

R. C. Jain & Associates LLP



Newsletter
January
2026

*“Even if you are on the right track, you’ll
get run over if you just sit there”*

— Will Rogers

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Direct Tax

MINISTRY OF FINANCE
(Department of Revenue)
(CENTRAL BOARD OF DIRECT TAXES)

Notification No. 6/2026

(Recognition of Core Settlement Guarantee Fund / Clearing Corporation)

The Central Board of Direct Taxes has notified that the **Core Settlement Guarantee Fund operated through AMC Repo Clearing Limited** shall be treated as a **recognized clearing corporation** for the purposes of the Income-tax Act, 1961.

This means that the income earned by this clearing corporation from its specified activities will be governed by the special tax provisions applicable to such entities. The notification gives legal clarity on its tax status and confirms that its operations are in line with regulatory requirements.

Since most clearing, settlement, and financial market operations in India are carried out from **Mumbai, Maharashtra**, this notification is particularly relevant for banks, stock brokers, clearing members, mutual funds, and financial institutions located in Maharashtra.

The notification ensures that settlement-related transactions carried out through this clearing corporation are not subject to unnecessary tax disputes. It also confirms that the retrospective application of this recognition does not adversely affect any taxpayer.

Notification No. 14/2026

(Approval of Institution for Scientific Research under Section 35)

The Central Board of Direct Taxes has notified that “**Sikshya O Anusandhan**”, Bhubaneswar, is approved as an institution engaged in **scientific research** for the purposes of **Section 35** of the Income-tax Act, 1961.

As a result of this notification, **any person or company making a donation to this institution** is eligible to claim a **tax deduction**, subject to fulfilment of the prescribed conditions. This approval allows donors to reduce their taxable income by claiming eligible amount in their Income-tax Return.

This notification is especially relevant for **Maharashtra-based companies, professionals, and CSR-eligible entities**, as Maharashtra has a large number of corporate taxpayers and research-oriented industries. Donations made by such taxpayers can now be used both for supporting scientific research and for lawful tax planning.

The institution is required to file prescribed statements with the Income-tax Department and issue proper donation certificates to donors. The notification also states that its application does not cause any hardship or adverse effect to any taxpayer.

- Compiled by Bhumika Choughule and Meet Oswal

Case Laws

INCOME TAX: SLP dismissed against order of High Court that where assessee-bank purchased securities to hold them as stock-in-trade, broken period interest paid by assessee on such purchase was to be allowed as deduction

SUPREME COURT OF INDIA

Commissioner of Income-tax

v.

State Bank of India

J.B. PARDIWALA AND SATISH CHANDRA SHARMA, JJ.

SLP (CIVIL) DIARY NO. 66150 OF 2025

JANUARY 19, 2026

Section 37(1) of the Income-tax Act, 1961 - Business expenditure - Allowability of (Broken period interest) - Assessment year 1996-97 - Assessee, a banking company, claimed broken period interest on purchase of securities as deduction - Assessing Officer disallowed claim holding that such expenditure was to be capitalized - Tribunal noted that assessee had purchased securities to hold them as stock-in-trade and, therefore, interest paid for broken period was allowable as deduction - High Court held that broken period interest paid on purchase of securities held as stock-in-trade by assessee was to be allowed as deduction - Whether there was gross delay of 959 days in filing SLP which had not been satisfactorily explained by revenue and even otherwise, court found no reason to interfere with impugned order passed by High Court and, thus, SLP was to be dismissed - Held, yes [Paras 1 to 3] [In favour of assessee]

CASE REVIEW

SLP dismissed against Commissioner of Income-tax v. State Bank of Hyderabad [2025] 170 taxmann.com 719 (TELANGANA) (Para 3)

N. Venkataraman, A.S.G., Ms. Madhulika Upadhyay, AOR, V.C. Bharathi, Padmesh Mishra, Mrs. Prerna Dhall, Prashant Singh Ii and Gopi Chand, Advs. for the Petitioner.

ORDER

1. There is a gross delay of 959 days in filing the Special Leave Petition which has not been satisfactorily explained by the petitioner.
2. Even otherwise, we see no reason to interfere with the impugned order passed by the High Court.
3. The Special Leave Petition is, therefore, dismissed on the ground of delay as well as merits.
4. Pending application(s), if any, stand disposed of.

INCOME TAX: SLP dismissed against order of High Court that where assessee had entered into a development of infrastructure facility agreement and not works contract, assessee would be eligible to claim deduction under section 80-IA(4)

SUPREME COURT OF INDIA
Principal Commissioner of Income-tax (Central)

v.

Montecarlo Ltd.

