R.C JAIN & ASSOCIATES LLP

NEWSLETTER

AUGUST 2026

“Be prepared to have some ups and downs, but never, ever give up.”

— Elton John

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EDITORIAL TEAM

INCOME TAX MONTHLY UPDATE

1. Income Tax Rules, 2026 — Compliance Tightened for Complex Transactions

Following the CBDT's notification of the Income Tax Rules, 2026 (operationalising the Income-tax Act, 2025, effective from Tax Year 2026-27), several detailed compliance requirements have taken shape:

- Clearer guidance for complex transactions such as debenture conversions, asset-related income disclosure schemes, and cross-border restructuring.
- A new zero-coupon bond framework aimed at strengthening regulatory oversight.
- Wider cross-border powers for tax authorities: for non-resident income estimation, officers may now use a percentage basis, global profit ratios, or other reasonable methods.
- A revamped bond/instrument approval process, requiring applications at least 3 months before issuance, investment-grade ratings from two agencies, and defined timelines for fund usage.
- Revised rules for employer-provided accommodation exemptions, now linked to factors such as city population, salary level, and ownership/lease status of the property.

The CBDT has framed the overall goal as improving transparency, digitisation, and standardisation in the tax system, with an eye toward reducing disputes and strengthening enforcement.

2. Notification No. 114/2026 — Foreign Assets of Small Taxpayers-Disclosure Scheme Rules, 2026

Background and enabling provision

CBDT has notified the Foreign Assets of Small Taxpayers - Disclosure Scheme Rules, 2026 vide Notification No. 114/2026 dated 14 August 2026 (G.S.R. 732(E)), in exercise of powers under section 143 of Chapter IV of the Finance Act, 2026. The Rules are effective from 16 August 2026 and operate as a limited, voluntary compliance window running parallel to — and interacting with — the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, for assessees who missed disclosing foreign assets/income in the relevant Schedule FA or Schedule FSI of their return.

Scope — two distinct limbs under Section 133

The scheme bifurcates coverage into two categories under the Table in section 133. Sl. No. 1 covers genuinely undisclosed foreign assets and/or undisclosed foreign income, capped at an aggregate FMV of ₹1 crore as on the valuation date of 31 March 2026. Sl. No. 2 is a narrower category — foreign assets acquired during non-residency or from already-taxed income but not disclosed — capped at an aggregate FMV of ₹5 crore. Breaching either threshold, even marginally, disqualifies the assessee from that limb entirely.

Quantum payable — tax/penalty vs. flat fee

For Sl. No. 1 cases, the amount payable is effectively 30% tax plus a 100% penalty on that tax — roughly 60% of the aggregate declared value (e.g. ₹80 lakh aggregate → ₹48 lakh total payable). For Sl. No. 2 cases, the levy is a nominal flat fee — nil or ₹1 lakh — reflecting the compliance-lapse rather than concealment character of these cases.

Valuation methodology (Rule 3)

FMV is generally the higher of cost of acquisition and open-market value on the valuation date, with indexed cost of acquisition deemed as FMV where no independent valuation is obtained. Quoted shares use market trading prices; unquoted equity uses a net-asset formula; bank accounts are valued on a cumulative-deposits basis. Currency conversion follows RBI reference rates.

Procedural flow — Forms 1 to 4

Form 1 (Rule 5) is the electronic declaration; Form 2 (Rule 6) is the department's order quantifying the amount payable; Form 3 (Rule 7) is the payment intimation; and Form 4 (Rule 8) certifies the declaration as valid and grants immunity from further tax, penalty, and prosecution under the Black Money Act, 2015.

Payment timeline and interest exposure

Payment is due within two months of the Form 2 order, interest-free. A further two-month grace window attracts 1% per month interest on the outstanding balance. Beyond four months total, the scheme's benefit lapses and the declaration is deemed void ab initio.

20% variance tolerance on valuation disputes

Where the Assessing Officer later determines a different FMV for a declared asset (excluding bank accounts), the declaration is not treated as invalid on that ground alone, provided the variance does not exceed 20% of the FMV originally declared.

Source link:- https://www.incometax.gov.in/iec/foportal/sites/default/files/2026-08/Notification%20114.pdf#

3. AIS — Foreign Asset Information

CBDT has enhanced taxpayer services by making Foreign Asset Information received through CRS/FATCA available to taxpayers through the Annual Information Statement (AIS).

