Manubhai & Shah LLP
Chartered Accountants

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NEWS LETTER

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Covering Updates for the Month of June'26
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DIRECT TAX UPDATE

I. Circulars & Notifications

1. Condonation of delay in E-filing Form No. 10AB for approval under clause (ii) of the first proviso to section 80G(5)

(C.B.D.T. Circular No.06/2026 dated 02.07.2026)

A Charitable Trust or institution is required to e-file an application in Form No.10AB whose approval under section 80G(5) of the Income-tax Act, 1961 ("the Act") is due to expire, at least six months prior to expiry of the said period.

In order to mitigate genuine hardship to such Charitable Trust and institutions, the C.B.D.T. , in exercise of the powers conferred under section 119(2)(b) of the Income Tax Act, 1961 read with section 536(2) of Income Tax Act, 2025, hereby condones the delay in filling Form No. 10AB, where the prescribed application in Form No.10AB has been furnished electronically between 01.10.2025 to 31.03.2026.

The jurisdictional Principal Commissioner of Income-tax or Commissioner of Income-tax are authorized to dispose of such applications on merits and pass an order on or before 31.12.2026.

2. Guidelines for selection of Complete Scrutiny Cases during F.Y.2026-27 under the Income tax Act,2025

(C.B.D.T. Circular F.NO.225/56/2026 dated 04.06.2026)

The CBDT has notified the under mentioned parameters for compulsory selection of returns for Complete Scrutiny under the Income tax Act,2025 during F.Y.2026-27 :

i. Cases pertaining to survey u/s 133A of the Income tax Act,1961 conducted on or after 01.04.2024.

ii. Cases pertaining to Search & Seizure or Requisition u/s 132/132A of the Income tax Act,1961 on or after 1-04-2024.

iii. Cases pertaining to Search & seizure or Requisition u/s 158BA(6) on or after 1-09-2024.

iv. Notices u/s 148 of the Act have been issued

v. Cases where registration/approval under various sections of the Act, such as section 12A,12AB, 35(1)(ii)/(iia)/ (iii), 10(23C), etc. have not been granted or have been cancelled/withdrawn by the Competent Authority on or before 31.03.2025 and yet the assessee has been found to be claiming tax-exemption/deduction in the return.

However, where such orders of withdrawal of registration/approval have been reversed/set-aside in appellate proceedings, those cases will not be selected under this clause.

vi. Where the addition in an earlier assessment year(s) on a recurring issue of law or fact (including transfer pricing issue) exceeding Rs.50 lakhs in eight metro charges (Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai and Pune) and in other charges exceeding Rs.20 lakhs and no appeals are pending against such addition or appellate orders are in favor of Revenue.

vii. Cases related to specific information regarding tax-evasion is provided by any law-enforcement agency, (Investigation Wing/ Intelligence/ Regulatory Authority/ Agency, etc.) and the tax return is also furnished for the relevant assessment year by the assessee.

It may be noted that as per the proviso to section 143(2) of the Income-tax Act, 1961 and in terms of section 536(2)(c) of the Income-tax Act, 2025, the time limit for service of notice u/s 143(2) of the Income-tax Act, 1961 for the ITRs filed in the Financial Year (FY) 2025-26 is 30.06.2026.

II. Tribunal Decisions

i. **Non-Applicability of Doctrine of Merger between orders passed u/s 143(1) vis-a-vis u/s 143(3).**

Marmo Home (P.) Ltd.v. DCIT [2026] 187 taxmann.com 452 (Del- Trib.)

Facts of the Case:

The Assessing Officer/CPC issued a communication under section 143(1)(a) proposing certain additions, and thereafter an intimation under section 143(1) was passed determining total income at Rs. 12.81 crores. The assessee filed rectification applications under section 154. Subsequently, the case was selected for scrutiny and the Assessing Officer passed an order under section 143(3) accepting the income as determined in the section 143(1) intimation and made no fresh additions or variations.

The assessee appealed against the order under section 143(3), contending that the assessment order had adopted the adjustments made under section 143(1). The Commissioner (Appeals) dismissed the appeal as infructuous on the premise that since no addition was made in the section 143(3) order, there was no subsisting grievance arising from that order.

Decision:

The Delhi Tribunal upheld the decision of CIT(Appeals) on the ground that section 246 gives a right to a taxpayer, if aggrieved by an action of the taxman qua orders passed under sub-clauses (a) to (h) of Section 246(1). Thus, the right to file an appeal has two essential critical components. Firstly, a taxpayer should have been aggrieved by an order passed by an Assessing Officer and secondly, such order should have been passed in any of the sub-clauses (a) to (h) of Section 246(1). It is pertinent to note that in sub-clause (a) of section 246(1) mentions orders under section 143(1), or section 143(3) or section 144. This goes on to allude the clear prescription of law that all the three sections i.e. under section 143(1), or section 143(3) or section 144 run independently. An assessee who is aggrieved under any of the said sub-sections has to file an appeal under Section 246. Therefore, the clear interpretation of the statute is that an assessee aggrieved by an order under Section 143(3) cannot resort for remedy by invoking provisions of Section 143(1) and vice versa. Thus, in simple terms, all the three sections in section 246(1)(a) are independent to each other and doctrine of merger would not apply.

