

Monthly Tax Bulletin

October 2026





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Grant Thornton Bharat is pleased to present the October 2026 edition of the Monthly Tax Bulletin, as India's economic ambitions call for a tax system that evolves with the scale, sophistication and interconnectedness of business. Tax jurisprudence is central to this journey as it must uphold legislative intent and revenue interests while safeguarding certainty, fairness and the commercial realities that underpin investment and growth.

The 57th Goods and Services Tax (GST) Council meeting marks an important step in this direction. Its recommendations on input tax credit (ITC), refunds, compliance, dispute resolution and enforcement signal a shift towards a more balanced GST architecture, one that seeks to reduce friction, release working capital and address persistent sources of litigation.

Across direct tax and transfer pricing, recent jurisprudence reinforces a fundamental principle. Tax outcomes must rest on statutory certainty, procedural discipline and sound economic analysis, while balancing fairness, commercial substance and investor confidence. International tax reporting, foreign exchange regulation and trade measures show that domestic tax choices increasingly operate within a connected global economy. In indirect taxes, scrutiny of transaction characterisation and technology-assisted adjudication shows that administrative modernisation must advance alongside fairness, sound reasoning and institutional accountability.

Taken together, these developments underscore that the next phase of tax reform must go beyond legislative changes to ensure coherence between policy, judicial interpretation and administrative practice. As India pursues its economic ambitions, the true measure of progress will lie in building a tax ecosystem where certainty, fairness and efficiency reinforce one another, transforming sound tax governance into a catalyst for investment, competitiveness and sustainable growth.

We trust this edition offers valuable insights into these evolving developments and their implications for businesses.

Happy reading!

A

Key developments under direct tax laws

International development

OECD has published an updated GIR, incorporating clarifications based on stakeholder feedback¹

In July 2023, the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework released a standardised Global Anti-Base Erosion Information Return (GIR) template for all implementing jurisdictions. Subsequently, on 15 January 2025, the said GIR was updated by the OECD to incorporate clarifications and simplifications in response to stakeholder feedback.

On 11 September 2026, the OECD published an updated version of the GIR to incorporate:

- Side-by-Side (SbS) package released on 5 January 2026, and
- New notes in the Explanatory Guidance (not relating to the SbS package), which further clarify the completion of some existing data points of the earlier GIR.

The updated GIR will apply only to the GIRs filed for fiscal years beginning on or after 31 December 2025. The OECD has stated that it will release a new version of the XML Schema soon.

Further, in relation to the centralised filing of GIR, the OECD has clarified the following:

- Each constituent entity need not file a GIR separately, provided the ultimate parent entity or designated filing entity files the said GIR in its jurisdiction, and there is a Qualifying Competent Authority Agreement that enables the exchange of the Global Anti-Base Erosion (GloBE) information.
- Centralised filing will be supported through the Qualifying (bilateral or multilateral) Competent Authority Agreements and IT solutions to support the exchange of information.
- A Multilateral Competent Authority Agreement and a dedicated XML Schema have been developed, and the Inclusive Framework will issue guidance on appointing a designated filing entity.

(Please [click here](#) to read in detail)

Judicial pronouncements

- **SC dismisses Revenue's appeal; holds that AO cannot reopen assessment concluded by the ITSC²:** The Supreme Court (SC) held that an assessment year (AY) covered by a final settlement order of the Income Tax Settlement Commission (ITSC) cannot subsequently be reopened through reassessment proceedings under Sections 147/148. The issue before the court was whether the assessing officer (AO) could reassess the deduction claimed under Section 80-IB(10) despite the assessee's case having been settled by the ITSC. The court observed that Chapter XIX-A provides a one-time mechanism for comprehensive settlement of tax disputes, that the ITSC assumes exclusive jurisdiction over the entire case once an application is admitted under Section 245D(1), and that the matters covered by a settlement order attain finality under Section 245I. It further held that the Section 80-IB(10) deduction formed a part of the settled case since it was reflected in the computation approved by the ITSC, and the Revenue could not reopen the assessment after its challenge under Section 245D(6), alleging misrepresentation had already been rejected. The Revenue may invoke Section 245D(6) where it alleges fraud or misrepresentation, and limited judicial review by constitutional courts remains available. Accordingly, the court upheld the quashing of the reassessment proceedings and reaffirmed that the finality of settlement orders cannot be defeated through reassessment.