Taxpayers can view such information in AIS and should reconcile it with their actual foreign assets and income before filing their income-tax return.

This is particularly important for taxpayers having foreign bank accounts, securities, investments, immovable properties, or other reportable foreign assets.

The availability of such information also increases the importance of accurate disclosure in Schedule FA and other relevant schedules of the ITR.

Source link:-https://www.incometax.gov.in/iec/foportal/help/all-topics/e-filing-services/ais-annual-information-statement

4. Refunds Held Due to PAN-Aadhaar Issues

The Income Tax Department issued an e-mail campaign on 17 August 2026 regarding refunds being held under section 139AA(2) of the Income-tax Act, 1961.

Taxpayers whose PAN has become inoperative due to non-linking with Aadhaar may face issues relating to processing and release of refunds.

Taxpayers should therefore verify their PAN-Aadhaar status and take appropriate corrective action wherever required.

Case Law

Where reopening of assessment was based on approval under section 151 that was unsigned, since valid approval required sanctioning authority to examine recorded reasons and record satisfaction under its signature, further presence of valid DIN did not substitute statutory requirement for valid signature under section 282A(1), thus, entire reassessment was without jurisdiction.

2026] 189 taxmann.com 645 (Bombay)

HIGH COURT OF BOMBAY

Nikhil Nagindas Modi

v.

Deputy Commissioner of Income-tax B. P. COLABAWALLA AND FIRDOSH P. POONIWALLA, JJ

WRIT PETITION (L) NO. 9105 OF 2022

AUGUST 5, 2026

Facts of the Case:

- The assessee, an individual resident and proprietor of a publishing business who also earned salary income.
- The assessee had filed a return under section 139(1) which was processed under section 143(1) accepting the returned income.
- Subsequently, the Assessing Officer issued a notice under section 148 dated 30-03-2021 seeking to reopen the assessment,stating that prior approval under section 151 had been obtained from the Joint Commissioner.
- The assessee sought recorded reasons on 3 April 2021 and filed a return in response on 28-12-2021. On 4 February 2022, the department furnished the recorded reasons along with a copy of the Section 151 approval. The assessee filed objections on 26-2-2022. A notice under Section 143(2) was issued on 4 March 2022, and on 10-3-2022, the Assessing Officer passed an order disposing of the objections.
- On writ before the High Court :

Grounds raised by Parties to the Appeal:

Revenue's Ground:

There is no requirement in law that there should be a signature of the approving authority. The approval was through the electronic system and, therefore, there is an application of mind further submitted that the approval has a valid "Document Identification Number" (DIN) and therefore the same is valid in the eyes of law.

Assessee's Ground:

Assesse submitted that since there is no signature, it is not clear whether the approving authority has really applied his mind and has approved the issuance of Notice prior to the Notice under Section 148 issued on 30th March 2021 and emphasised on including the sanction/approval to be issued by the Joint Commissioner under Section 151 of the Act, needs to be signed.

There is no mention in the reasons recorded of any particular transaction, date of transaction, whether there was a loss or gain from the transaction resulting in the alleged escapement of income. The reasons merely give a figure of the alleged income escaping assessment.

Tribunal's View:

- Section 151 approval is a mandatory jurisdictional requirement before the AO can issue a notice under section 148.
- The approval under section 151 is a "document" covered by section 282A(1).
- Under section 282A(1), such document must be signed by the concerned Income-tax Authority.
- An approval that is unsigned is not a valid approval in law.
- The mere fact that the approval was generated through the electronic system does not eliminate the requirement of a signature.
- DIN cannot substitute for a signature. DIN and signature are two separate requirements.
- Section 282A(2), which provides for authentication through the officer's name/designation, does not override section 282A(1).
- The Court distinguished between "authenticity" and "legality": a document may be authentic but still not comply with the mandatory statutory requirements.
- The Revenue's reliance on the Delhi HC decision in Asro Arcade was rejected; the Bombay HC held that section 282A(1) had not been properly considered there.
- The Court also relied upon Vikas Gupta v. Union of India (Allahabad HC) and its own decision in Ambernath City Hospital.
- Since the section 151 approval was unsigned, there was no valid sanction at the time the section 148 notice was issued.
- Consequently, the section 148 notice and the entire reassessment proceedings were without jurisdiction and were quashed.
- The Court therefore did not consider the assessee's other grounds regarding vague reasons, borrowed satisfaction, lack of tangible material, etc., because the unsigned approval itself was sufficient to dispose of the case.