The second component of Section 246(1)(a) is that the assessee has to be aggrieved meaning that there has to be an action of the Assessing Officer which has adversely impacted taxpayer's interest. Thus, if there is no cause of any grievance arising to a taxpayer from an order passed under Section 143(1), or Section 143(3) or Section 144, it cannot file an appeal under Section 246(1). In the above background, the arguments of the assessee are not correct. Hypothetically assuming the assessee's contentions of it being due for a genuine relief on account of its inadvertent mistakes in filing Return of Income are correct, the fact remains that it ought to have contested the same in respect of order passed under Section 143(1) and cannot test them qua an order passed under Section 143(3).

The Tribunal further held that there is no doctrine of merger applicable between orders passed under Section 143(1) vis-a-vis those passed under Section 143(3). Accordingly, in view of the fact that there was no cause for grievance to the assessee qua order under Section 143(3), the Commissioner (Appeals) was right in dismissing the appeal of the assessee primarily on the ground of non-maintainability.

Our Comments:

In our view, the Tribunal has correctly interpreted provisions of section 246. Therefore, it is advisable always to file an appeal against disputed total income as per intimation order under section 143(1) of the Act as in the computation sheet to order under section 143(3) of the Income tax Act,1961, the total income is usually considered as per intimation order under section 143(1) and in absence of any appeal against such total income as per intimation under section 143(1), no appeal can be filed against order under section 143(3).

ii. **Section 37(1) : Scrap Credit allowable Business Expenditure**
CIE Automotive India Ltd. V. DCIT [2026] 187 taxmann.com 715 (Mum - Trib.)

Facts of the Case:

Assessee, a public limited company, was engaged in manufacturing and processing automobile components. It carried out substantial job-work for a key customer, M&M, where customer supplied steel sheets and resultant scrap belonged to customer. Assessee sold such scrap and passed corresponding value to customer by issuing credit notes and making payments. Assessing Officer treated scrap credit as a contingent liability on ground that assessee issued credit notes and held amount not allowable as expenditure .

Decision:

The Mumbai Tribunal decided the issue in favour of the assessee, holding that once scrap belonged to M&M and assessee had quantified and discharged liability by issuing credit notes and making actual payments, liability could not be regarded as contingent or unascertained. Thus, scrap credit represented an allowable business expenditure/liability incurred wholly and exclusively for purposes of business and did not constitute a contingent liability.

ACCOUNTING UPDATE

EAC Opinions

Accounting for a Government Capital Subsidy in lieu of SGST Reimbursement (Ind AS 20)

- Context: A government-promoted paper manufacturer (a Government of Tamil Nadu enterprise) set up a Hardwood Pulp Plant (Expansion Project II), commissioned in July 2022. Under an MoU with the Government of Tamil Nadu (GoTN) under the Tamil Nadu Industrial Policy, it was sanctioned a capital subsidy "in lieu of State Goods and Services Tax (SGST) based reimbursement," capped at ₹110 crore (10% of the ~₹1,100 crore investment) and payable in equal annual instalments over 15 years.
- Issue: Whether the subsidy is a "grant related to assets" or a "grant related to income" under Ind AS 20. The dispute arose in a CAG (AG) audit – the Company treated it as a revenue grant (recognised annually under "Other Income"), while the audit contended it was a capital grant to be spread over the depreciable life of the assets rather than the 15-year payout period.
- Opinion:
  - → The nature of the grant is determined by its substance and primary conditions, not its nomenclature ("capital subsidy"); the frequency of disbursement and the fact that it is computed as a percentage of investment do not decide its nature.
  - → For a grant to be "related to assets," the primary condition must be the purchase, construction or acquisition of long-term assets (subsidiary conditions only restrict the type, location or holding period of the assets).
  - → Here, eligibility required not merely the initial investment but also creating and maintaining committed employment of 156 persons and continued operation of the plant every year for 15 years; failure to meet the conditions in any year causes that year's subsidy to lapse and it is not carried forward.
  - → As the pulp plant is modern and highly automated (requiring almost no additional manpower), the employment condition is a substantive primary obligation the Company would not otherwise have maintained – supporting a substance-over-form view.
  - → Since the primary conditions extend beyond mere asset acquisition to long-term employment and operational mandates, the subsidy is not a grant related to assets – it is a grant related to income.
  - → Accordingly, the Company's practice of recognising the subsidy/grant in lieu of SGST reimbursement as a "grant related to income" in the Statement of Profit and Loss is appropriate and in compliance with Ind AS 20.

Link for Opinions:

https://resource.cdn.icai.org/92505cajournal-june2026-27.pdf

COMPANY LAW UPDATE

A. Companies (Registered Valuers and Valuation) Amendment Rules, 2026:

The Ministry of Corporate Affairs (MCA), vide Notification No. G.S.R. 432(E) dated June 01, 2026, has amended the Companies (Registered Valuers and Valuation) Rules, 2017.