PANKAJ MITHAL AND S.V.N. BHATTI, JJ.
SLP (CIVIL) DIARY NO(S). 41220 OF 2025
JANUARY 9, 2026

Section 80-IA of the Income-tax Act, 1961 - Deductions - Profits and gains from infrastructure undertakings (Road projects) - Assessment year 2017-18 - High Court held that where assessee executed road projects awarded by Government and there were concurrent findings of fact arrived at by appellate authorities that assessee had entered into a development of infrastructure facility agreement and not works contract, assessee would be eligible to claim deduction under section 80-IA(4) - Whether there was gross delay of 358 days in filing SLP which had not been explained satisfactorily, moreover, relied upon judgment on basis of which impugned order had been passed, had not been appealed against and had attained finality and, thus, SLP was to be dismissed on ground of delay as well as on merits - Held, yes [Paras 1 to 3] [In favour of assessee]

CASE REVIEW

SLP dismissed against Principal Commissioner of Income-tax v. Montecarlo Ltd. [2024] 162 taxmann.com 389 (Gujarat) / [2025] 475 ITR 143 (Gujarat) (Para 3)

N. Venkataraman, A.S.G. (NP), Ms. Madhulika Upadhyay, AOR, V.C. Bharathi, Satya Jha, Ishaan Sharma and Santosh Kumar, Advs. for the Petitioner.

ORDER

1. There is a delay of 358 days in filing the Special Leave Petition which has not been explained satisfactorily.
2. Moreover, the relied upon judgment on the basis of which the impugned order has been passed, has not been appealed against and has attained finality.
3. In view of the above, the Special Leave Petition is dismissed both on the ground of delay as well as on merits.
4. Pending application(s), if any, shall stand disposed of.

- Compiled by Sanjana Jain

GST

Online Opt-In Declaration for Specified Premises (Hotel Accommodation)

GST Portal has enabled online filing of Opt-In Declarations for “Specified Premises” for taxpayers supplying hotel accommodation services, as per Notification No. 05/2025 – Central Tax (Rate).

1. Who can file?

Existing registered (including suspended) regular taxpayers providing hotel accommodation
Applicants for new GST registration (Not applicable to composition taxpayers, TDS/TCS, SEZs, casual taxpayers, or cancelled registrations).

2. Available Declarations:

- **Annexure VII** – For existing registered taxpayers (for the next financial year)
- **Annexure VIII** – For new registration applicants
(Opt out declaration – Annexure IX to be notified later)

3. Key Timelines:

- **Existing taxpayers (Annexure VII):** 1st January to 31st March of the preceding financial year i.e. for FY 2026–27: 01.01.2026 to 31.03.2026
- **New applicants (Annexure VIII):** Within 15 days of ARN generation

4. Important Highlights:

- Up to 10 premises can be declared in one application
- Separate ARN/reference number is generated for each premise
- Option continues for future years unless opted out
- Email and SMS confirmation sent on successful filing

Note:

Taxpayers who had filed declarations manually for FY 2025–26 must refile Annexure VII online for FY 2026–27 within the prescribed window.

RSP Based Valuation for Notified Tobacco Products (Effective 1 Feb 2026):

The GSTN has issued an advisory clarifying the Retail Sale Price (RSP)–based valuation mechanism for specified tobacco and tobacco related products, pursuant to Notification Nos. 19/2025-CT and 20/2025-CT dated 31.12.2025, effective 01.02.2026.

➤ **Key Products Covered:**

RSP based valuation applies to notified goods under the following HSNs:

1. **2106 90 20** – Pan masala
2. **2401** – Unmanufactured tobacco and tobacco refuse
3. **2402** – Cigars, cigarettes, cigarillos, etc.
4. **2403** – Other manufactured tobacco (excluding biris)
5. **2404 11 00 / 2404 19 00** – Tobacco or nicotine products for inhalation without combustion

➤ **Valuation Mechanism:**

GST is to be calculated on the declared RSP (MRP) printed on the package, irrespective of the actual transaction value.

$$\text{Tax Amount Formula: Tax} = (\text{RSP} \times \text{GST Rate}) \div (100 + \text{GST Rate})$$

$$\text{Deemed Taxable Value: RSP} - \text{Tax Amount}$$

➤ **System & Reporting Challenges**

Existing E-Invoice, E-Way Bill and GSTR1 systems are designed for transaction value-based reporting and do not automatically align with RSP based valuation, leading to validation errors where:

$$\text{Taxable Value} + \text{Tax Amount exceeds Total Invoice Value}$$

➤ **GSTN Reporting Guidance:**

To avoid system errors, taxpayers should report as follows:

For E-Invoice, E-Way Bill & GSTR1/1A/IFF:

1. **Taxable Value:** Report Net Sale Value (actual commercial consideration)
2. **Tax Amount:** Report GST calculated as per RSP based formula
3. **Invoice Value:** Net Sale Value + RSP based tax

If system calculated tax differs, taxpayers may manually edit the tax amount to reflect the correct RSP based liability.