Final Judgement:

the Hon'ble Court held that the approval granted under Section 151 for issuance of notice under Section 148 must be duly signed in terms of Section 282A(1). The mere generation of the approval electronically or allotment of a DIN does not substitute the mandatory requirement of signature. Since the approval in the present case was unsigned, the Court held that there was no valid statutory sanction and consequently quashed the notice issued under Section 148 and the reassessment proceedings.

GST

AUTHORITY FOR ADVANCE RULING, GUJARAT
Lab Medica Systems (P.) Ltd.

VISHAL MALANI, MEMBER (CENTRAL TAX) AND
SUSHMA VORA, MEMBER (STATE TAX)
ADVANCE RULING NO. GUJ/GAAR/R/2026/27IN APPLICATION NO. ADVANCE RULING/SGST & CGST/2025/AR/43
AUGUST 4,2026

- ## Facts of the Case

The applicant, Lab Medica Systems Private Limited, Ahmedabad, is engaged in the supply of an Ophthalmic Binocular Surgical Microscope — a specialised instrument used by ophthalmologists to examine and operate on the eye's anterior and posterior segments. The device provides a magnified, three-dimensional, stereoscopic view of ocular structures (cornea, iris, lens, anterior chamber) and is equipped with features such as a bright and stable red reflex, a multifunctional touch-screen display, an electromagnetic locking system, a rotatable coaxial independent assistant microscope, and a motorised zoom system. It is used across a wide range of anterior-segment surgeries (cataract, refractive, corneal, laser, glaucoma, ICL, pterygium, ocular trauma) and posterior-segment surgeries (vitrectomy, retinal detachment, vitreous haemorrhage, diabetic retinopathy, macular hole repair, endophthalmitis, and others).

The applicant sought an Advance Ruling on whether this product merits classification under Customs Tariff Heading (CTH) 9018 and whether it falls within Entry No. 483 of Schedule I of Notification No. 9/2025-Central Tax (Rate), dated 17.09.2025, attracting GST at 5% (2.5% CGST + 2.5% SGST).

- ## Ground of Appeal

Whether the Ophthalmic Binocular Surgical Microscope merits classification under CTH 9018 of the Customs Tariff Act, 1975, or otherwise.

Whether the goods fall within Sr. No. 483 of Schedule I of Notification No. 9/2025-CT (Rate) dated 17.09.2025, or otherwise.

The applicant argued that CTH 9018 (instruments and appliances used in medical, surgical, dental or veterinary sciences) specifically covers ophthalmic instruments, whereas the competing headings — CTH 9011 (compound optical microscopes) and CTH 9012 (microscopes other than optical microscopes; diffraction apparatus) — are general headings meant for microscopes used by amateurs, teachers, or in industrial/research settings, and are expressly excluded from HSN Explanatory Notes to heading 9018. Relying on Rule 3 of the General Rules for Interpretation and precedents such as Sanwar Agarwal v. Commissioner of Customs (Port), Flora Agrotech v. CCE, and CCE v. IVP Ltd, the applicant contended that a specific entry (9018) must prevail over a general one (9011/9012).

- **Judgement**

The Authority examined the Chapter Notes to Chapter 90 and the HSN Explanatory Notes to headings 9011, 9012, and 9018, along with the WHO's Priority Medical Devices Information System (MeDevIS) definition, which describes an Ophthalmic Binocular Surgical Microscope as an electrically-powered ophthalmic magnification instrument, usually stereoscopic, designed for use in the operating room to magnify structures within the eye or its surroundings, and/or to provide slit-lamp functionality during ophthalmic surgical procedures.

The Authority held that microscopes under CTH 9011 are generic, two-dimensional magnification devices used by amateurs, teachers, or in industrial and research laboratories, and that the HSN notes to heading 9011 expressly exclude 'ophthalmic binocular-type microscopes,' directing them to heading 9018. Similarly, CTH 9012 covers electron microscopes, proton microscopes, and diffraction apparatus used in forensic science, nanotechnology, and material science — none of which are suited to ocular surgery. By contrast, the HSN notes to heading 9018 specifically list, under 'Ophthalmic instruments,' binocular-type microscopes consisting of a microscope, an electric lamp with a slit, and a headrest, mounted on an adjustable support for eye examination — a description matching the applicant's product.

