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NEWSLETTER

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DIRECT TAX UPDATES

I. Supreme Court Decision

Non-Compete Fees – Allowable U/sec 37
Sharp business system v. CIT [2025] 181 taxmann.com 657 (SC)

Facts of the case :

The assessee company was engaged in the business of importing, marketing and selling electronic office products and equipment's in India. It was incorporated as a joint venture of Sharp Corporation, Japan and Larsen and Toubro Limited (L&T). During the assessment year 2001-02, assessee paid a sum of Rs. 3 crores to L&T as consideration for the latter not setting up or undertaking or assisting in the setting up of or undertaking any business in India of selling, marketing and trading in electronic office products for 7 years. The said amount of Rs. 3 crores was claimed as a deductible revenue expenditure in the return of income filed by the assessee as non-compete fee paid to L&T.

The Assessing Officer held that by making payment of Rs. 3 crores to L&T, assessee could ward off competition in business. The object of making such payment to L&T was to derive an advantage by eliminating competition for a period of 7 years. According to the Assessing Officer, such an expenditure had brought into existence an advantage of enduring nature and hence treated the payment of Rs. 3 crores as capital expenditure. Therefore, the said amount was added to the income of the assessee.

Decision:

The Supreme Court held that Section 37 is a residuary provision which provides that any expenditure not being expenditure of the nature described in sections 30 to 36 and not being in the nature of capital expenditure or personal expenses of the assessee laid out or expended wholly and exclusively for the purposes of the business or profession shall be allowed in computing the income chargeable under the head 'profits and gains of business or profession.

This provision contemplates that any expenditure incurred wholly and exclusively for the purposes of the business shall be allowed in computing the income chargeable under the head 'profits and gains of business or profession.' For such an expenditure to be allowed, it should fulfil the following criteria: (i) it should not be an expenditure described in sections 30 to 36; (ii) it should not be in the nature of capital expenditure or personal expenses of the assessee

The fact that an item of expenditure is wholly and exclusively laid out for the purpose of business by itself is not sufficient to entitle its allowance in computing the income chargeable to tax. In addition, the expenditure should not be in the nature of a capital expenditure. In the infinite variety of situational diversities in which the concept of what is capital expenditure and what is revenue expenditure arises, it is well nigh impossible to formulate any general rule, even in the generality of cases, sufficiently accurate and reasonably comprehensive, to draw any clear line of demarcation. However, some broad and general tests have been suggested from time to time

to ascertain on which side of the line the outlay in any particular case might reasonably be held to fall. These tests are generally efficacious and serve as useful servants but as masters they tend to be over-exacting.

One may now examine the nature and character of non-compete fee. Non-compete fee is paid by one party to another to restrain the latter from competing with the payer in the same line of business. Purpose of non-compete payment is to give a head start to the business of the payer. It can also be for the purpose of protecting the business of the payer or for enhancing the profitability of the business of the payer by insulating the payer from competition. Thus non-compete fee only seeks to protect or enhance the profitability of the business, there by facilitating the carrying on of the business more efficiently and profitably. Such payment neither results in creation of any new asset nor accretion to the profit earning apparatus of the payer. The enduring advantage, if any, by restricting a competitor in business, is not in the capital field.

The non-compete compensation from the stand point of the payer of such compensation is so paid in anticipation that absence of a competition from the other party may secure a benefit to the party paying the compensation. However, there is no certainty that such benefit would accrue. In so far the present case is concerned, on account of payment of non-compete fee, the assessee had not acquired any new business and there is no addition to the profit making apparatus of the assessee. The assets remained the same. The expenditure incurred was essentially to keep a potential competitor out of the same business. Further, there is no complete elimination of competition. Such payment made by the appellant to L&T did not create a monopoly of the appellant over the business of electronic products/ equipments. Payment was made to L&T only to ensure that the appellant operated the business more efficiently and profitably. Such payment made to L&T cannot, therefore, be considered to be for acquisition of any capital asset. That being the position, it is opined that payment made by the appellant to L&T as non-compete fee is an allowable revenue expenditure under section 37(1).

II. High Court Decision

Rectification order U/sec 154 without a DIN is Invalid
Seimens Ltd. v. DCIT [2025] 181 taxmann.com 448 (Bom)

Facts of the case :

The Assessing Officer passed an order giving effect on 16-3-2020 pursuant to transfer pricing proceedings and appellate directions. Thereafter, the Transfer Pricing Officer issued a notice dated 21-3-2024 proposing rectification and passed a rectification order dated 27-3-2024 restoring a transfer pricing adjustment in respect of the Medical Division – Distribution segment.