(Please [click here](#) to refer to the order copy)



1. OECD (2026), Tax Challenges Arising from the Digitalisation of the Economy – GloBE Information Return (September 2026)

2. Assistant Commissioner of Income Tax & Another v. M/s. Omaxe Limited [Civil Appeal No. 9190 of 2013]

- **SC dismisses taxpayer's appeals; holds that CBDT circulars cannot override statute and upholds revision u/s 263³** The SC upheld the Delhi High Court (HC)'s view that the premium received on the sale of export quotas could not be treated as export incentive income eligible for deduction under Section 80HHC merely on the basis of the Central Board of Direct Taxes (CBDT) Office Memorandum (OM) dated 23 February 1998. The issue before the court was whether the export quota premium could be equated with the export incentives covered under Sections 28(iia) to 28(iie) and thereby qualify for favourable treatment under Section 80HHC. The court observed that the export quota premium arose from the transfer of a quota entitlement rather than the exports generating foreign exchange, that the statutory characteristics of the incomes specifically covered under Sections 28(iia) to 28(iie) were absent and that administrative circulars cannot create legal rights beyond the framework of the Act. It further held that the CBDT OM impermissibly sought to place export quota premium on par with specified export incentives despite the absence of any statutory basis for such treatment. Accordingly, the court dismissed the taxpayer's appeal in Samtex Fashions on the Section 80HHC claim concerning export quota sale proceeds. In the Orient Crafts case, the arguments before the court were confined to revisionary jurisdiction under Section 263, and the court declined to interfere with the finding that the Commissioner had rightly exercised that jurisdiction.

(Please [click here](#) to refer to the order copy)

- **Mumbai ITAT: Buy-back of shares followed by mandatory extinguishment does not result in receipt of "property" under Section 56(2)(x)⁴:** The Mumbai ITAT (Income Tax Appellate Tribunal) held that a company's buy-back of its own shares, followed by mandatory extinguishment, does not result in the receipt of "property" under Section 56(2)(x), and accordingly deleted the addition made on the difference between the fair market value and buy-back price of the shares. The Tribunal observed that the shareholding structure and buy-back were driven by regulatory requirements and had been found by

the General Anti Avoidance Rules' (GAAR's) Approving Panel to be non-tax motivated. It recognised that Section 56(2)(x) could, in principle, operate independently of the GAAR, but held that its fundamental conditions still had to be satisfied. Shares bought back under the Companies Act must be compulsorily extinguished and cannot be retained as company assets.

- It further held that a company's own shares do not constitute property in its hands and that a buy-back results only in a reduction of share capital rather than the acquisition of an asset. Accordingly, the Tribunal deleted the addition, holding that the foundational requirement of the receipt of property under Section 56(2)(x) was absent and Rule 11UA could not be invoked to create a tax charge independently.

(Please [click here](#) to refer to the order copy)

- **Mumbai ITAT: Section 270A penalty on account of 'misreporting' cannot be imposed in case of disclosure of omitted income during assessment proceedings by the taxpayer⁵:** The Mumbai ITAT held that the omission of income, subsequently disclosed and offered to tax during assessment proceedings, did not justify the levy of a penalty for misreporting under Section 270A. The Tribunal observed that the taxpayer had voluntarily disclosed all cash deposits through a revised computation, paid the resulting tax liability, and that the AO accepted the disclosure during assessment. It further noted that neither the assessment order nor the penalty order identified the specific limb of Section 270A(9) allegedly attracted or explained how the case involved misreporting. Relying on the Prem Brothers Infrastructure LLP and Rajesh C. Dalal-HUF cases, the Tribunal held that the Revenue had failed to establish a case of misreporting under Section 270A(9) and that the penalty levied at the higher rate of 200% was not sustainable.

(Please [click here](#) to refer to the order copy)

3. M/S Samtex Fashions Ltd. v. Commissioner of Income Tax, New Delhi (Civil Appeal Nos. 11063 and 12449 of 2017) and Orient Crafts Ltd. v. Commissioner of Income Tax, New Delhi (Civil Appeal Nos. 137-138, 139-140, 141-142 and 143-144 of 2013)

