the 1961 Act.
- The SC held that where the assessee had not claimed the tolerance limit in the return filed and had not revised the return within the time provided under the 1961 Act, there was "no question of revision under Section 264", since that would be "an attempt to revise the return under the garb of a revision". The SC further held that a revision application under section 264 cannot be used as a means to indirectly revise a return after the expiry of the statutory time limit.

Brief facts of the case

- The assessee, filed its return of income on a self-assessment basis. The return was processed by the CPC. An intimation under section 143(1) of the 1961 Act was issued. Subsequently, a demand notice under section 156 of the Act was issued based on the income and tax liability declared in the return.
- The assessee filed an application under section 264 of the 1961 Act before the PCIT seeking revision of the intimation. The assessee relied upon ITAT decisions in support of its contention on the tolerance limits under section 43CA of the 1961 Act.
- The PCIT rejected the revision application on grounds of unexplained delay. It was also noted the tolerance limit of 5% between the declared sales consideration and the stamp duty valuation was inserted by the Finance Act, 2018 with effect from 1 April 2019 and was subsequently enhanced to 10% by the Finance Act, 2020 with effect from 1 April 2021.
- Accordingly, the PCIT treated the amendments as prospective in nature. The PCIT also noted that the assessee was effectively attempting to revise its return through the revision proceedings after the time available for filing a revised return had expired.
- Aggrieved by the rejection of its section 264 application, the assessee filed a writ petition before the Bombay HC.
- The HC observed that the Revenue authorities had declined to follow decisions of the ITAT relied upon by the assessee merely because such decisions had not been accepted by the Department. Referring to the SC's decision in **Union of India v. Kamlakshi Finance Corporation Ltd. [1992 Supp(1) Supreme Court Cases 443],** the HC held that subordinate authorities are bound by decisions of appellate authorities and that principles of judicial discipline require such decisions to be followed unless stayed by a competent court.
- Accordingly, the HC quashed the order rejecting the section 264 application and remanded the matter to the concerned authority for de novo consideration after granting an opportunity of hearing to the assessee.

Before the SC

- The SC noted that the issue relating to the tolerance limit was not raised in the self-assessment and that the assessment was not revised within the time provided.
- The SC held that the HC erred in remanding the matter for reconsideration. It observed that the assessee could have revised the return within the time provided under the Act but failed to do so. Therefore, the assessee could not seek to revise the return indirectly through an application under section 264 of the 1961 Act. The SC remarked that this would amount to revising the return "under the garb of a revision".
- The SC further held that, upon setting aside the HC's remand order, any reassessment order passed pursuant to such remand would have "no effect, being a dependent order" and would not be applicable.
- Accordingly, the SC allowed the Revenue's appeal to that extent, set aside the HC's judgment. It was held that the assessee would be liable to pay tax as per the return originally filed, pursuant to which the intimation under section 143(1) and demand under section 156 of the 1961 Act had been issued.
- The SC expressly clarified that it had not examined the question of whether the tolerance limits under section 43CA are retrospective or prospective in operation.

21. CPC & Ors. v. M/s Om Siddhakala Associates [Civil Appeal No. 10175 of 2026 arising out of SLP (C) No. 27302 of 2026

B Key developments under transfer pricing law:

Judicial developments:

- **Distinguishes non-binding shareholder support from an enforceable guarantee; accepts LIBOR for foreign-currency lending[22]:**

  The assessee, engaged in operating owned and managed hotels, faced TP adjustments on interest charged on foreign-currency loans to AEs and alleged guarantee benefit from letters of comfort issued to banks for AE borrowings. On letters of comfort, the Tribunal examined whether the assessee had assumed a legally enforceable repayment obligation. Held that the letters merely assured affiliation/shareholder support and did not bind the assessee to discharge AE borrowings on default. Relying on United Breweries Holdings and TVS Logistics Services, it distinguished such comfort letters from guarantees and held that no international transaction or guarantee fee arose. Accordingly, revenue's grounds were dismissed.