➤ **Important Clarifications:**

1. This reporting method is a trade facilitation measure only and does not dilute statutory valuation provisions.
2. Applicable only to notified HSNs under the specified notifications.
3. Taxpayers must ensure correct classification and strict compliance with RSP based valuation rules.

Case Laws

Calcutta High Court
Lakshmi Narayan Shah

vs.

State of West Bengal

Dated: 14 January 2026

GST Legal Update | No Tax Enhancement in Appeal Without Due Process

The Calcutta High Court has held that a GST Appellate Authority cannot enhance a taxpayer's liability by introducing new issues at the appellate stage without providing prior notice and an opportunity of hearing, as required under Section 107(11) of the CGST / WBGST Act.

➤ **Background:**

For FY 2017-18, a show cause notice was issued alleging:

1. Short payment of GST on outward supplies
2. Short payment under reverse charge mechanism (RCM)
3. Reversal of input tax credit (ITC)

The adjudication order confirmed demand only on these three grounds.

In appeal, while the taxpayer accepted two issues and succeeded on ITC reversal, the Appellate Authority went beyond the scope of adjudication and added alleged excess zero-rated supplies to taxable turnover, levying GST at 18% based solely on GSTR-3B figures.

➤ **High Court's Observations:**

- The issue of excess zero-rated supply was never part of the original adjudication.
- Enhancing tax liability on a new ground without notice violates the second proviso to Section 107(11).
- The Appellate Authority erred by relying only on GSTR-3B and ignoring corrections made in GSTR-9 and GSTR-9C, reflecting non application of mind.

➤ **Decision:**

The High Court set aside the appellate order to the extent of tax enhancement and remanded the matter for fresh consideration after granting the taxpayer an opportunity of being heard. The rejection of the rectification application was also quashed.

➤ **Key Takeaway:**

GST appellate powers are not unlimited. Any enhancement of tax must strictly follow due process, and return reconciliations in GSTR-9 / 9C cannot be disregarded.

➤ **Outcome:**

In favour of the assessee | Matter remanded.

State of Jharkhand
vs.
BLA Infrastructure (P.) Ltd.

Dated: 9 January 2026

Supreme Court Update | Refund of Statutory Pre-deposit Is a Vested Right

The Supreme Court has held that refund of statutory pre-deposit made for filing a GST appeal is a vested right of the assessee once the appeal is decided in its favour, and such refund cannot be denied on procedural grounds.

➤ **Background:**

1. The assessee had filed an appeal against a GST demand raised under Section 74, after making the mandatory pre-deposit under Section 107(6).
2. The appeal was allowed in favour of the assessee.
3. Subsequently, the assessee applied for refund of the pre-deposit under Section 54, which was rejected by the department through a deficiency memo.
4. The High Court allowed the refund, holding that the amount could not be retained by the State.

➤ **Supreme Court Ruling:**

1. The Supreme Court clarified that refund of statutory pre-deposit is governed by Section 107(6) read with Section 115, and not by Section 54 of the GST Act.
2. Interpretation of Section 54 by the High Court was held to be unnecessary, though the ultimate relief granted was correct.
3. Once an appeal is allowed, the Government has no authority to retain the pre-deposit amount.
4. The refund must be granted along with interest, in accordance with law.

➤ **Key Takeaways:**

1. Statutory pre-deposit for filing GST appeals is automatically refundable upon success in appeal.
2. Refund cannot be rejected through deficiency memos or technical objections.
3. Section 54 procedures do not apply to refunds of pre-deposit amounts.
4. Tax authorities must ensure timely refund with interest.

➤ **Outcome:**

Appeal disposed of | Refund with interest directed | Decision in favour of the assessee.

Kerala High Court

E.P. Gopakumar

Vs

Union of India

Dated: 8 January 2026

Health Insurance GST Exemption Not Available for Group Policies

The Kerala High Court has ruled that the GST exemption on health insurance premiums introduced vide Notification No. 16/2025–CT (Rate) applies only to individual health insurance policies and does not extend to group insurance policies, including those taken for retired bank employees.

➤ **Key Issue:**

Retired bank employees claimed GST exemption on premiums paid for group health insurance policies obtained through the Indian Banks' Association (IBA), contending that they were not a "group" within the meaning of the notification.

➤ **Court's Ruling:**

1. The exemption is specifically intended for individual health insurance policies, including family floater and senior citizen policies.
2. Group insurance policies negotiated through collective bargaining by the Indian Banks' Association offer special rates and additional benefits, making them distinct from individual policies.
3. Retired bank employees covered under such schemes constitute a group with a commonality of purpose, arising from prior employment and welfare arrangements.
4. Reliance was placed on GST Council recommendations and the explicit wording of the notification, which excludes group insurance from exemption.

➤ **Conclusion:**

GST at 18% is payable on premiums for group health insurance policies, even when the beneficiaries are retired employees. The exemption under Notification No. 16/2025–CT (Rate) cannot be claimed for group insurance arrangements.