4. Sanjana Cryogenic Storages Ltd. (TS-1371-ITAT-2026(Mum))

5. Manoj Kumar Divakaran v. DCIT (ITA No. 1297/MUM/2026)

Judicial developments

- Receivables adjustment requires invoice-level analysis; transfer pricing provisions cannot create taxable income absent treaty chargeability⁶:** The assessee, a US tax resident, challenged the TP adjustments relating to the alleged interest on outstanding receivables and lease rentals received from a foreign AE. The ITAT deleted the TP adjustment for interest on receivables, observing that the TPO failed to identify outstanding invoices, the delay period, the contractual credit period, or comparable third-party credit practices before imputing notional interest. The Tribunal observed that a TP adjustment on account of delayed receivables cannot be sustained without a proper invoice-level examination and cannot be based on assumptions regarding non-recovery. The ITAT further held that once the amount characterised as interest had not been paid, credited, or otherwise made available to the non-resident taxpayer, it could not be taxed under Article 11 of the India-US DTAA.
- Ad hoc FAR-based revenue allocation cannot replace arm's length benchmarking without objective economic support⁷:** The assessee benchmarked licence fees paid for television syndication rights acquired from its AE by applying TNMM using companies engaged in software and technology distribution as comparables, citing the absence of reliable direct comparables in the television content distribution industry. The TPO rejected the benchmarking and instead adopted the Revenue Split Method under the other method, assigning weightages to functions, assets and risks, and allocating a larger portion of revenue to the assessee. The ITAT observed that the mere fact that the selected comparables operated in software or hardware distribution could not, by itself, justify rejecting TNMM where the underlying distribution functions required a broader comparability analysis. The Tribunal noted that the Revenue had failed to demonstrate any objective economic basis, comparable uncontrolled transaction or reliable market evidence supporting the weightages assigned under the revenue split analysis. The Tribunal held that the mere attribution of percentages to functions, assets and risks, without a demonstrable basis for measuring economic contributions, could not establish an arm's length price. Accordingly, it rejected the ad hoc revenue allocation approach, accepted TNMM as the most appropriate method, and directed the Revenue authorities to benchmark the transaction using the software distribution comparables already examined during transfer pricing proceedings.
- Karnataka HC reiterates statutory discipline in ALP determination and comparable selection⁸:** In a significant ruling on the jurisdictional limits of transfer pricing proceedings, the Karnataka High Court examined the issues relating to comparable selection, turnover and related-party transaction (RPT) filters, foreign exchange gains and losses, working capital adjustments, burden of proof and the $\pm 5\%$ tolerance range under Section 92C. The court emphasised that transfer pricing is a data-driven factual exercise governed by the statutory framework under Chapter X and Rule 10B. It held that the TPO cannot reject a taxpayer's comparables merely to substitute them with a standard departmental set without satisfying the conditions prescribed under Section 92C(3). The HC further upheld the rationale of the INR 200 crore turnover filter, observing that turnover, brand value, economies of scale and ownership of intangibles materially influence comparability. It held that a 15% RPT filter should ordinarily be preferred unless sufficient comparables are unavailable. On foreign exchange fluctuations, the court clarified that gains or losses may be treated as operating only where there is a direct nexus to the international transaction. The court also held that the $\pm 5\%$ tolerance range is not a standard deduction and that Section 92C(2A) operates retrospectively from AY 2002-03. The judgement serves as a detailed exposition of transfer pricing law and provides significant guidance on comparable selection, benchmarking methodology and the scope of appellate review in TP matters.

6. General Electric Company [ITA No.1340/Mum/2009 and 1341/Mum/2009]

7. Sony Pictures Films India Private Limited [ITA No. 554/Mum/2022]

8. SAP India Pvt Ltd [ITA No.10 OF 2011]

- **Re-characterisation of CCDs as equity cannot be undertaken outside the statutory GAAR framework⁹:** The ITAT deleted a transfer pricing adjustment arising from the Revenue's attempt to treat compulsorily convertible debentures (CCDs) as equity and determine the arm's length price of interest at nil. The assessee had issued unsecured CCDs to its AE and incurred interest expenditure thereon. The TPO considered the CCDs to be equity instruments on the basis that they were mandatorily convertible and did not provide for the repayment of principal. Upholding the assessee's challenge, the Tribunal observed that judicial precedents have consistently recognised that CCDs retain the character of debt until actual conversion into equity. It further noted that the re-characterisation of an instrument from debt to equity has been specifically contemplated under Chapter X-A of the Act and is subject to the procedural safeguards prescribed under Section 144BA, including reference to higher authorities and opportunity of hearing. Since the Revenue had not invoked the statutory framework governing such re-characterisation, the Tribunal held that the adjustment could not be sustained through a routine transfer pricing exercise. The ruling reinforces that transfer pricing provisions cannot be used to disregard the legal character of a financing instrument without resorting to the specific statutory mechanism authorising such re-characterisation.
- **TPO cannot determine PE existence under Section 92CA; transfer pricing reference must be transaction-specific¹⁰:** In a significant ruling on the jurisdictional limits of transfer pricing proceedings, the Mumbai ITAT held that the determination of the existence of a permanent establishment (PE) in India falls outside the scope of the TPO's powers under Section 92CA. The case involved a Singapore-incorporated entity whose assessment had earlier been remanded to the AO for fresh examination of the PE issue. During the remand proceedings, the AO referred the matter to the TPO, who concluded that the assessee had a PE in India and proposed adjustments, which were substantially upheld by the DRP. The Tribunal observed that Section 92CA authorises the TPO only to determine the arm's length price of identified international transactions and does not confer jurisdiction to examine taxability, treaty applicability, or PE existence. It further noted that the AO's reference failed to identify any specific international transaction for which an ALP determination was sought, and therefore, could not constitute a valid TP reference. The Tribunal also held that the AO could not transfer to the TPO an issue specifically remanded to him for adjudication. Since the AO had merely relied upon the TPO's conclusions without independently examining the issue, the assessment itself was held to be unsustainable. The ruling reiterates that transfer pricing proceedings cannot be expanded beyond the determination of the ALP and that statutory jurisdictional limits must be strictly observed.