- **ITAT permits separate benchmarking and Berry Ratio for high-seas distribution along with aggregation under TNMM confined to closely linked transactions[23]:**

  The assessee separately benchmarked import of telecom equipment/ software from its Korean AE under the Other Method using berry ratio and network design, installation, commissioning and maintenance services under TNMM using OP/OC. The TPO aggregated both transactions, selected the assessee as tested party and applied TNMM with service-sector comparables. The ITAT held that aggregation is justified only when transactions are closely linked and cannot be reliably evaluated separately. Since equipment distribution and support services had distinct functional profiles, separate benchmarking was accepted. For equipment imports, the Tribunal noted that procurement was against confirmed customer orders through high-seas sales; customers handled customs clearance and received goods directly, while the assessee held only temporary "flash title" and maintained no inventory/ warehouse. Thus, goods cost was a non-value-added pass-through cost, and operating expenses reflected the actual distribution functions and risks. Relying on Sumitomo, Mitsubishi and Samsung SDI, Berry Ratio was upheld. The ITAT also held that a prior-year methodology did not bar adoption of a more appropriate approach for the relevant year

- **Denies automatic carry-forward of MAP attribution where survey reveals wider DAPE functions[24]:**

  The UK-resident assessee challenged enhanced profit attribution to its Indian dependent agent permanent establishment (DAPE) for prior AY's. Earlier MAP resolution covering AYs 2004-05 to 2014-15 attributed 8.75% of Indian advertisement revenue, which the assessee continued for later years. The AO increased attribution to 15% based on survey findings showing wider Indian DAPE functions, including advertiser solicitation, obtaining orders, documentation support, collections follow-up, business development, campaign planning and market research. The ITAT held that MAP binds only covered years and may extend later only if facts remain unchanged. Since the assessee did not refute the additional functions or show that they were considered in the earlier TP analysis, the basis of 8.75% no longer applied. However, finding the AO's 15% estimate excessive, the ITAT restricted attribution to 12%. Applying Morgan Stanley, it held that no further attribution would be required where the PE is already remunerated at an arm's length basis subject to all functions and risks being appropriately captured.

22. Konica Minolta Healthcare India Private Limited [ITA No. 4183/Mum/2024]
23. Samsung India Electronics Ltd [ITA Nos. 1955 /DEL/2021]
24. BBC Global News Limited [ITITA 52 To 56/DEL/2025]

- **Excludes acquisition-created goodwill amortisation from operating costs; prioritises economic function over accounting classification[25]:**

  The assessee, providing IT-enabled and business support services, acquired a business through slump sale and recognised goodwill as part of the acquisition premium. For TNMM, it treated goodwill amortisation as non-operating; though the TPO initially accepted this in the show-cause notice, the final order included it in operating costs without further opportunity, which the DRP upheld. The assessee argued that such goodwill was an extraordinary acquisition-related accounting item, no expenditure incurred for AE service delivery and had already been added back in its taxable income computation. The ITAT distinguished acquisition-created goodwill from operational intangibles used to earn income, holding that equating both would ignore the asset's source and function. Relying on Hitachi Solutions, it held that goodwill amortisation from business acquisition/reorganisation is abnormal, non-recurring and not comparable with ordinary operating costs of independent comparables. Including it would depress margins due to an acquisition event, not operating inefficiently. The ITAT therefore directed exclusion of goodwill amortisation from operating costs and allowed the assessee's appeal.

- **Holds gross-margin benchmarking unreliable where distributor makes imported medical equipment operational through integrated technical functions[26]:**

  The assessee benchmarked purchases of medical equipment, films and consumables from AE under TNMM. The TPO replaced TNMM with RPM, treating the business as a routine resale activity. The ITAT, however, found that the assessee performed significant value-added functions, including configuration, installation, commissioning, licence activation, compliance, training, warranty, repairs and technical support. Holding that method selection must be driven by FAR analysis and not the quantum of service revenue, the ITAT observed that these activities materially influenced margins, rendering RPM unreliable. Relying on L'Oréal India, Burberry India and Sony Ericsson, and noting TNMM's acceptance for 11 preceding years and the absence of defects in its application, the ITAT upheld TNMM and deleted the RPM-based adjustment.

25. Janes Defense India LLP [ITA No.5387/DEL/2024]
26. Konica Minolta Healthcare India Private Limited [ITA No. 4183/Mum/2024]

C Key developments under FEMA

Legislative developments:

- ### Reserve Bank of India (RBI) proposes a revamped foreign investment framework

Background

The Ministry of Finance has released the draft Foreign Exchange Management (Foreign Investment) Rules, 2026 ('Draft Rules'), which propose to replace the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 ('NDI Rules, 2019'). The proposal follows the announcement in the Union Budget 2026-27 to comprehensively review the existing framework and make it more contemporary and investor-friendly.

The draft rules were open for public consultation until 31 August 2026 and may change before the final rules are notified. They will take effect only after publication in the Official Gazette. Until then, the existing NDI Rules, 2019, will continue to apply.