➤ **Outcome:**

Petitions dismissed | Decision in favour of Revenue.

Super Service Point

vs

Union of India

Dated: 7 January 2026

Supreme Court Update | Writ Not Maintainable When Statutory Appeal Remedy Exists

The Supreme Court has reaffirmed the settled principle that writ jurisdiction should not be invoked in GST matters where an effective statutory appellate remedy is available under the GST law.

➤ **Brief Facts:**

1. A consolidated show cause notice was issued for the period July 2017 to March 2022, alleging tax liability under Section 74.
2. The adjudicating authority passed an order in Form GST DRC07.
3. The taxpayer challenged the order directly before the High Court, contending that separate adjudication orders should have been passed for different periods.
4. The High Court dismissed the writ petition, holding that an alternative efficacious remedy of appeal under Section 107 was available.

➤ **Supreme Court Decision:**

1. The taxpayer filed an SLP against the High Court order.
2. During hearing, the petitioner withdrew the SLP with liberty to file a statutory appeal.
3. The Supreme Court permitted withdrawal and relegated the petitioner to the appellate remedy under Section 107.

➤ **Key Takeaway:**

1. Courts will decline writ petitions in GST matters where statutory appeal mechanisms exist.
2. Taxpayers must ordinarily exhaust appellate remedies before approaching constitutional courts, even in cases involving consolidated SCNs or procedural objections.

➤ **Outcome:**

SLP dismissed as withdrawn | Decision in favour of Revenue.

Tripura High Court

Sahil Enterprises

vs

Union of India

Judgment dated 6 January 2026

High Court Update | Appeal cannot be Rejected on Technical Grounds without Hearing

The Tripura High Court has held that a GST appeal cannot be rejected on purely technical or procedural grounds without granting the assessee an opportunity of being heard, reinforcing the principles of natural justice under GST law.

➤ **Background:**

1. The assessee filed an appeal under Section 107 of the CGST Act against an adjudication order.
2. The appellate authority rejected the appeal on technical grounds, without examining the matter on merits and without granting personal hearing.
3. Aggrieved by the summary rejection, the assessee approached the High Court.

➤ **Court's Observations:**

1. The right to appeal is a valuable statutory right and cannot be defeated by procedural lapses alone.
2. Rejection of an appeal without providing an opportunity of hearing violates principles of natural justice.
3. Appellate authorities are expected to adopt a liberal and justice-oriented approach, especially when substantive rights are involved.

➤ **Decision:**

The High Court set aside the appellate order and directed the appellate authority to reconsider the appeal afresh on merits after granting due opportunity of hearing to the assessee.

➤ **Key Takeaway:**

Procedural deficiencies should not override substantive justice. GST appellate authorities must ensure fair hearing and reasoned disposal of appeals.

➤ **Outcome:**

Matter remanded | Decision in favour of assessee.

Madras High Court
Sree Mugambikai Company

vs

Assistant Commissioner (ST)

Dated: 2 January 2026

High Court Update | Belated Appeal Allowed Subject to Higher Pre-deposit

The Madras High Court has held that where a taxpayer fails to file a statutory appeal under Section 107 of the CGST Act and directly approaches the High Court by way of a writ petition, the Court may still grant relief by permitting a belated appeal, subject to conditions to balance the interests of Revenue and the assessee.

➤ **Background:**

1. A show cause notice was issued for excess claim of input tax credit (ITC).
2. After considering the reply, the department passed an order confirming tax, interest and penalty.
3. Instead of filing a statutory appeal within time, the assessee filed a writ petition before the High Court.

➤ **High Court's Observations:**

1. The assessee ought to have availed the statutory appellate remedy in a timely manner.
2. However, in appropriate cases, courts may allow a belated appeal to avoid denial of substantive justice.
3. Considering the delay, the Court imposed a higher pre-deposit requirement.

➤ **Decision:**

The assessee was granted liberty to file an appeal before the Appellate Authority within 30 days, subject to deposit of 50% of the disputed tax.

Upon such deposit, the appeal shall be decided on merits without reference to limitation.

Bank attachment was directed to be lifted upon compliance.

➤ **Key Takeaway:**

While statutory appeal timelines must be strictly followed, courts may grant relief in deserving cases by allowing belated appeals, often with enhanced pre-deposit conditions.

➤ **Outcome:**

Writ disposed of | Appeal permitted with conditions | In favour of assessee.

Madras High Court
(Madurai Bench)
Periyasamy Karthikeyan

vs

State Tax Officer

Date: 6 January 2026

No Further GST Proceedings After ASMT-12 Once Explanation Accepted

The Madras High Court quashed a GST assessment order where the department initiated fresh proceedings despite having earlier accepted the taxpayer's explanation during scrutiny.