The Assessing Officer's rectification order was purportedly dated 29-3-2024; however, the said order did not bear a Document Identification Number (DIN) on its face and did not record any exceptional circumstance or prior approval for issuance of a manual order as required under CBDT Circular No.19/2019.

Subsequently, the Assessing Officer uploaded an intimation letter dated 10-7-2024 mentioning DIN. However, the said intimation was neither served by email nor by post and, as per record, was sent on 16-7-2024 to an incorrect email ID and bounced. The assessee file a Writ Petition against the said rectification order on the ground of invalidity.

Decision:

The Bombay High Court holding the rectification order passed under section 154 by the Assessing officer as invalid and deemed never issued. The High Court held that the CBDT in its Circular No.19, dated: 14-8-2019 has clarified in paragraph 3 has laid down five exceptional circumstances where the order may be issued manually after recording reasons and with the prior approval of the Chief Commissioner/Director General of Income-Tax. Further, where the order is manually issued it should be regularised within 15 working days of its issuance by compulsorily generating a DIN on the system and communicating the DIN so generated, to the assessee. In the present case, the impugned order does not bear a DIN on the face of the order and

no exceptional circumstance is mentioned in the impugned order while passing it manually without a DIN. Further, there is no approval of either the Chief Commissioner or the Director General of Income Tax which has been brought on record. The Assessing Officer has issued the impugned letter dated 10-7-2024 providing a DIN for the impugned order, beyond the time period of 15 working days provided in the Circular to regularize the impugned order. Therefore, the impugned rectification order, cannot validate the impugned order passed without a DIN, when no reasons are mentioned in the impugned order.

In conclusion, the High Court held that whichever way one looks at it, either from the non-compliance with the requirements of paragraphs 2, 3 and 4 of the CBDT Circular where the impugned order shall be treated as invalid and deemed to have never been issued as it is passed without a DIN or; from the fact that the same Officer has issued the Notice under section 154(3) on 20-6-2024 and he could not have issued the impugned order before 20-6-2024 and he has back dated the order, shows that the impugned order is not valid and should be quashed.

III. Tribunal Decision

Discounted Sale of Goods - not Capital Expenditure
DCIT v. Flipkart India (P) Ltd [2025] 181 taxmann.com 334 (ITAT Bangalore)

Facts of the case :

The assessee, an e-commerce operator engaged in wholesale distribution, had filed Nil returns for assessment year 2020-21 and 2021-22, reporting carry forward business losses of about Rs. 3,121 crores and Rs. 2,442 crores, respectively.

In scrutiny, the Assessing Officer held that selling below cost created/acquired marketing intangibles; for assessment year 2020-21 he capitalized the alleged difference, making an addition of about Rs. 5,141 crores and for assessment year 2021-22 he made a similar addition of about Rs. 4,016.82 crores

Decision:

The Bangalore Tribunal deleted the addition made holding that it is clear from the statutory provisions that the starting point of computing income from business is the profit or loss as per the profit and loss account. The Assessing Officer cannot disregard the profit or loss as disclosed in the profit and loss account unless he invokes section 145(3).

Only income which has accrued or arisen can be taxed, and not income which could have been earned but was not earned. There is nothing to show accrual of income so as to disregard the loss declared, and there is no provision in the Act by which the Assessing Officer can ignore the sale price declared by an assessee and proceed to enhance the sale price without material to show that the assessee has in fact realized higher sale price. One cannot presume that the profit foregone is expenditure incurred or that such presumed expenditure created goodwill or any other intangibles or brand. Therefore, the loss as declared by the assessee has to be accepted and the action in disallowing expenses and assuming that there was an expenditure of a capital nature is without any basis and not in accordance with law.

ALLIED LAWS UPDATES

CA DALPAT SHAH

Probate of Will Not Mandatory- Amendment to Indian Succession Act, 1925

Section 213 of the Indian Succession Act provided that no right as executor or legatee could be established in any Court unless a court of competent jurisdiction in India granted probate of the Will under which the right is claimed. This requirement applied to Wills made by Hindus, Parsis, Sikhs and Jains in specific jurisdictions, namely Mumbai, Kolkata and Chennai, in respect of immovable property situated within those limits.