Key takeaways

1. Shift from 'non-debt instruments' to 'equity'

The proposed framework moves towards an equity-based approach. The meaning of 'equity' has been broadened to include:

- Instruments classified as equity, other than investment vehicles, as per applicable accounting standards;
- Units of investment vehicles as per the respective Securities and Exchange Board of India (SEBI) regulations;
- Participating interest/right in oil fields or mines of an Indian company or LLP.

In addition, the Draft Rules focus exclusively on foreign investment in equity and its transfer. The provisions pertaining to immovable property are currently not a part of the Draft Rules.

2. FOCC framework replaced by FCE

The existing Foreign-Owned or Controlled Company (FOCC) concept is proposed to be replaced by the Foreign-Controlled Entity (FCE) framework. An FCE will include an Indian company, LLP, or investment vehicle 'owned or controlled' by a person resident outside India. The ownership and control of an FCE will be determined in accordance with the requirements prescribed by the relevant sectoral regulator. In the absence of such stipulations, the applicable Indian law governing the entity will apply.

3. Specific threshold mentioned in the definition of 'control'

Presently, the NDI Rules, 2019, define 'control' to mean the right to appoint a majority of directors or to control management or policy decisions through shareholding, management rights, shareholders' agreements or voting agreements.

The Draft Rules introduce a quantitative threshold within the definition of 'control' for determining foreign equity investment. Under the Draft Rules, control would also include situations where shareholders' agreements or voting arrangements provide **10% or more** voting rights.

4. Gifts between natural persons permitted

The NDI Rules, 2019, permitted gifts from residents to persons resident outside India up to USD 50,000, subject to the RBI's approval and several conditions.

The Draft Rules permit the gift of equity between natural persons. Where a gift is made on a repatriation basis, by a person holding the shares on a non-repatriation basis, the following conditions apply:

- The recipient must be a close relative, as defined under the Companies Act, 2013; and
- The value of the gift made during a financial year must not exceed the Liberalised Remittance Scheme (LRS) limit of USD 250,000.

5. Broader range of eligible investee entities

The proposed framework covers Indian companies, specified bodies corporate, LLPs, SEBI-registered investment vehicles, registered partnership firms and proprietary concerns registered under applicable domestic laws. Societies and trusts are excluded.

22. Konica Minolta Healthcare India Private Limited [ITA No. 4183/Mum/2024]
23. Samsung India Electronics Ltd [ITA Nos. 1955 /DEL/2021]
24. BBC Global News Limited [ITITA 52 To 56/DEL/2025]

6. **Uniform threshold for Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI)**

   Foreign investment of 10% or more in the equity of a company or LLP will be treated as FDI, while investment of less than 10% will be treated as FPI. This does not distinguish between listed and unlisted companies or LLPs.

7. **Portfolio investment crossing the 10% threshold**

   Where the FPI is made on a recognised stock exchange and exceeds 10% of a company's equity, it will be reclassified as FDI and all applicable conditions must be complied with.

8. **Powers of the Reserve Bank of India widened**

   The draft expressly separates the roles of regulators:

   - The RBI will administer operational aspects, including reporting, payment mechanisms and implementation requirements; and
   - The DPIIT will retain authority on the interpretation of the FDI policy.

   The mode of payment, reporting requirements and other operational conditions will be prescribed separately by the RBI. The foreign investment policy, including entry routes, sectoral caps, sector-specific conditions and prohibited sectors, will be incorporated into the final rules.

9. **Direct listing on international stock exchanges provisions consolidated**

   The Draft Rules pave the way for direct listing by eligible Indian public companies on international stock exchanges and a requisite framework has been put in place.

D Key developments under GST law

Judicial developments

- **SC affirms omission of Rule 96(10) applies to all pending refund proceedings in absence of saving clause[27]:** The SC has held that the omission of Rule 96(10) of the CGST Rules with effect from 8 October 2024 would apply to all refund proceedings pending on the date of omission, as the rule was deleted without any saving or sunset clause preserving its operation. The court observed that an omitted rule cannot continue to govern pending matters unless the statute expressly preserves such proceedings by any saving clause. Rejecting the Revenue's reliance on the GST Council's recommendation that the omission be prospective, the court reiterated that GST Council recommendations are advisory and cannot substitute a statutory saving provision. Accordingly, refund claims pending as on the date of omission are required to be adjudicated without applying the erstwhile restriction contained in Rule 96(10).

  (Please click here to refer the alert)

- **SC dismisses Revenue's review petition; supplier's ITC entitlement on telecom towers upheld[28]:** The SC has dismissed the Revenue's review petition challenging the eligibility of ITC on telecom towers and observed that there was 'no error apparent on the face of the record' warranting reconsideration of its earlier decision. By declining to interfere, the court has effectively preserved the Delhi HC's view that telecom towers qualify as movable property and that telecom companies are entitled to avail ITC thereon.