➤ **Key facts:**

1. The taxpayer had wrongly claimed Input Tax Credit (ITC) of Rs.1.94 crore under CGST and SGST instead of IGST in GSTR-3B for FY 2018-19 due to a clerical error. The mistake was disclosed and rectified through GSTR-9 and GSTR-9C, supported by a Chartered Accountant's certificate. During scrutiny, the department issued ASMT-10, accepted the explanation, and dropped proceedings by issuing ASMT-12.
2. Subsequently, the department issued DRC-01A and DRC-01 on the same issue and passed an adverse assessment order.

➤ **Court's ruling:**

The Court held that once an explanation is accepted and ASMT-12 is issued, Section 61(2) of the CGST Act bars any further proceedings on the same issue. Issuance of DRC-01A / DRC-01 thereafter was without jurisdiction. The Court also ruled that mere misclassification of ITC heads (CGST/SGST instead of IGST), when duly rectified through GSTR-9C, does not result in revenue loss.

➤ **Outcome:**

The assessment order dated 09.12.2024 was quashed and the writ petition was allowed.

➤ **Key takeaway:**

Once scrutiny proceedings are concluded with ASMT-12, the GST department cannot reopen the same issue through demand proceedings. Clerical errors in ITC reporting, if transparently corrected through annual returns, cannot be treated as revenue loss.

- Compiled by Simran Jetwani

RBI

RBI/FIDD/2025-26/196

FIDD.CO.PSD.BC.No.11/04.09.001/2025-26

January 19, 2026

The Reserve Bank of India has issued Priority Sector Lending (Targets and Classification) – Amendment Directions, 2026, modifying certain provisions of the PSL Directions, 2025. These changes aim to simplify computation of ANBC, align PSL norms with new Master Directions (2025), and improve clarity in on-lending, securitisation, PSLCs, and microfinance.

Definition:

PSL Directions 2025: Priority Sector Lending (PSL) Directions, 2025 are the Master Directions issued by the Reserve Bank of India that prescribe the targets, sub-targets, eligibility criteria and classification norms for bank lending to specified priority sectors of the economy, in order to ensure adequate and timely flow of credit to sectors of national importance.

ANBC: ANBC (Adjusted Net Bank Credit) means the net bank credit plus investments made by banks in non-Statutory Liquid Ratios bonds held in the Held to Maturity (HTM) category, after adjusting for deductions/exclusions as specified by RBI, and are used for computing Priority Sector Lending (PSL) targets.

PSLCs: Priority Sector Lending Certificates (PSLCs) are tradable certificates issued by banks that have achieved **priority sector lending (PSL) targets beyond the mandated requirement**, which can be **sold to banks that are short of meeting their PSL targets**, without transferring the underlying asset or loan.

1. Foreign Currency Non-Resident (Bank) Account/ Non-Resident External Deposits – Deduction from ANBC

- Deduction allowed only to the extent of incremental advances.
- If the difference is zero or negative, no deduction permitted.
- Cap linked to CRR/SLR-exempt deposits only.

2. Revised PSL Targets

Category	Target
Domestic & Foreign Banks (≥ 20 branches)	40% of ANBC/CEOBSE
Foreign Banks (<20 branches)	40%, with export credit flexibility
RRBs	75% of ANBC/CEOBSE
Small Finance Banks	60% of ANBC/CEOBSE

3. Export Credit – Reclassification

- Export credit to Agriculture & MSMEs will now be counted under respective PSL categories, not separately.
- Off-balance sheet export credit excluded.

4. Housing & Social Infrastructure

- Healthcare loans up to 12 crores in Tier II–VI centres eligible.
- Housing loan population criteria linked to Census 2011 – Urban Agglomerations.
- Rural housing treated as centres below 10 lakh population.

5. Non-Banking Financial Companies, Housing Finance Companies, National Co-operative Development Corporation – On-Lending Norms

- On-lending PSL capped at 5% of previous year’s total PSL.
- New provision (Para 24A):
 - Loans to NCDC eligible for PSL
 - Requires quarterly CA certificate (CAG-empanelled)

6. Compliance & Reporting

- PSL data to be reported:
 - Quarterly: within 15 days
 - Annually: within 1 month
- Service charges prohibited on PSL loans up to ₹50,000.

RBI/2025-26/194

A.P. (DIR Series) Circular No. 20

January 16, 2026

Export & Import of Goods and Services – New FEMA Regulations, 2026

The Reserve Bank of India has comprehensively reviewed and overhauled the FEMA framework governing export and import of goods and services. Based on stakeholder consultations, RBI has issued the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026.

Objective:

- Promote ease of doing business
- Provide relief to small exporters and importers
- Empower Authorised Dealers (ADs) to deliver faster and more efficient services

1. New FEMA Regulations Introduced

- The Export & Import of Goods and Services Regulations, 2026 will replace existing directions.
- Applies to:
 - Export of goods
 - Export of services
 - Import of goods
 - Import of services
 - Merchanting trade transactions

2. Effective Date

All provisions are effective from 01st October 2026. Till then, existing FEMA directions continue to apply.