The requirement of Probate of Will has been amended by The Repealing and Amending Act, 2025 (the Act). Therefore ,w.e.f. 20.12.2025 a Will can be executed without a Probate in Mumbai, Kolkata and Chennai. This will bring a big relief to uncontested Wills as the execution of a Will become speedier and without any legal cost.

EAC Opinion:

I. **Accounting treatment of interest cost arising on fair valuation of interest free subordinate debt provided by the Government of India (GoI), Government of National Capital Territory of Delhi (GNCTD) and other government agencies for construction of metro projects, and**

II. **Accounting treatment of interest income earned on temporary investment of aforementioned interest free subordinate debt funds in flexi deposits till their utilisation in the project.**

The relevant text of the Opinion is reproduced below:

The Committee notes that Ind AS 23 specifies that borrowing costs include interest expense calculated using the effective interest method as described in Ind AS 109, 'Financial Instruments'. Further, as per the requirements of Ind AS 23, the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are to be capitalised and other borrowing costs are recognised as an expense. In the extant case, the Committee notes that funds are borrowed and used for the metro project, which usually takes a substantial period of time to get ready for its intended use and thus, it can be said that the project is a qualifying asset as per the requirements of Ind AS 23. Therefore, the borrowing cost/interest expense calculated using the effective interest method on interest free subordinate loan in the extant case should be capitalised as per the requirements of Ind AS 23.

With regard to accounting for interest income earned on temporary investment of subordinate debt funds, the Committee notes that Ind AS 23 requires that the borrowing cost (on specific borrowed funds) to be capitalised is to be adjusted with the income earned from temporary investment of such borrowed funds while the project is in the stage of construction. Accordingly, in the extant case, the interest earned on temporary investment of the interest free subordinate debt funds in flexi deposits till their utilisation in the project during the construction period should be adjusted against the borrowing costs calculated using the effective interest method as discussed above and which is to be capitalised in the cost of the project as per the requirements of Ind AS 23.

EAC Opinion can be accessed at:
https://resource.cdn.icai.org/90204cajournal-jan2026-30.pdf

COMPANY LAW UPDATE

A. Relaxation of additional fees and extension of time for filing of Financial Statements and Annual Returns under the Companies Act, 2013:

In continuation of General Circular No. 06/2025 dated October 17, 2025 on the subject cited above, and in view of the representations received from stakeholders, the competent authority has issued Circular No. 08/2025 dated December 30, 2025, to allow companies to complete their annual filings [e- Forms MGT7, MGT-7A, AOC-4, AOC-4 CFS, AOC-4 NBFC (Ind AS), AOC-4 CFS NBFC (Ind AS), AOC4 (XBRL)] pertaining to FY 2024-25 up to January 31, 2026 without payment of additional fees.

The circular can be accessed at:

https://www.mca.gov.in/bin/dms/getdocument?mds=O%252BR6QnciZFAjhGuEaQwrcw%253D%253D&type=open

B. Amendment to Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016:

The Ministry of Corporate Affairs (MCA) has, vide notification G.S.R. 940 (E)dated December 31, 2025, amended the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016 by inserting another provisio to sub rule (3) of rule 4.

The same mentions requirements for signing of STK-3 Indemnity Bond on case of specific Government companies.

The notification can be accessed at:

https://www.mca.gov.in/bin/dms/getdocument?mds=4k9X1%252By%252B0qciDmzvy2y53Q%253D%253D&type=open

C. Amendment to Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016:

The Ministry of Corporate Affairs (MCA) has, vide notification G.S.R. 943 (E)dated December 31, 2025, amended Companies (Appointment and Qualification of Directors) Rules, 2014.

The notification makes substitutions in Rule 11(1), (2) and (3) with regard to the authority concerned. It also provides a major relief for DIN holders in doing the KYC procedure stating that the yearly DIN-KYC procedure is now to be done on or before the 30th June of the immediately following every third consecutive financial year and that in the event of change in personal mobile number, email address or residential address, the DIN holder shall be required to submit Form DIR-3 KYC Web within a period of thirty days of such change along with prescribed fee.