  (Please click here to refer the order copy)

- **SC to examine validity of GST portal-based service of notices and orders[29]:** The SC has issued notice in a matter concerning whether mere uploading of notices and orders on the GST portal constitutes valid service under the GST law. The taxpayer contended that communications appearing under different portal tabs do not necessarily amount to effective service. The court took note of the significance of the issue, particularly in cases involving ex parte assessments and recovery proceedings where taxpayers claim lack of knowledge of proceedings. Without expressing any final view on the merits, the court found the matter fit for detailed consideration. Accordingly, notice was issued to the respondents.

  (Please click here to refer the order copy)

- **SC holds that mere allegations of fraud cannot justify invocation of Section 74[30]:** The SC has held that the extended limitation period under Section 74 of the CGST Act cannot be invoked merely through mechanical use of expressions such as fraud, wilful misstatement or suppression without disclosing the specific factual basis for such allegations in the show cause notice itself. The court observed that the prerequisites for invoking Section 74 must emanate from the notice and cannot subsequently be supplemented through counter affidavits or pleadings before the court. Emphasising the need for specificity and procedural fairness in tax proceedings, the court quashed the impugned notice.

  (Please click here to refer the order copy)

27. M/s Goodluck India Limited (SLP (C) No. 24550 of 2025, Order dated 6 August 2026)]
28. Bharti Airtel Limited (RP Diary No. 10915/2026, Order dated 19 August 2026.
29. GVK Jaipur Expressway Pvt. Ltd.,(SLP (C) No. 25965/2026, Order dated 10 August 2026)
30. G.R. Infra Projects Limited Ratlam (CA No. 11277/2026, Order dated 19 August 2026)

- **No GST on corporate guarantees before 26 October 2023; deemed 1% valuation cannot override actual consideration – Gujarat HC[31]:** The Gujarat HC has upheld the levy of GST on corporate guarantees furnished by holding companies to subsidiaries, holding that such guarantees constitute supplies between related persons even in the absence of consideration. However, the court held that Rule 28(2), introduced from 26 October 2023, operates prospectively and cannot be applied to periods prior to its introduction. The court further read down the phrase "whichever is higher" in Rule 28(2), observing that a deemed valuation of 1% of the guaranteed amount cannot mandatorily override an ascertainable lower actual consideration. The court also held that disputes involving bona fide interpretational issues cannot justify invocation of Section 74 in the absence of fraud or suppression. Accordingly, the writ petitions were partly allowed and consequential relief was granted to taxpayers.

(Please click here to refer the tax alert)

- **Section 128A benefit available for self-assessed tax demands in absence of statutory exclusion – Madras HC[32]:** The Madras HC has clarified that the waiver of interest and penalty under Section 128A of the CGST Act cannot be denied merely because the underlying demand pertains to self-assessed tax recoverable under Section 75(12). The court observed that Section 128A, being a beneficial amnesty provision intended to resolve legacy GST disputes, does not expressly or impliedly exclude self-assessed tax liabilities where proceedings have been initiated under Section 73. Rejecting the Revenue's reliance on Circular No. 238/32/2024-GST, the court held that administrative circulars cannot curtail or restrict the scope of a statutory benefit. The court further noted that waiver orders granted under the scheme can be declared void only in circumstances specifically contemplated under Rule 164 of the CGST Rules. While affirming that compliance with the timelines prescribed under Rule 164 is mandatory, the court set aside rejection orders founded solely on the ground that the demands related to self-assessed tax. Accordingly, the writ petitions were partly allowed.

(Please click here to refer the order copy)

31. Torrent Power Ltd. (R/SCA No. 12175 of 2024, Order dated 14 August 2026)
32. Incompressible Fluid Control System & Ors. (W.P.No.21378 of 2026, order dated 28 July 2026)

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

Legislative developments

Government of Maharashtra notifies operational guidelines for implementation of the Maharashtra Global Capability Centre (GCC) Policy, 2025[33]: The Government of Maharashtra has issued Operational Guidelines for implementation of the Maharashtra GCC Policy, 2025, prescribing the eligibility criteria, approval process, institutional framework and procedures for grant of incentives to GCC units in the State. The guidelines outline the process for issuance of Letters of Intent (LOIs), Registration Certificates (RCs) and Incentive Eligibility Letters (IELs) and designate the authorities responsible for approval, sanction and disbursement of incentives. The guidelines define key concepts such as eligible GCC units, new and expansion GCC units, eligible investments and employment thresholds and operationalise the incentives available under the Policy.