Applying dictionary meanings of 'instrument' and 'appliance,' the Authority concluded that the product is an 'instrument' used for delicate, scientific, surgical work. It accordingly ruled that the Ophthalmic Binocular Surgical Microscope is classifiable under Tariff Heading 9018 and falls within Entry No. 483 of Schedule I of Notification No. 09/2025-Central Tax (Rate), attracting GST at 5% (2.5% CGST + 2.5% SGST). The ruling was rendered in favour of the assessee.

- **Legal Impact**

• Confirms that ophthalmic binocular surgical microscopes are excluded from CTH 9011/9012 and squarely fall under CTH 9018, consistent with the HSN Explanatory Notes' express exclusion clause.

• Reinforces the interpretive principle that a specific tariff entry prevails over a general one (Rule 3, General Rules for Interpretation), and that international reference sources such as WHO's MeDevIS database can be used to determine the functional character of medical devices for classification purposes.

• Provides certainty to manufacturers and suppliers of ophthalmic surgical microscopes regarding the applicable concessional GST rate of 5% instead of a potentially higher residual rate.
• Serves as persuasive precedent for similarly placed manufacturers/importers of specialised medical optical instruments seeking classification relief before other AARs or customs/GST authorities.

- **Conclusion**

The AAR Gujarat ruled in favour of the assessee, holding that the Ophthalmic Binocular Surgical Microscope is classifiable under CTH 9018 of the Customs Tariff Act, 1975, and covered by Entry No. 483 of Schedule I of Notification No. 09/2025-Central Tax (Rate), thereby attracting GST at the concessional rate of 5% (2.5% CGST + 2.5% SGST).

HIGH COURT OF ALLAHABAD

Samyak Jain
v.
Union of India*

VIKRAM D. CHAUHAN, J.
CRIMINAL MISC. BAIL APPLICATION NO. 13336 OF 2026
AUGUST 3,2026

- **Facts of the Case**

The Directorate General of GST Intelligence (DGGI), Meerut, investigated the applicant, Samyak Jain, along with Abhishek Jain and Ankur Jain, for allegedly operating a network of 37 shell companies to fraudulently avail and pass on Input Tax Credit (ITC) without any actual supply of goods or services. Searches of their residences yielded incriminating digital devices, debit/credit cards, SIM cards, and bank documents relating to mule accounts. The investigation alleged that the accused passed on fraudulent ITC of Rs. 276.16 crores on a taxable value of Rs. 2,156.57 crores through fake invoices, and fraudulently claimed export refunds of Rs. 17.53 crores through three shell firms, causing an alleged total loss of Rs. 293.68 crores to the exchequer. The prosecution relied on voluntary statements in which the accused admitted to managing the shell firms' operations, filing returns, and controlling financial transactions, and alleged that the accused earned a 1–1.5% commission for facilitating fake ITC.
The applicant had been in judicial custody since 13.2.2026. The investigation was complete and a complaint (chargesheet) had been filed. The applicant had no prior criminal antecedents.

- **Ground of Appeal**

The applicant sought regular bail under Section 439 Cr.P.C., contending that: (i) the allegations were concocted and he was falsely implicated; (ii) the voluntary statements/confessions were not legally admissible; (iii) he had no prior criminal history; (iv) investigation was complete and the complaint already filed, so continued custody served no purpose; and (v) he was entitled to bail as a matter of right given the presumption of innocence and Article 21 guarantees of fair procedure and a speedy trial.

The Department opposed bail, citing the scale and gravity of the alleged fraud (a serious economic offence causing loss of Rs. 293.68 crores), the offences being cognizable and non-bailable under Section 132(1) of the CGST Act, and the extensive documentary evidence (bank records, Excel sheets, IP logs, panchanamas) allegedly implicating the applicant.

- **Judgement**

The Allahabad High Court noted that assessment proceedings under Sections 73/74 of the CGST Act had not yet been initiated against the applicant, and that while criminal prosecution is an independent process, any future finding in assessment proceedings that no violation occurred could have a bearing on the prosecution.

Relying on the constitutional guarantee under Article 21 (fair, just, and reasonable procedure, and the right to a speedy trial) and the settled principle that 'bail is the rule and jail is the exception,' the Court held that pre-trial detention is not meant to be punitive and that prolonged incarceration pending a trial unlikely to conclude soon is unjustified absent exceptional circumstances. The Court extensively relied on Sanjay Chandra v. CBI, Amit Mehra v. UOI, Vineet Jain v. UOI, Ratnambar Kaushik v. UOI, and Manish Sisodia v. Directorate of Enforcement — all recognising that in GST/economic-offence cases where the maximum sentence is five years, the case is triable by a Magistrate, investigation is complete, a complaint/chargesheet is filed, and the accused has no antecedents, continued detention pending a distant trial is unwarranted.