The notification can be accessed at:

https://www.mca.gov.in/bin/dms/getdocument?mds=Vk%252FT5sIBKBare6St1b%252FznQ%253D%253D&type=open

IFSCA UPDATE

A. Computation of liquid net worth under IFSCA (Capital Market Intermediaries) Regulations, 2025:

The IFSCA has vide circular F. No. IFSCA-PLNP/80/2024-Capital Markets dated December 30, 2025 issued a circular to all Capital Market Intermediaries in the International Financial Services Centres (IFSCs) with regard to computation of liquid net worth under IFSCA (Capital Market Intermediaries) Regulations, 2025 in line with its previous circular titled "IFSCA (CMI) Regulations, 2025 - Extension of deadline for compliance with revised net worth requirements" issued on September 12, 2025.

The Circular can be accessed at:

https://ifsca.gov.in/CommonDirect/GetFileView?id=38fea9cc5969551d78bf00e670dd011f&fileName=Computation_of_liquid_net_worth_under_IFSCA__Capital_Market_Intermediaries__Regulations__2025___Clarifications_20251230_0906.pdf&TitleName=Legal

B. Extension of deadline for implementing revised norms for Principal Officer and Compliance Officer:

The IFSCA has vide circular F. No. IFSCA-PLNP/80/2024-Capital Markets dated December 31, 2025 issued a circular regarding extension of deadline for implementing revised norms for Principal Officer and Compliance Office. This was done by IFSCA (International Financial Services Centres Authority) in continuation of its circular titled "IFSCA (CMI) Regulations, 2025 - Extension of deadline for implementing revised norms for principal officer and compliance officer" dated September 04, 2025.

The circular can be accessed at:

https://ifsca.gov.in/CommonDirect/GetFileView?id=38fea9cc5969551d78bf00e670e03187&fileName=IFSCA__CMI__Regulations__2025_%E2%80%93_Extension_of_deadline_for_implementing_revised_norms_for_Principal_Officer_and_Compliance_Officer_20251231_0614.pdf&TitleName=Legal

SEBI UPDATE

A. Relaxation on geo tagging requirement in India for NRIs while undertaking re-KYC:

The Securities and Exchange Board of India (SEBI) had issued SEBI Circular HO/38/30/12(1)2025-MIRSD-SEC-FATF dated December, 10, 2025 relating to relaxation on geo tagging requirement in India for NRIs while undertaking re-KYC.

The Circular can be accessed at:

https://www.sebi.gov.in/legal/circulars/dec-2025/relaxation-on-geo-tagging-requirement-in-india-for-nris-while-undertaking-re-kyc_98284.html

B. Deferment of timeline for implementation of Phase III of Nomination Circular dated January 10, 2025 read with Circular dated February 28, 2025 and July 30, 2025:

The Securities and Exchange Board of India (SEBI) had issued SEBI Circular HO/42/36/12(4)2025-OIAE-IAD3 dated December 11, 2025 relating to deferment of timeline for implementation of Phase III of Nomination Circular dated January 10, 2025 read with Circular dated February 28, 2025 and July 30, 2025.

SEBI had issued a circular on "Revise and Revamp Nomination Facilities in the Indian Securities Market" on January 10, 2025. Pursuant to the representations received from various stakeholders and discussions held thereafter, it was, decided to implement the circular in three phases, instead of from March 01, 2025. Accordingly, vide circular dated February 28, 20252, implementation of certain provisions were deferred to Phase II (i.e. June 01, 2025) and Phase III (i.e. September 01, 2025). In view of the operational difficulties expressed by the Depositories, depository participants and Industry Associations, vide circular dated July 30, 2025, the implementation of the Phase II and Phase III was further deferred to August 08, 2025 and December 15, 2025 respectively.

The timeline has now been further deferred as per the above-mentioned circular.

The Circular can be accessed at:

https://www.sebi.gov.in/legal/circulars/nov-2025/modifications-to-chapter-iv-of-the-master-circular-for-debenture-trustees-dated-august-13-2025_97943.html

C. Modification in the conditions specified for reduction in denomination of debt securities:

The Securities and Exchange Board of India (SEBI) had issued SEBI Circular HO/17/11/24(1)2025-DDHS-POD1/I/491/2025 dated December 18 2025 for modification in the conditions specified for reduction in denomination of debt securities.

The above-said circular is in continuation of SEBI circular SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2024/94 dated July 03, 2024 which provided for reduction in denomination of debt securities and non-convertible redeemable preference shares subject to certain conditions.