3. Responsibilities of Authorised Dealers (ADs)

ADs must ensure strict compliance with:

- FEMA, 1999
- Rules, Regulations & Directions under FEMA
- Foreign Trade Policy issued by Government of India

4. Mandatory Actions for ADs:

- All references to RBI must be routed through the PRAVAAH portal
- Any doubtful or suspicious transaction must be reported to the Directorate of Enforcement (DoE)

5. Customer Awareness

- AD banks must inform exporters and importers about:
 - New FEMA Regulations
 - Revised procedures
 - Effective date

RBI/2025-26/193

FIDD.CO.FSD.BC.No.10/05.02.001/2025-26

January 13, 2026

Modified Interest Subvention Scheme (MISS) for KCC – FY 2025-26

The Government of India has continued the Modified Interest Subvention Scheme (MISS) for short-term agricultural and allied activity loans taken through Kisan Credit Cards (KCC) for the financial year 2025-26. RBI has issued this circular to operationalise the scheme for banks. The scheme ensures that farmers get loans at cheaper interest rates, and banks get compensated by the Government for offering these concessional rates.

1. Who gets the benefit?

Farmers availing short-term loans through KCC for:

- Crop cultivation
- Allied activities like:
 - Animal husbandry
 - Dairy
 - Fisheries
 - Bee-keeping, etc.

2. How much loan is covered?

- Overall limit: ₹3 lakh per farmer per year
- Special cap for allied activities only:
 - Maximum ₹2 lakh
- Priority is given to crop loans first, balance (if any) goes to allied activities.

This avoids misuse and ensures crop finance remains the main focus.

3. What interest rate will farmers pay?

Particulars	Rate
Normal lending rate	7% p.a.
If farmer repays on time	4% p.a.

How does it become 4%?

- Government gives 1.50% interest subvention to banks
- Farmers who repay on time get an additional 3% incentive

Important:

- The 4% benefit is available only if repayment is made within one year
- Delayed repayment = no prompt repayment benefit

4. Warehouse storage benefit (big relief for farmers)

To discourage distress sale of crops:

- Small & marginal farmers can continue to get interest subvention
- For up to 6 months after harvest
- Against negotiable warehouse receipts
- Warehouses must be Warehousing Development and Regulatory Authority
- Same interest rate as the original crop loan applies.

5. Relief during natural calamities

- Normal natural calamity:
 - Interest subvention available for first year on restructured loan
 - From second year → normal interest applies
- Severe natural calamity:
 - Interest subvention available for:
 - First 3 years or entire period,
 - Subject to maximum 5 years
 - 3% prompt repayment incentive also allowed

6. Key compliance points for banks (very important)

Banks must strictly ensure:

- Aadhaar is mandatory
 - Aadhaar seeding + authentication compulsory
 - e-KYC must be completed for every farmer
- Multiple KCC validation
 - Farmer can have multiple Kisan Credit Cards
 - BUT:
 - Overall MISS benefit capped at ₹3 lakh
 - Same land parcel → benefit only on one KCC
 - Highest sanctioned loan gets priority
- Digital push
 - Banks should encourage use of:
 - RuPay cards
 - Digital banking channels
- Accurate & timely reporting on Kisan Rin Portal
 - Crop details must be correctly entered
 - Social category data must be captured and not changed later
 - **Modified Interest Subvention Scheme (MISS)** claims must be:
 - Uploaded on time
 - Certified by Statutory Auditors

The **Modified Interest Subvention Scheme (MISS)** is a **Government of India scheme** under which farmers get **short-term agricultural and allied activity loans at subsidised interest rates**, mainly through **Kisan Credit Cards (KCC)**.

RBI/2025-26/195

DOR.STR.REC.393/04.02.001/2025-26

January 19, 2026

Interest Subvention on Export Credit under EPM – *Niryat Prothsahan*

The Government of India has launched a new interest subvention scheme for exporters under the Export Promotion Mission (EPM), branded as “Niryat Prothsahan”.

This scheme is being introduced on a pilot basis, meaning:

- It is initially limited in scope
- Implementation will be closely monitored
- Future continuation or expansion will depend on performance and compliance

RBI has issued this circular to guide banks and financial institutions on how to implement the scheme correctly.

1. The instructions apply to:

- Scheduled Commercial Banks (except RRBs)
- Primary (Urban) Co-operative Banks
- State Co-operative Banks
- All-India Financial Institutions

In short: most banks involved in export financing

2. What benefit is being given?

Banks are required to provide interest subvention (interest rate relief) on:

- Pre-shipment export credit (packing credit)
- Post-shipment export credit (export bills, LC negotiations, etc.)