Finding no material to show that the applicant would tamper with evidence, intimidate witnesses, or abscond, and noting the absence of antecedents and the documentary (rather than testimonial) nature of the evidence, the Court allowed the bail application, directing release on furnishing a personal bond and two sureties, subject to standard conditions (no tampering with evidence, no intimidation of witnesses, appearance before the trial court, no offence of a similar nature, no departure from India without permission, and intimation of any change of address).

- **Legal Impact**

• Reaffirms that in GST prosecutions under Section 132 of the CGST Act — even involving large sums — bail should ordinarily be granted once investigation is complete, a complaint is filed, the case is triable by a Magistrate, the maximum sentence is limited (five years), and the accused has no antecedents.

• Reiterates the constitutional principle that pre-trial detention is not punitive and that the presumption of innocence, coupled with the likelihood of prolonged trial delay, weighs heavily in favour of bail.

• Signals that the mere scale/quantum of alleged tax evasion, without more (e.g., flight risk, tampering, witness intimidation, or specific aggravating conduct), is not by itself sufficient to deny bail in GST evasion cases.

• Clarifies that pendency (or absence) of parallel adjudication/assessment proceedings under

Sections 73/74 is a relevant, though not determinative, factor in bail considerations for GST prosecutions under Section 69/132.

- **Conclusion**

The Allahabad High Court allowed the bail application of Samyak Jain, holding that despite serious allegations of large-scale fraudulent ITC generation through shell companies, the principles of presumption of innocence, non-punitive pre-trial detention, absence of antecedents, completed investigation, and likelihood of a protracted trial justified his release on bail, subject to specified conditions.

HIGH COURT OF KERALA

Shamsudheen A.K.

v.

State Tax Officer*

ZIYAD RAHMAN A.A., J.
WP(C) NO. 24964 OF 2026
AUGUST 3,2026

- **Facts of the Case**

The petitioner, a registered taxpayer under the CGST/SGST Act, had claimed Input Tax Credit (ITC) for the tax periods of February 2019 and March 2019, and had filed his returns for these periods on 12.11.2019. The State Tax Officer, by an order (Ext.P1) passed under Section 73 of the CGST Act, denied the ITC claim on the ground that the returns were filed beyond the time limit prescribed under Section 16(4) of the CGST Act.

The petitioner challenged Ext.P1 by way of a writ petition, contending that he was entitled to the benefit of the retrospectively inserted Section 16(5) of the CGST Act, which permits ITC claims for FY 2017-18 to FY 2020-21 where the relevant return was filed on or before 30.11.2021 — a cut-off date well after the date on which the petitioner had actually filed his returns (12.11.2019).

- **Ground of Appeal**

The petitioner argued that Section 16(5) contains a non-obstante clause overriding Section 16(4), and that since his returns for February and March 2019 were filed on 12.11.2019 — much before the extended cut-off date of 30.11.2021 prescribed under Section 16(5) — the time limit under Section 16(4) was rendered inapplicable, and the ITC could not be denied solely on the ground of delay under Section 16(4).

- **Judgement**

The Kerala High Court agreed with the petitioner, observing that the impugned order itself recorded that the returns for February and March 2019 were filed on 12.11.2019 — a date squarely within the cut-off contemplated under Section 16(5). The Court held that because Section 16(5) carries a non-obstante clause with respect to Section 16(4), once a taxpayer files the return within the cut-off date prescribed under Section 16(5), the timeline prescribed in Section 16(4) loses its significance and cannot be used to deny ITC.

Accordingly, the Court quashed Ext.P1 and remanded the matter, directing the respondent State Tax Officer to reconsider it and extend the benefit of Section 16(5) to the petitioner, subject to the petitioner otherwise being entitled to the ITC (i.e., compliance with other conditions under Section 16 and the Act).

- **Legal Impact**

• Confirms and applies the retrospective relief granted by Section 16(5) of the CGST Act, clarifying that its non-obstante clause overrides the time restriction under Section 16(4) for the specified financial years (FY 2017-18 to FY 2020-21) where returns were filed by

30.11.2021.