The Circular can be accessed at:

https://www.sebi.gov.in/legal/circulars/dec-2025/modification-in-the-conditions-specified-for-reduction-in-denomination-of-debt-securities_98463.html

D. Ease of investments and ease of doing business measures – enhancing the 'Facility for Basic Services Demat Account (BSDA):

The Securities and Exchange Board of India (SEBI) has issued SEBI Circular HO/38/11/11(3)2025-MIRSD-POD/I/1101/2025 dated December 2025 regarding ease of investments and ease of doing business measures – enhancing the 'Facility for Basic Services Demat Account (BSDA).

The Circular can be accessed at:

https://www.sebi.gov.in/legal/circulars/dec-2025/ease-of-investments-and-ease-of-doing-business-measures-enhancing-the-facility-for-basic-services-demat-account-bsda-_98667.html

FEMA UPDATE

Export and Import of Indian Currency to or from Nepal and Bhutan

- RBI has amended FEM (Export and Import Of Currency) Regulations, 2015 to permit individuals, except citizens of Pakistan or Bangladesh, to take or bring Indian currency to and from Nepal and Bhutan, excluding notes above Rs.100.
- Travellers may, however, carry higher-denomination Indian notes up to Rs.25,000 when moving between India and Nepal/Bhutan.
- Movement of Nepalese and Bhutanese currency remains freely permitted.

Notification Link:
https://rbidocs.rbi.org.in/rdocs/notification/PDFs/APDIR18C0812202548ECB9C879304C4BBA4F58BE5127F217.PDF

Case Update: Non-Realisation of Export Proceeds under FEMA

1. Brief Facts of the Case

- The Appellant, an exporter, failed to realise export proceeds amounting to ₹3.36 crore within the prescribed period due to disputes raised by the overseas buyer regarding defects in goods.
- The Appellant claimed to have made recovery efforts, including a personal visit by a Director, and filed an application with RBI for write-off, which remained pending.
- The Adjudicating Authority imposed a penalty of ₹75 lakh on the Appellant and ₹5 lakh each on four Directors for contravention of FEMA provisions.

2. Relevant Legal Extract

- Section 8 of FEMA, 1999 - Mandates that a person shall take all reasonable steps to realise and repatriate foreign exchange due to him within the prescribed period.
- Regulation 3 of FEMA (Realisation, Repatriation and Surrender of Foreign Exchange) Regulations, 2000 - Requires realisation and repatriation of foreign exchange within the stipulated time.
- Regulations 8 and 9 of FEMA (Export of Goods and Services) Regulations, 2000 - Obligate exporters to realise export proceeds within the prescribed period and obtain RBI approval in case of delay or write-off.

3. Contentions

- The Appellant contended that all reasonable steps were taken to recover the dues and that the RBI write-off application was pending
- The Respondent argued that pending RBI approval does not absolve the Appellant of statutory obligations and that no evidence of legal action or re-import of goods was provided.

4. Analysis and Findings

- The Tribunal held that failure to realise export proceeds of ₹3.36 crore within the stipulated period and failure to obtain RBI approval for write-off constitute a violation of FEMA, even if a write-off application is pending.
- However, considering that the unrealised amount was only about 9% of total exports and recovery efforts were demonstrated, the Tribunal reduced the penalty on the Appellant from ₹75 lakh to ₹5 lakh, waived penalty on two Directors, and reduced the penalty on the remaining two Directors from ₹5 lakh to ₹2.5 lakh each.

Case law Name:

Ralson Industries Ltd vs Joint Director (Appellate Tribunal Under SAFEMA Delhi)

GST UPDATE

Supplier Tax Payment Default and Input Tax Credit under GST

Gauhati High Court Reads Down Section 16(2)(aa) to Protect Bona Fide Purchasers

In a significant and much-awaited development under GST jurisprudence, the Division Bench of the Gauhati High Court, in M/s Mcleod Russel India Limited vs. Union of India & Ors. [TS-995-HC(GAUH)-2025-GST], has granted substantial relief to bona fide recipients by reading down Section 16(2)(aa) of the Central Goods and Services Tax Act, 2017 ("CGST Act").

The ruling addresses one of the most pressing and contentious issues under GST—denial of Input Tax Credit ("ITC") to genuine buyers due to supplier-side defaults, a factor entirely beyond the buyer's control.

- **Statutory Background – Section 16(2)(aa)**

  Section 16(2)(aa) of the CGST Act provides that:

  "No registered person shall be entitled to the credit of any input tax unless the details of the invoice or debit note have been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient in the manner specified under section 37."