9. Eranthus Developers Pvt Ltd [ITA 8997/MUM/2025]

10. Ingram Micro (India) Exports Pvt. Ltd [ITA 1746/MUM/2016]



Key developments under FEMA

Legislative developments

- Reserve Bank of India (RBI) issues amendments to Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026: The RBI, vide Notification No. FEMA 23(R)/(1)/2026-RB, dated 22 September 2026 (‘Notification’), published on 25 September 2026, has amended the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 (‘New Regulations’). The key amendments are summarised below:

1. Reduction in timelines for realisation and repatriation of export proceeds

Type of export	Existing timeline	Revised timeline
Goods (other than goods exported to a warehouse outside India)	15 months from the date of shipment	9 months from the date of shipment
Goods exported to a warehouse outside India	15 months from the date of sale of the goods from the warehouse	9 months from the date of sale of the goods from the warehouse
Goods and services invoiced or settled in INR	18 months from shipment/invoice/sale from the warehouse (as applicable)	12 months from shipment/invoice/sale from the warehouse (as applicable)

2. Continuation of caution list orders

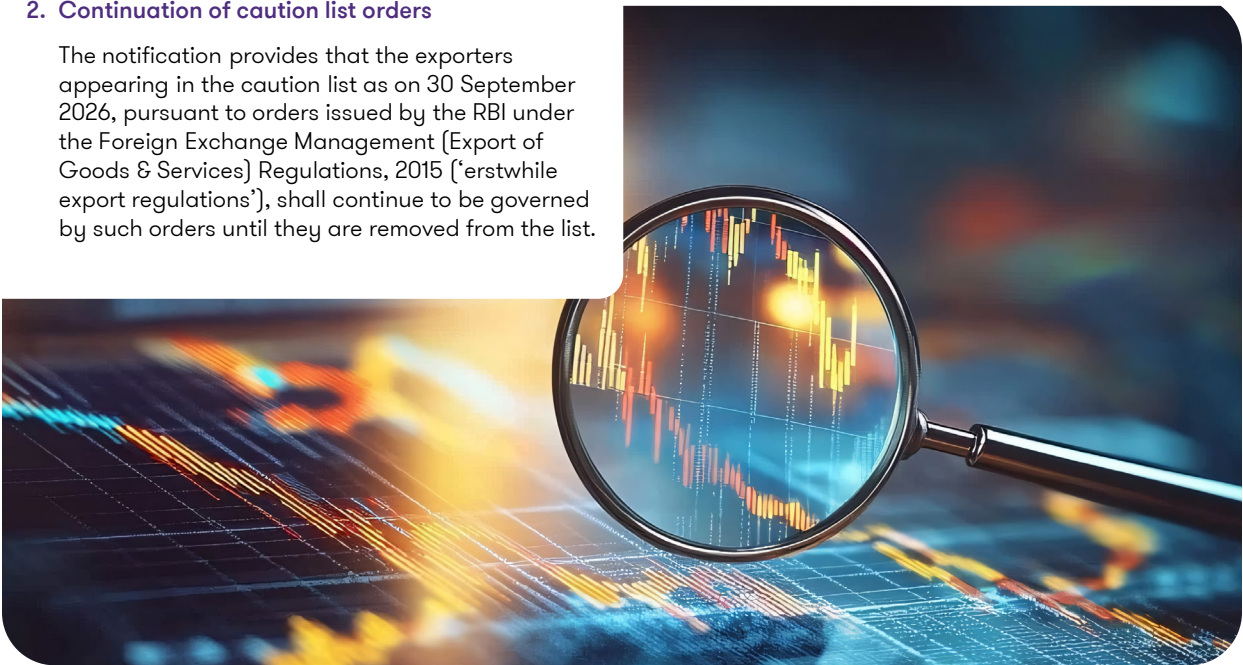
The notification provides that the exporters appearing in the caution list as on 30 September 2026, pursuant to orders issued by the RBI under the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015 (‘erstwhile export regulations’), shall continue to be governed by such orders until they are removed from the list.