(Please click here to view the guidelines)

Government of Punjab extends due date for filing applications under the Punjab One-Time Settlement (OTS) Scheme, 2025[34]: In view of the encouraging response to the Punjab OTS Scheme for Recovery of Outstanding Dues, 2025, the Government of Punjab has extended the last date for filing applications under the scheme to 30 September 2026 (earlier 31 July 2026). The scheme provides an opportunity to settle outstanding dues pertaining to legacy tax enactments by offering relief from interest, penalty and specified portions of principal tax dues, subject to fulfilment of prescribed conditions. The extension provides a final opportunity to eligible taxpayers to settle their pre-GST tax disputes and avail the prescribed reliefs.

(Please click here to view the press release, and here to read the tax alert on scheme)

India and SACU sign Terms of Reference for negotiations towards a Preferential Trade Agreement[35]: On 12 August 2026, India and the Southern African Customs Union (SACU) signed the Terms of Reference (ToR) for negotiations towards a Preferential Trade Agreement (PTA), marking India's first ToR signing with the African region. The ToR establishes the framework for formal negotiations covering 8 key areas including trade in goods and market access, rules of origin, customs procedures and trade facilitation, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, dispute settlement and legal and horizontal provisions. The proposed PTA seeks to strengthen trade and economic engagement through preferential market access, particularly in sectors such as engineering goods and machinery, pharmaceuticals, textiles, agriculture and agri-processing, while also creating opportunities for India to support the SACU region through the supply of affordable medicines, development of IT talent and integration of local businesses into global supply chains. The Government has emphasised that the negotiations should result in a balanced, equitable and development-oriented agreement that takes into account the developmental priorities of all participating countries.

(Please click here to view the press release)

33. Guidelines dated 19 August 2026
34. Press Release dated 31 July 2026
35. Press Release dated 12 August 2026

Judicial developments

- **US states challenge Section 301 tariffs imposed on imports from 60 economies before the US Court of International Trade[36]:** The Office of the US Trade Representative (USTR) imposed additional tariffs ranging from 10% to 12.5% on imports from 60 economies, accounting for approximately 99.4% of total US imports, under Section 301 of the Trade Act of 1974, effective 24 July 2026. On 3 August 2026, the States of Oregon, Arizona, California and various other US states challenged the tariff action through a complaint before the US Court of International Trade (CIT). The plaintiffs have requested constitution of a three-judge court basis that the matter has significant implications for the administration and interpretation of US customs laws. The plaintiffs have alleged that the measure represents the administration's third attempt to continue its global tariff policy following earlier judicial rulings against tariffs imposed under the International Emergency Economic Powers Act (IEEPA) and Section 122 of the Trade Act of 1974. They further contend that the USTR failed to undertake the consultations with economies required under Section 301, conducted an expedited investigation covering 60 economies within an unusually short period and imposed broad-based tariffs that were not appropriately tailored to address the identified forced-labour-related concerns. Accordingly, the plaintiffs have challenged the tariff action as arbitrary, capricious and beyond the authority conferred under Section 301 and have sought to set aside and vacate the tariff action, stay its operation pending judicial review, restrain its enforcement and obtain refunds of tariffs paid under the challenged action.

(Please click here to view the order copy)

- **Skoda Auto Volkswagen India classification dispute to be heard afresh by Bombay High Court after release from reserved judgment[37]:** The Bombay High Court has released the writ petition filed by Skoda Auto Volkswagen India Pvt. Ltd. concerning the classification of imported car kits as Completely Knocked Down (CKD) units or individual parts and components and the consequent rate of customs duty. The matter had been reserved for judgment on 28 April 2025; however, the court observed that, in light of the Supreme Court's ruling in *Pila Pahan alias Peela Pahan & Ors. v. State of Jharkhand & Anr.*,[38] reserved judgments should ordinarily be pronounced within three months and noted that it had been unable to adhere to the prescribed timeline. Accordingly, the matter has been released and directed to be placed before the regular Bench hearing indirect tax Writ Petitions. The court has further directed maintenance of status quo for four weeks from 25 August 2026 to enable the petitioner to move the matter before the regular Bench. Consequently, the substantive issues in the dispute remain undecided and the matter will now be heard afresh.

36. State of Oregon & Ors [Complaint before US CIT dated 3 August 2026]
37. Skoda Auto Volkswagen India Pvt Ltd [Writ Petition No. 2051 of 2025, order dated 25 August 2026]
38. Pila Pahan alias Peela Pahan & Ors [Writ Petition (Crl.) No. 169 of 2025, order dated 29 May 2026]

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