• Provides relief to a wide category of taxpayers who filed belated returns for early GST years (2017-2021) but within the extended Section 16(5) window, and whose ITC claims were denied purely on Section 16(4) time-bar grounds by tax authorities who had not accounted for the laterlegislative amendment.

• Establishes persuasive precedent for other pending assessments/appeals where ITC has been denied under Section 16(4) despite the taxpayer's eligibility under Section 16(5).

• Reinforces the principle that authorities must apply beneficial retrospective amendments even in orders passed after their enactment, and that failure to do so renders the order liable to be quashed.

- **Conclusion**

The Kerala High Court ruled in favour of the assessee, quashing the order denying ITC and remanding the matter with a direction to grant the benefit of Section 16(5) of the CGST Act, since the petitioner's returns were filed well within the cut-off date prescribed therein, rendering the Section 16(4) time-bar inapplicable.

HIGH COURT OF KARNATAKA

Naganath Constructions Engineers and Contractors

v.

Government of Karnataka

SACHIN SHANKAR MAGADUM, J.

WRIT PETITION NO. 106128 OF 2026 (GM-RES)

AUGUST 04,2026

- **Facts of the Case**

The petitioner, a Class-I registered civil contractor, was awarded a road works contract by the respondent State of Karnataka for rectification, resurfacing, and improvement of a stretch of road in Karwar Taluka, Uttara Kannada District. During the currency of the contract, the GST regime came into force with effect from 01.07.2017, replacing the pre-existing VAT regime. This transition resulted in an additional tax liability on the works contract service being executed by the petitioner. The petitioner discharged the differential GST liability before the competent tax authority and subsequently sought reimbursement of this differential amount (Rs. 1,50,935.68, with 18% interest per annum) from the respondent State by way of a representation dated 25.06.2026.

Alleging inaction by the respondents despite completion of the work and submission of the representation, the petitioner filed a writ petition seeking a mandamus directing reimbursement.

- **Ground of Appeal**

The petitioner contended that the liability to bear the differential tax burden arising from the introduction of GST (replacing VAT) rests on the recipient of the works contract service — i.e., the State — and not on the contractor, and that having already discharged the differential GST, the petitioner had a legal right to be reimbursed. The petitioner relied on the Karnataka High Court's earlier decision in M.G. Arunkumar v. State of Karnataka [2024] 165 taxmann.com 302 (Karnataka), which had held the recipient of works contract services liable for such differential tax and directed the State to reimburse contractors.

- **Judgement**

The Karnataka High Court held that the question of liability to bear the differential tax consequent upon the introduction of GST is no longer res integra, being settled by its earlier ruling in M.G. Arunkumar v. State of Karnataka, which held that the recipient of works contract services (i.e., the State/its instrumentalities) is liable to bear the differential tax liability arising from the GST transition, and is under an obligation to reimburse contractors who discharge such tax.

Since the petitioner had already discharged the differential GST liability before the competent authority, and the respondents were the beneficiaries of the work executed, the Court held that the petitioner had acquired a corresponding legal right to seek reimbursement, and that the respondents were under a bounden duty to reimburse the amount in line with settled law. The Court allowed the writ petition, directing the respondents to consider the petitioner's representation dated 25.06.2026, determine the differential GST amount payable, and reimburse the same within six weeks of receipt of a certified copy of the order — expressly confining reimbursement to the tax differential attributable to the introduction of the GST regime, subject to verification of records and calculations in accordance with law.

- **<u>Legal Impact</u>**

•Reaffirms the settled Karnataka High Court position (following M.G. Arunkumar) that the State, as recipient of works contract services under pre-GST contracts, bears the burden of the differential tax liability triggered by the VAT-to-GST transition, and must reimburse contractors who have discharged such tax.

• Provides a clear enforcement mechanism (writ of mandamus) for government contractors seeking reimbursement of GST-transition-related tax differentials where the State has failed to act on representations, subject to time-bound consideration and verification.

• Clarifies that reimbursement is confined strictly to the tax differential attributable to the introduction of GST — not general tax costs or unrelated escalations — subject to verification of records.

• Serves as persuasive/binding precedent for similarly placed government contractors across Karnataka (and potentially other states with analogous contractual/tax transition issues) seeking reimbursement of GST-transition-related cost escalation on pre-GST works contracts.