3. Powers delegated to authorised dealers

Authorised dealers (ADs) have been empowered to handle export, import and merchanting trade transactions undertaken prior to 1 October 2026 that previously required the RBI’s approval under the erstwhile export and import regulations and the corresponding Master Directions.

The above amendments took effect on 1 October 2026.

- RBI withdraws obsolete FEMA circulars: The RBI, vide A.P. (DIR Series) Circular No. 21 dated 8 September 2026 (‘Circular’), has undertaken a review of the circulars issued under the Foreign Exchange Management Act, 1999 (‘FEMA’) since 1 June 2000. Pursuant to such a review, the RBI has withdrawn seven FEMA circulars that have ceased to be operative owing to subsequent regulatory amendments, redundancy, overlap or supersession by newer directives. The withdrawal exercise is part of the RBI’s ongoing initiative to rationalise and streamline the FEMA regulatory framework. The withdrawn circulars primarily relate to external commercial borrowings (ECB), borrowing and lending in rupees, and the Money Transfer Service Scheme (MTSS), and are listed in the annexure to the circular.



D

Key developments under GST law

57th GST Council meeting

- **57th GST Council recommends wide-ranging reforms to enhance ITC availability, simplify compliance and reduce litigation:** The GST Council, at its 57th meeting, has recommended a comprehensive package of reforms aimed at broadening ITC eligibility, streamlining refund mechanisms, rationalising demand and prosecution provisions, simplifying export-related requirements and reducing litigation. The proposed changes seek to align the GST framework more closely with business realities by easing credit restrictions, expanding refund benefits, providing relief in dispute resolution and introducing taxpayer-friendly compliance measures. Accordingly, the recommendations are expected to improve ease of doing business, strengthen liquidity for businesses and promote greater certainty under the GST regime.

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

Legislative developments

GSTN advisory

- **GSTN enables filing of appeals against nil or zero-demand orders:** The Goods and Services Tax Network (GSTN) has enabled taxpayers to file appeals against demand orders reflecting a nil or zero demand amount where the underlying liability remains disputed. The issue generally arose when taxpayers had discharged payments before the issuance of the demand order, resulting in the demand amount being reflected as nil and preventing the filing of an appeal due to system validations. Accordingly, the GSTN has removed the portal restriction and enabled the filing of appeals in such cases.