  In practical terms, this provision links the buyer's entitlement to ITC with the supplier's compliance in filing GSTR-1, and the reflection of such invoices in GSTR-2A / GSTR-2B.

- **The Core Problem**

  A substantial portion of GST litigation today arises from mismatches between ITC claimed in GSTR-3B and auto-populated data in GSTR-2A / GSTR-2B. These mismatches often occur not because of any wrongdoing by the recipient, but due to:

  - Non-filing or delayed filing of GSTR-1 by suppliers
  - Incorrect reporting of invoices
  - Technical or clerical errors
  - Financial distress or non-compliance by suppliers

  Despite the recipient having paid GST to the supplier and having undertaken genuine business transactions, ITC is denied solely due to supplier default.

  This amendment, therefore, effectively overturned earlier judicial precedents, both in India and internationally (including EU jurisprudence), where courts consistently held that a bona fide purchaser cannot be penalised for the supplier's failure to remit tax.

- **Arguments Advanced by the Petitioner**

  The petitioner contended that Section 16(2)(aa):

  1. **Imposes an arbitrary and impossible condition**

     The purchaser has no statutory mechanism or control to ensure that the supplier files GSTR-1 correctly or timely.
  2. **Restricts a vested right to ITC**

     ITC, once earned through genuine transactions and tax payment to the supplier, cannot be denied due to supplier default.
  3. **Creates an irrational burden on recipients**

     There is no provision enabling the purchaser to compel supplier compliance or rectify non-reflection in GSTR-2A / 2B.
  4. **Leads to double taxation**

     Denial of ITC forces the purchaser to bear GST twice—once at the time of purchase and again upon reversal of credit.
  5. **Defeats the very objective of GST**

     GST is designed to tax only value addition and eliminate cascading effects, which is negated by such denial.

  The petitioner relied on a consistent line of judicial precedents, including decisions of the Calcutta High Court, Kerala High Court, Delhi High Court, and the Supreme Court, which upheld the rights of bona fide purchasers where transactions were genuine and tax had been paid to the supplier.

- **Revenue's Stand**

  The Revenue argued that:

  - ITC is a statutory concession, not an absolute right
  - Section 16(2)(aa) was consciously introduced to:
    - Prevent fraudulent ITC claims
    - Strengthen supplier compliance
    - Eliminate provisional credits
  - The provision applies uniformly and does not discriminate against any class of taxpayers
  - Unless tax is actually paid to the Government, ITC should not be allowed

  Accordingly, the Revenue contended that the provision was constitutionally valid and required no reading down.

- **Findings and Ruling of the Gauhati High Court**

  The Court struck a carefully balanced approach, recognising both:

  - The legislative intent to curb fraud, and
  - The practical hardship faced by genuine taxpayers.

  Key observations of the Court:

  - GST is fundamentally a tax on consumption, with the supplier acting as a collecting agent
  - Denying ITC to a bona fide buyer due to supplier default shifts the tax burden unfairly onto the purchaser
  - Such denial contradicts the objective of avoiding cascading taxation
  - The burden placed on the purchaser under Section 16(2)(aa) is onerous and inequitable

  However, the Court refrained from declaring the provision unconstitutional.

- **Reading Down of Section 16(2)(aa)**

  The Court held that:

  Before denying ITC to a bona fide purchaser on account of supplier default, the recipient must be given an opportunity to establish the genuineness of the transaction.

  If the purchaser can demonstrate bona fides through:
  - Valid tax invoices
  - Proof of receipt of goods/services
- Proof of payment of tax to the supplier
- Absence of collusion or fraud

  then ITC should not be denied solely due to non-reflection in GSTR-2A / 2B.

  The provision was read down until such time as the CBIC introduces a practical and effective mechanism to address this systemic issue.

- **Conclusion and Way Forward**

  This judgment is a major relief for genuine taxpayers who have been facing ITC reversals for reasons beyond their control. While Section 16(2)(aa) may assist tax administration, it cannot override commercial reality and principles of fairness.

  The ruling reinforces that:
  - Bona fide buyers cannot be treated as tax defaulters
  - ITC denial must not result in double taxation
  - GST must remain true to its founding promise—a tax on value addition, not on compliance lapses of others

  Given the far-reaching implications, the matter may travel to higher judicial forums. It is hoped that both the legislature and administration take note of ground-level realities and evolve GST into what it was always intended to be—

  A Good and Simple Tax.