- **<u>Conclusion</u>**

The Karnataka High Court allowed the writ petition, directing the State to consider the petitioner's representation, determine the differential GST amount attributable to the introduction of the GST regime, and reimburse the same to the petitioner within six weeks, in line with the settled position that the recipient of works contract services bears the burden of such differential tax.

RBI

RBI/2026-27/232

FIDD.CO.PSD.BC.No.08/04.09.001/2026-27

August 07, 2026

Reserve Bank of India (Priority Sector Lending – Targets and Classification) Second Amendment Directions, 2026

The RBI has amended the **Priority Sector Lending (PSL) Directions, 2025** as a supporting measure to encourage banks to mobilise **long-term FCNR(B) and NRE deposits** during the specified period.

- Eligible advances against specified fresh FCNR(B)/NRE deposits can be excluded from ANBC for PSL calculation.
- FCNR(B) deposits should generally have a 3–5 year tenor, while NRE deposits should have a minimum 3-year tenor.
- The deposits must be mobilised during the specified June–September 2026 period and satisfy the applicable CRR/SLR exemption conditions.
- The exclusion from ANBC is capped at the amount of eligible deposits qualifying for the CRR/SLR exemption.
- The earlier incremental advances and historical base-date methodology has been removed, simplifying the calculation.
- Since ANBC may reduce, the bank's PSL target may also reduce correspondingly.
- The amendment is intended to promote long-term NRI deposits and strengthen foreign-currency inflows, alongside RBI's FCNR(B) USD-INR swap measures.
- The amendment is effective immediately.

RBI/2026-2027/231
DOR.MCS.REC.No.201/01-01-039/2026-27
August 6, 2026

Reserve Bank of India (Housing Finance Companies) Third Amendment Directions, 2026

RBI has amended the **Housing Finance Companies (HFCs) Directions, 2025** to strengthen and standardise **loan recovery and recovery-agent practices**.

- Existing HFC-specific provisions relating to recovery agents have been replaced with a new provision, A.15A – Conduct of HFCs in Recovery of Loan Dues and Engagement of Recovery Agents.

- HFCs will now follow the common recovery framework applicable to NBFCs under paragraphs 100A–100AB of the RBI (NBFC – Responsible Business Conduct) Directions, 2025.
- HFCs will remain responsible for the conduct of recovery agents/agencies engaged by them.
- The framework aims to ensure fair and appropriate treatment of borrowers and prevent improper recovery practices.
- It promotes uniformity in recovery practices across HFCs and NBFCs.
- HFCs will need to ensure that their internal policies, procedures and agreements with recovery agencies are aligned with the revised RBI requirements.
- The amendment strengthens accountability and oversight of outsourced recovery activities, making it important for HFCs to monitor the conduct of their agents.
- The amendment will be effective from 1 January 2027 and applies to RBI-regulated HFCs.

DOR.MCS.REC.No.200/01-01-040/2026-27

August 6, 2026

Reserve Bank of India (All India Financial Institutions - Responsible Business Conduct) Third Amendment Directions, 2026

Effective **1 January 2027**, RBI is introducing a comprehensive framework for **All India Financial Institutions (AIFIs)** covering loan recovery and recovery agencies:

- **Board-approved Recovery Policy:** AIFIs must have a policy covering recovery triggers, escalation, distressed borrowers, death cases and resolution options.
- **Due Diligence of Agents:** Recovery agencies and their agents must undergo **background verification and due diligence** before appointment and periodically thereafter.
- **Training & Certification:** Recovery agents must obtain the prescribed **IIBF Debt Recovery Agent certification** and follow the required Code of Conduct.
- **Borrower Disclosure:** AIFIs must publish the **list of recovery agencies on their website** and inform borrowers before the first recovery visit.
- **Fair Recovery Practices:** Threats, abusive language, harassment, excessive calls, public humiliation and misleading statements are **strictly prohibited**. Contact should generally be between **8 a.m. and 7 p.m.**
- **Recording & Privacy:** Recovery calls must be recorded and generally retained for **6 months**. Only necessary borrower information may be shared with recovery agents.
- **Security & Possession:** Loan agreements must clearly specify procedures for **notice, possession, repayment opportunity and sale/auction** of secured assets.
- **Technology-Based Recovery:** Device-locking is permitted only for loans financing the concerned device, with safeguards to protect **emergency functions and personal data**.