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

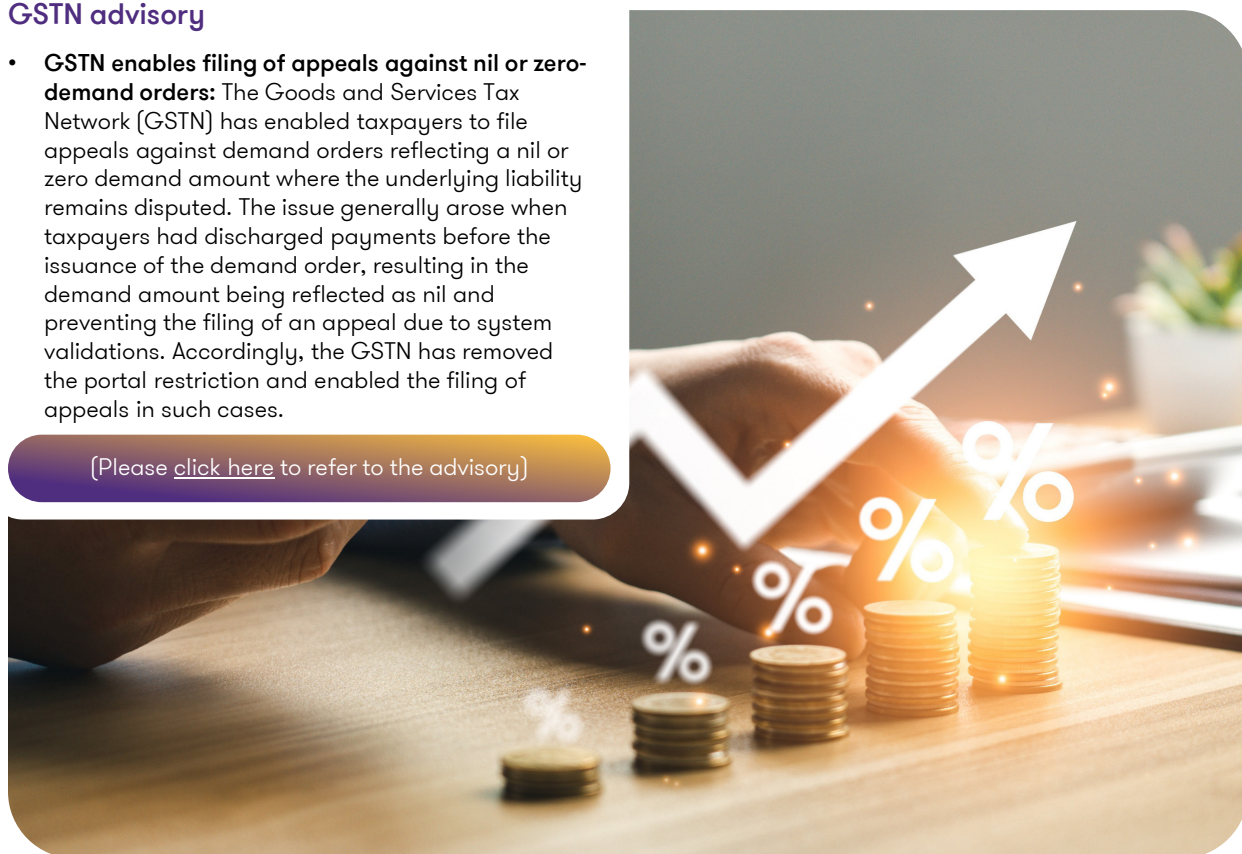
GSTAT SOP

- **GSTAT issues SOP for transfer appeals involving multiple GSTINs:** GSTAT has issued a standard operating procedure (SOP) prescribing the process for filing a single transfer appeal where multiple appeals involving an identical question of law are pending before different GSTAT Benches. The SOP is intended to facilitate the consolidation of eligible appeals and to enable an appropriate Bench to adjudicate common legal issues.

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

- **GSTAT issues SOP for filing replies to appeals:** GSTAT has issued a SOP prescribing the electronic process for respondents to file replies to appeals. The SOP aims to ensure uniformity and to provide a structured mechanism for submitting responses through the GSTAT portal.

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



Judicial developments

- **Madras HC sets aside denial of construction-related ITC on leased properties; matter remanded for fresh consideration¹¹:** The Madras HC has set aside assessment orders denying the ITC on construction-related inputs used for developing properties intended to be leased and held that the adjudicating authority failed to consider the ratio laid down by the SC in the Safari Retreats case. The court observed that construction undertaken for lease, sale, or licence cannot automatically be treated as construction on a taxpayer's own account under Section 17(5)(d) of the CGST Act and requires a factual examination in light of the SC's ruling. The HC further held that the recovery proceedings initiated without following the procedure prescribed under Rule 142B were unsustainable. Accordingly, the assessment orders were set aside, and the matters were remanded for fresh adjudication.

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

- **Delhi HC upholds validity of common adjudication mechanism under GST¹²:** The Delhi HC has upheld the validity of the CBIC circulars prescribing the 'highest demand' criterion for identifying the common adjudicating authority in cases arising from a common DGGI investigation involving multiple notices. The court observed that the circulars do not confer jurisdiction; they merely provide an administrative mechanism for allocating cases among officers already vested with statutory jurisdiction. Holding that the criterion is objective and promotes uniform adjudication of common investigations, the court rejected the challenge to the circulars. Accordingly, the writ petition was dismissed with liberty to pursue the statutory appellate remedy.

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

- **Assignment of GIDC leasehold rights not liable to GST – Gujarat HC¹³:** The Gujarat HC has held that the assignment of leasehold rights in an industrial plot allotted by the GIDC amounts to a transfer of benefits arising from immovable property, and therefore, does not constitute a taxable supply under GST. The court further observed that Section 17(5)(d) was inapplicable since the taxpayer had merely acquired the leasehold rights and had not undertaken any construction activity. Since the underlying transaction itself was not liable to GST, proceedings alleging wrongful availment of ITC could not survive. Accordingly, the demand, interest and penalty proceedings were quashed, and a refund of recovered amounts was directed.