DUE DATES

Due dates of various compliances falling in the month of January 2026

Due Date	Act/Authority	Compliance Description
07-01-26	Income Tax	Deposit of Tax Deducted at Source (TDS) / Tax Collected at source (TCS) during the month of December - 2025
07-01-26	RERA	Due date for Quarterly Progress Report (QPR) Submission for the Quarter Ended on December 31 , 2025.
10-01-26	GST	Return (GSTR-7) to be furnished by the registered persons who are required to deduct tax at source for the month of December-2025
10-01-26	GST	Return (GSTR-8) to be furnished by the registered electronic commerce operators who are required to collect tax at source on the net value of taxable supplies made through it for the month of December-2025
11-01-26	GST	Statement of outward supplies (GSTR-1) by the taxpayers having an aggregate turnover of more than Rs. 5 crore or the taxpayers who have opted for monthly return filing for the month of December-2025.
13-01-26	GST	Statement of outward supplies by the taxpayers having an aggregate turnover up to ₹ 5 crore and who have opted for the QRMP scheme
13-01-26	GST	Return (GSTR-5) to be furnished by the non-resident taxable persons containing details of outward supplies and inward supplies for the month of December-2025
13-01-26	GST	Return (GSTR-6) to be furnished by every Input Service Distributor (ISD) containing details of the input tax credit received and its distribution for the month of December-2025
14-01-26	MCA	ADT-1 (companies having 1st AGM) 15 days from date of AGM
15-01-26	PF/ESIC	Payment of PF / ESIC for the month of December - 2025
20-01-26	GST	Return (GSTR-5A) to be furnished by Online Information and Data base Access or Retrieval (OIDAR) services provider for providing services from a place outside India to non-taxable online recipient (as defined in Integrated Goods and Services Tax Act, 2017) and to registered persons in India and details of supplies of online money gaming by a person outside India to a person in India for the month of December-2025

20-01-26	GST	Return (GSTR-3B) to be furnished by all the taxpayers other than who have opted for QRMP scheme comprising consolidated summary of outward and inward supplies for the month of December-2025
22-01-26	GST	Return to be furnished by the taxpayers who have opted for QRMP scheme for Quarter 3 of FY 2025-26 comprising consolidated summary of outward and inward supplies. (For registered taxpayers having their place of business in the states of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep)
24-01-26	GST	Return to be furnished by the taxpayers who have opted for QRMP scheme for Quarter 3 of FY 2025-26 comprising consolidated summary of outward and inward supplies. (For registered taxpayers having their place of business is in states of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi)
29-01-26	MCA	AOC-4 and its variants like AOC-4 CFS, AOC-4 XBRL etc for companies conducting AGM for the 1st time
30-01-26	Income Tax	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA,194-IB,194M and 194S in the month of December, 2025
31-01-26	Income Tax	Quarterly statement of TDS deposited for the quarter ending December 31, 2025 (Form 24Q / 26Q /27Q / 26AQAA / 26QF)
31-01-26	MCA	Extended Date for filing Form AOC-4 (financial statements) for the financial year 2024-25
31-01-26	MCA	Extended Date for filing Form MGT-7/7A for the financial year 2024-25

“THE SECRET TO GETTING AHEAD IS GETTING STARTED.”

Manubhai & Shah LLP
Chartered Accountants

CORPORATE OFFICE

G-4, Capstone, Opp. Chirag Motors, Gujarat College Road, Ellisbridge, Ahmedabad - 380 006, Gujarat, India.
Phone : +91 79 2647 0000 | Email : info@msglobal.co.in

MUMBAI OFFICE

3C Maker Bhavan No II, 18, New Marine Lines, Mumbai - 400 020, Maharashtra, India.
Phone : +91 22 6633 3668/59/60 | Fax : +91 22 6633 3561 | Email : infomumbai@msglobal.co.in

Unit No.- 502,
5th Floor, Modi House, Bajaj Cross Road, Kandivali (West), Mumbai - 400 067, Maharashtra, India.
Phone : +91 224 960 6695/ 96

KNOWLEDGE PROCESSING CENTRE

2nd Floor, “D” Wing, Shivalik Corporate Park, Behind IOC Petrol Pump, 132ft. Ring Road, Satellite, Ahmedabad - 380 015, Gujarat, India.

13th Floor, A Block, Ratnakar Nine Square, Opp. Keshav Baug party Plot, Mansi Road, Vastrapur, Ahmedabad - 380 015, Gujarat, India.

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