This benefit is only for eligible exporters and only for eligible export credit, as defined under the EPM scheme.

3. Where are the actual rules?

This RBI circular itself does not spell out the detailed mechanics.

The real operating rules are contained in:

- Directorate General of Foreign Trade Notice No. 20/2025-26 dated 2 January 2026
- Directorate General of Foreign Trade Notice No. 22/2025-26 dated 16 January 2026

These Trade Notices specify:

- Who qualifies as an eligible exporter
- Which export products/sectors are covered
- Eligible loan types
- Rate and period of interest subvention
- Claim submission process and timelines

Banks must strictly follow DGFT instructions, not make their own interpretations.

4. What RBI is clearly telling banks

RBI's message is simple but strict:

- Extend the benefit correctly
 - Interest subvention must be given only where the export credit qualifies under the scheme
 - No blanket or automatic benefit

- Follow RBI regulations
 - Existing RBI rules on export credit, KYC, AML, interest application, and reporting continue to apply
 - The scheme does not override RBI regulations

Be careful while claiming reimbursement

- Claims must be:
 - Accurate
 - Properly supported by documentation
 - Submitted strictly as per DGFT-prescribed procedures
- Wrong or excess claims may be rejected or recovered

- Compiled by Parshva Kakariya

ROC

Corporate Compliance Case Studies

Case Study 1: MCA Imposes Rs. 66.16 Lakh Penalty on Saankhya Labs Private Limited for CSR Non-Compliance

Date of Order: 3 August 2023

Regulatory Authority: Registrar of Companies (ROC), Karnataka

Relevant Law: Section 135(6), Companies Act, 2013 – Corporate Social Responsibility (CSR)

Background

Corporate Social Responsibility (CSR) is **mandatory for companies exceeding prescribed financial thresholds**, requiring them to:

- Form a **CSR Committee**,
- Develop a **CSR policy**, and
- **Spend at least 2% of average net profits** on CSR initiatives annually.

Saankhya Labs Private Limited failed to comply with these statutory obligations for the **financial years 2020-21 and 2021-22**, including **non-formation of CSR committee and inadequate CSR expenditure and reporting**.

MCA Action

The Ministry of Corporate Affairs initiated an **adjudication proceeding under Section 454** of the Companies Act. Following review, a penalty order was issued on **3 August 2023**.

Penalties Imposed

Entity / Officer	Financial Year	Penalty Amount (Rs.)
Saankhya Labs Pvt Ltd	2020-21	31,26,064
Saankhya Labs Pvt Ltd	2021-22	31,21,624
Mr. Parag Naik Balwant (Director)	2020-21	1,56,304
Mr. Parag Naik Balwant (Director)	2021-22	1,56,082
Ms. Anusha (Director)	2020-21	1,56,304
Ms. Anusha (Director)	2021-22	1,56,082

Total Penalty: Rs. 66,16,156

Key Takeaways

- **CSR compliance is not optional** – mandatory for companies meeting financial criteria.
- **Directors are personally liable** along with the company for non-compliance.

- **Penalties are substantial** – repeated or prolonged defaults can result in fines running into **tens of lakhs of rupees**.
- Proactive compliance and accurate reporting are essential to avoid regulatory actions.

Industry Impact

This enforcement highlights the **MCA’s strict monitoring of CSR and statutory obligations**. Corporates are reminded to:

- Maintain up-to-date CSR policies,
- Ensure timely formation of CSR committees,
- Allocate and report the required CSR spend accurately, and
- Keep detailed records to demonstrate compliance in case of MCA scrutiny.

Case Study 2: MCA Imposes Rs. 11.11 Lakh Penalty on Auriga Accounting Private Limited for MGT-14 Non-Filing

Company: Auriga Accounting Private Limited

Regulatory Authority: Registrar of Companies (ROC), Kanpur

Period of Default: FY 2017-18 to FY 2020-21

Order Reported: 21 April 2025

Relevant Law: Sections 117(1), 117(2), and 179(3)(g) of the Companies Act, 2013

Background

Companies are required to **file Form MGT-14** with the Registrar of Companies within **30 days** of board approval of financial statements. Form MGT-14 ensures that ROC records the **board resolutions approving annual financial statements**, a critical corporate governance compliance.

Auriga Accounting Private Limited **failed to file MGT-14 for four consecutive years (FY 2017-18 to FY 2020-21)**, resulting in statutory non-compliance.

MCA Action

- **Show Cause Notice Issued:** 25 April 2024 by ROC Kanpur
- **Adjudication / Penalty Order:** Imposed in 2025
- **Reason:** Non-filing of MGT-14 within the statutory 30-day period and failure to respond to MCA notices

Penalties Imposed

Financial Year	Company Penalty (Rs.)	Director Penalty (each) (Rs.)	Total Penalty (Rs.)
2017-18	2,00,000	50,000	3,00,000
2018-19	2,00,000	50,000	3,00,000
2019-20	2,00,000	50,000	3,00,000
2020-21	2,00,000	50,000	3,00,000
Grand Total	8,00,000	2,00,000	11,11,000

Payment of the penalty was required **within 90 days** of the adjudication order.