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

- **Penalty under Section 122(1A) can be imposed on any person, but only prospectively from 1 January 2021 – Delhi HC¹⁴:** The Delhi HC has held that Section 122(1A) is not restricted to taxable or registered persons and can apply to any person who has retained the benefit of a fraudulent transaction and caused such transaction to be undertaken. The court observed that the provision was intended to cover actual beneficiaries and masterminds behind fraudulent ITC transactions. However, as the provision is penal in nature, it operates prospectively from 1 January 2021. Accordingly, a penalty under Section 122(1A) can be imposed only for the transactions undertaken on or after that date.

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

- **FAA cannot condone delay beyond the statutory limit under Section 107 – GSTAT Hyderabad¹⁵:** The GSTAT Hyderabad has held that the First Appellate Authority cannot condone delay beyond the maximum period prescribed under Section 107(4) of the CGST Act. The Tribunal observed that constitutional courts may grant relief under writ jurisdiction, but such powers are unavailable to statutory appellate authorities. Accordingly, the departmental appeals were disposed of.

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

11. ESNP Property Builder and Developers Private Limited [W.P No. 21432/2026]

12. Katyani Exports (W.P.(C) 10607/2025)

13. M/s. Kor Chems [R/SCA No. 6623 of 2026]

14. Parag Garg & Ors [W.P.(C) 13883/2026 order dated 29 September 2026]

15. Mandalaneni Srinivasarao (2026 [9] TMI 1418 - GSTAT Hyderabad), order dated 18 September 2026]

E

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

Legislative developments:

- **CBIC clarifies adjudication of Section 28AAA proceedings where DGFT cancellation of scrips is pending¹⁶:** The instruction prescribes separate courses of action depending on the nature of the allegation or issue. In cases involving misdeclaration, such as misclassification or overvaluation, Customs is required to first investigate and adjudicate the matter and, where warranted, amend the shipping bill before referring the matter to the DGFT for consequential action. Where the dispute relates to policy interpretation, eligibility, or entitlement under the Foreign Trade Policy, the matter must be decided based on the DGFT's determination. The instruction further clarifies that the adjudication under Section 28AAA need not be kept pending where the DGFT is unable to cancel the instrument or scrip on technical or legal grounds, and such cases may be decided on merits in accordance with law. The clarification seeks to delineate the respective roles of Customs and the DGFT and provide greater certainty in the conduct of Section 28AAA proceedings.

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

- **CBIC simplifies enrolment requirements under the EMI scheme¹⁷:** The CBIC has rationalised the data and documentation requirements for enrolment under the Eligible Manufacturer Importer (EMI) scheme. The circular reduces the information required in the application form and limits the mandatory supporting documents to the Udyam Registration Certificate (where applicable), a certificate from a chartered accountant bearing a Unique Document

Identification Number (UDIN), and an authorisation letter for the authorised signatory. It also revises the prescribed chartered accountant certificate format to require a disclosure of reasons for any negative net worth or negative net current assets. The simplified enrolment requirements are applicable from 15 September 2026 and are intended to reduce the compliance burden on applicants while facilitating verification through backend IT systems.

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

- **CBIC launches National Assessment Centre (NAC) portal¹⁸:** The CBIC has introduced the National Assessment Centre (NAC) portal as part of the faceless assessment framework to serve as a central repository of assessment-related information for trade and Customs stakeholders. The portal provides access to the NAC's decisions, CAAR rulings, legal decisions, audit objections, advisories, alerts, circulars, public notices, and other information relating to classification, valuation, and assessment-related issues. The portal also includes a keyword-based search facility, zone-wise CCFC/PTFC information, and the ability for individual NACs to upload and manage information related to their allocated commodity groups. The initiative is intended to promote greater uniformity, transparency, and consistency in Customs assessments across jurisdictions.