- **Compensation & Grievances:** A dedicated recovery-related grievance mechanism is required, with compensation prescribed for wrongful device restrictions or delayed restoration attributable to the AIFI.
- **AIFI Responsibility & Monitoring:** AIFIs remain ultimately responsible for recovery agents and must periodically monitor their activities, take corrective action and penalise non-compliance.

RBI/2026-27/238

DOR.RET.REC.205/12.01.001/2026-27

August 25, 2026

Reserve Bank of India (Commercial Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Fourth Amendment Directions, 2026

The Reserve Bank of India (RBI) has amended the **Reserve Bank of India (Commercial Banks – Cash Reserve Ratio and Statutory Liquidity Ratio) Directions, 2025** through the **Fourth Amendment Directions, 2026**.

The amendment revises the period during which certain fresh NRI deposits will be exempt from **Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)** maintenance:

- **Fresh FCNR(B) deposits** with a tenor of **minimum 3 years and maximum 5 years**, including deposits renewed upon maturity, mobilised during the specified period will continue to enjoy CRR and SLR exemption. The last date for mobilisation has been revised from **30 September 2026 to 31 August 2026**.
- **Fresh NRE Rupee term deposits** with a tenor of **3 years or more**, including deposits renewed upon maturity, will also be eligible for the exemption, with the mobilisation period revised from **30 September 2026 to 31 August 2026**.

The amendment has been issued under the relevant provisions of the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934, and comes into effect immediately.

-**By Aayushi Sinha & Atharva Vaishampayan**

MCA Extends Companies Compliance Facilitation Scheme, 2026 (CCFS-2026)

The Ministry of Corporate Affairs (MCA) has extended the validity of the **Companies Compliance Facilitation Scheme, 2026 (CCFS-2026)** up to **15th September 2026**. The extension provides additional time for eligible companies to complete pending annual filings, **obtain dormant status, or apply for strike-off at concessional fees.**

Key Highlights

- **Scheme:** Companies Compliance Facilitation Scheme, 2026 (CCFS-2026)
- **Extended Due Date: 15th September 2026**
- **Applicable To:** Eligible companies with pending ROC compliances.
- **Major Benefit:** Companies filing pending Annual Returns and Financial Statements are required to pay the **normal filing fee plus only 10% of the applicable additional fees**, resulting in up to **90% relief in additional fees**, subject to the scheme's conditions.

Key Benefits

- Completion of pending Annual Returns and Financial Statements.
- Regularisation of historical filing defaults with concessional additional fees.
- Filing for dormant status where applicable.
- Filing for strike-off/closure of eligible inactive companies.
- Reducing the financial burden arising from accumulated additional filing fees.

Action Required

Companies should:

- Review all pending ROC annual filings.
- Verify eligibility under CCFS-2026.
- Complete eligible filings before **15th September 2026**
- Preserve all challans, SRNs and acknowledgements for future reference.

Conclusion

The extension of **CCFS-2026** offers a valuable one-time opportunity for companies to regularise pending compliances at a substantially reduced cost. Companies should utilise the extended timeline and complete all eligible filings well before **15th September 2026** to avoid the restoration of the normal fee and penalty regime after the scheme expires.


By Anushka Rajbhar.

R. C. Jain & Associates LLP

Chartered Accountants

Head Office:

622-624, The Corporate Centre, Nirmal Lifestyle, L.B.S. Marg,
Mulund,(W), Mumbai, Maharashtra - 400080
E-mail : info@rcjainca.com
Tel : 022- 67081031/67700107

Branch Offices:

Bhopal-I :
M-272, Near Arya Samaj Bhawan, Gautam Nagar, Bhopal,Madhya Pradesh - 462 023.
E-mail : hmjainca@rediffmail.com
Tel : 0755-2600646

Bhopal II :
Plot No. 187,Near Milan Restaurant,MP Nagar,Zone-1,Bhopal,Madhya Pradesh - 462 011.
E-mail : ajaygupta.agst@gmail.com
Tel : 83195 56171

Aurangabad :
Su-Shobha, Plot No. 7, Mitranagar, Behind Akashwani, Near Maratha Darbar Hotel, Aurangabad, Maharashtra - 431001.
E-mail : sskasliwal@gmail.com
Tel : 0240-2357556

Guwahati :
3C, Gokuldham, JP Agawala Path, Bye Lane-2, Sanitpur, Bharalumukh Kamrup Metro, Guwahati, Assam - 781 009.
E-mail : canavratan6725@gmail.com
Tel : 8276887194

Website: www.rcjainca.com