Key Takeaways

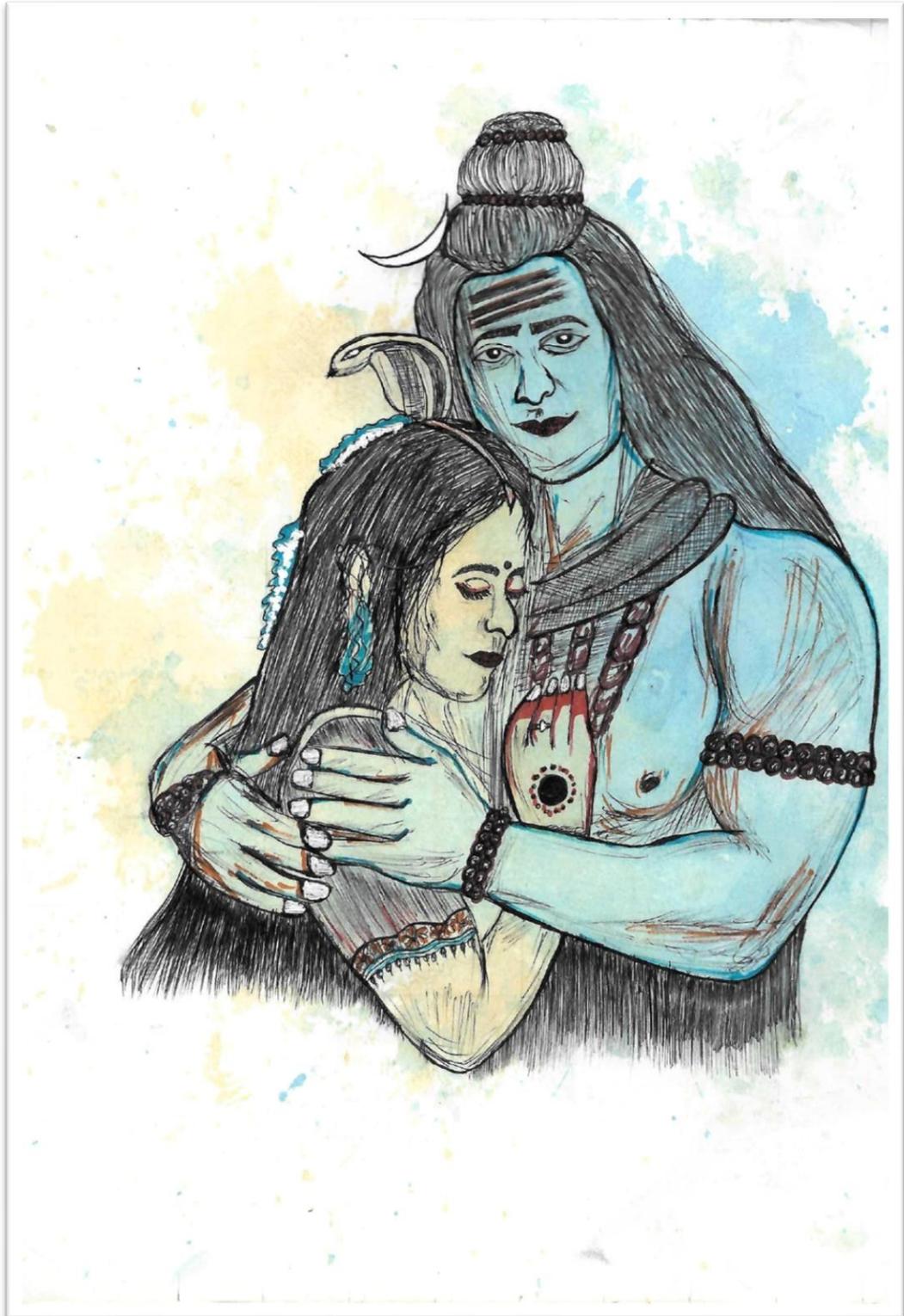
- **Timely Filing Matters:** Non-filing of statutory forms like MGT-14 can result in **substantial financial penalties**.
- **Directors Are Personally Liable:** MCA can hold directors accountable along with the company.
- **Compliance Response is Crucial:** Ignoring MCA notices may increase penalties and attract additional scrutiny.
- **Governance Lessons:** Board resolutions, filings, and statutory approvals should be **systematically tracked** to avoid defaults.

Industry Impact

This case reinforces the importance of **strict adherence to corporate governance and ROC filing requirements**. Companies must establish **robust compliance monitoring mechanisms** to avoid penalties and reputational risks.

- Compiled by Amruta Govekar

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