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

16. Instruction No. 17/2026-Cus. dated 21 September 2026

17. Circular No. 39/2026-Customs dated 3 September 2026

18. Circular No. 41/2026-Customs dated 3 September 2026

- Haryana extends timeline under One Time Settlement Scheme, 2026:** The Government of Haryana has extended the deadline for availing benefits under the Haryana One Time Settlement Scheme for the Recovery of Outstanding Dues, 2026, to 30 November 2026. The scheme facilitates the settlement of quantified outstanding dues relating to periods up to 30 June 2017 under specified pre-GST state tax laws through slab-based waivers of outstanding tax dues, relief in respect of interest and penalty, declaration-linked benefits for specified statutory forms, and instalment-based payment options, subject to the prescribed conditions.
- US notifies zero-rate Section 232 tariff treatment for specified speciality pharmaceutical products from India:** Pursuant to Presidential Proclamation 11020, dated 2 April 2026, imposing Section 232 tariffs on certain pharmaceutical products and ingredients, the US Department of Commerce has, through a Federal Register notice dated 23 September 2026, identified the speciality pharmaceutical products and eligible jurisdictions qualifying for a 0% Section 232 tariff rate. India is among the jurisdictions eligible for such preferential treatment. Eligible products include orphan drugs, nuclear medicines, plasma-derived therapies, fertility treatments, cell and gene therapies, antibody-drug conjugates, CBRN medical countermeasures, certain animal-health products, and qualifying associated pharmaceutical ingredients. Subsequently, the US Customs and Border Protection (CBP) issued CSMS #70054007, dated 28 September 2026, prescribing operational guidance for entry filing under the relevant provisions of the Harmonised Tariff Schedule of the United States (HTSUS). The guidance also expands the definition of generic pharmaceuticals to include certain unpatented animal-health products and introduces HTSUS Heading 9903.04.70, providing a 0% additional duty rate for pharmaceutical products and ingredients imported solely for clinical trials, research and development, and other non-commercial purposes.

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

(Please [click here](#) to refer to the guidance and [click here](#) to read the alert in detail)



Judicial developments

- **Supreme Court sets aside customs penalty order over reliance on AI-generated precedents¹⁹:** The Supreme Court (SC) has set aside a customs penalty of INR 425.28 crore imposed under Section 114 of the Customs Act after finding that the adjudicating authority had relied on non-existent and AI-generated legal precedents in the order-in-original. The penalty had been imposed in connection with the alleged misdeclaration of natural diamonds as lab-grown diamonds in export consignments from a Surat SEZ unit. The SC reiterated that while artificial intelligence may be used as an assistive tool, it cannot replace adjudicatory functions, and reliance on unverified AI-generated material undermines the integrity of judicial and quasi-judicial decision-making. Accordingly, the apex court set aside the Gujarat High Court's order and remanded the matter for fresh adjudication by an officer of equivalent rank, leaving the merits of the Customs allegations and the appellant's liability under Section 114 open for consideration.

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

- **Bombay High Court clarifies applicability of domestic regulatory laws to duty-free shop transactions²⁰:** The Bombay High Court has held that goods imported into India for warehousing or re-export and subsequently sold through a duty-free shop (DFS) do not enjoy blanket immunity from domestic laws merely because the transaction takes place beyond the Customs barrier. The court clarified that any exemption available to DFS transactions is generally limited to fiscal measures, such as Customs duty and taxes, and that goods restricted or prohibited under any other applicable law may constitute "prohibited goods" under Section 2(33) of the Customs Act, 1962. However, the court did not conclusively determine whether nicotine pouches qualify as "drugs" under Section 3(b) of the Drugs and Cosmetics Act, 1940. Observing that such determination would require examination of the product's composition, intended use, and specifications, the court left the issue open for consideration by the appropriate authorities in separate proceedings.

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

- **Bombay High Court schedules fresh hearings in Skoda Auto Volkswagen Customs classification dispute²¹:** Earlier, the Bombay HC had released the Skoda Auto Volkswagen India matter for fresh adjudication after observing that the judgement, which had been reserved in April 2025, could not be pronounced due to the exigencies of work. In this regard, the HC has now scheduled fresh hearings in the matter commencing on 21 October 2026. The dispute concerns the classification of imported car kits and the department's allegation that the imports were liable to be assessed as completely knocked down (CKD) units, thereby attracting a higher rate of Customs duty.

(Please [click here](#) to refer to the order status)

- **Rajasthan High Court rules no interest payable on capital goods imported under MOOWR²²:** The Rajasthan HC has upheld the CESTAT order holding that interest under Section 61(2) of the Customs Act is not payable on the capital goods imported under the MOOWR scheme and intended for use in a Section 65 warehouse, even where a portion of such goods is subsequently cleared for home consumption. The court held that, following the Finance Act, 2016, amendments, the capital goods intended for use in a Section 65 warehouse are covered under Section 61(1)(a), which does not prescribe any outer time limit for warehousing and does not attract interest under Section 61(2). It further observed that the expression "intended for use" is to be determined at the time of import and warehousing and is not affected by subsequent non-utilisation or clearance of the goods.

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

19. Vijay Ghanshyam Gadiya [SLP (Civil) No. 15605 of 2026 dated 2 September 2026]

20. Mumbai Travel Retail Ltd. [WP No. 3079 of 2026 dated 22 September 2026]

21. Skoda Auto Volkswagen India Pvt Ltd [Stamp No. WPST/3455 of 2025]

22. Acme Aklera Power Technology Pvt. Ltd. [D.B. Custom Appeal No. 1/2025 dated 10 August 2025]



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