Under this amendment, MCA has revised the eligibility criteria for registration of a Registered Valuer Organisation (RVO) by prescribing a minimum paid-up share capital of ₹25 lakh. Existing RVOs that do not meet the prescribed capital requirement as on the commencement date of the amendment shall be required to comply on or before March 31, 2028.

The notification can be accessed at:

https://www.mca.gov.in/bin/dms/getdocument?mds=OBXB3x8LEae03%252FA%252BKrpGKQ%253D%253D&type=open

B. Specification of New Development Bank as a Public Financial Institution:

The Ministry of Corporate Affairs (MCA), vide notification dated June 16, 2026, has specified the New Development Bank (NDB), established by the BRICS nations, as a Public Financial Institution under the Companies Act, 2013.

The notification can be accessed at:

https://www.mca.gov.in/bin/dms/getdocument?mds=raXo8SI9apfZJp3XQJTlMA%253D%253D&type=open

IFSCA UPDATE

A. Reporting Format and Norms for Annual Compliance Audit for CMIs in IFSC:

The International Financial Services Centres Authority (IFSCA), vide circular dated June 5, 2026, has prescribed the Annual Compliance Audit Report (ACAR) and Annual Compliance Audit Checklist (ACAC) formats for Capital Market Intermediaries (CMIs) in IFSC under Regulation 25 of the IFSCA (Capital Market Intermediaries) Regulations, 2025.

Under the circular, CMIs are required to submit the prescribed Annual Compliance Audit Report and Checklist to IFSCA by 30th September each year and comply with the prescribed auditor appointment norms.

The circular can be accessed at:

https://ifsca.gov.in/CommonDirect/GetFileView?id=91427247c5628a865846d173bca7e304&fileName=Circular___ACAR___Signed_1__20260605_0645.pdf

B. Master Circular for Recognised Stock Exchanges and Recognised Clearing Corporations:

The International Financial Services Centres Authority (IFSCA), vide Master Circular dated June 5, 2026, has consolidated the regulatory framework applicable to Recognised Stock Exchanges and Recognised Clearing Corporations in IFSC.

The Master Circular consolidates the regulatory framework applicable to recognised Stock Exchanges and Clearing Corporations in IFSC and supersedes specified earlier circulars.

The Master Circular can be accessed at:

https://ifsca.gov.in/CommonDirect/GetFileView?id=91427247c5628a865846d173bcaf376a&fileName=Master_Circular_for_recognised_Stock_Exchanges_and_recognised_Clearing_Corporations__20260608_0611.pdf

C. Import of Gold or Silver through IIBX:

The International Financial Services Centres Authority (IFSCA), vide circular dated June 15, 2026, has issued a consolidated framework under Regulation 78 of the IFSCA (Bullion Market) Regulations, 2025 for import of gold and silver through the India International Bullion Exchange (IIBX).

Under the circular, the eligibility criteria for Qualified Jewellers has been expanded and the minimum net worth requirement has been relaxed for certain eligible SEZ jewellery exporters.

The circular can be accessed at:

https://ifsca.gov.in/CommonDirect/GetFileView?id=91427247c5628a865846d173bcd20c57&fileName=Updated_Consolidated_Circular___Import_of_Gold_or_Silver_through_IIBX_Revised_20260616_1003.pdf

D. IFSCA (Managing General Agents) Regulations, 2026:

The International Financial Services Centres Authority (IFSCA), vide Notification No. IFSCA/GN/2026/010 dated June 08, 2026, has notified the IFSCA (Managing General Agents) Regulations, 2026.

Under the regulations, IFSCA has introduced a regulatory framework for the registration and operation of Managing General Agents (MGAs) in IFSC, including eligibility criteria, capital requirements and governance norms for entities undertaking insurance business on behalf of foreign insurers.

The notification can be accessed at:

https://ifsca.gov.in/CommonDirect/GetFileView?id=91427247c5628a865846d173bcd55c88&fileName=IFSCA__Managing_General_Agents__Regulations__2026_20260616_0531.pdf

E. FAQs on IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022:

The International Financial Services Centres Authority (IFSCA) has issued Frequently Asked Questions (FAQs) on the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022.

The FAQs provide clarifications on the implementation of AML, CFT and KYC requirements by regulated entities in IFSC.

The FAQs can be accessed at:

https://ifsca.gov.in/CommonDirect/GetFileView?id=91427247c5628a865846d173bceb46eb&fileName=FAQs_with_e_notary_20260619_0330.pdf

F. Amendment to AML, CFT and KYC Exemption Circular:

The International Financial Services Centres Authority (IFSCA), vide circular dated June 19, 2026, has amended the circular on exemption from the applicability of the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022.

Under the amendment, all financial institutions, including exempted entities, are required to route monetary consideration arising from business transactions through an IFSC Banking Unit account or an Special Non-Resident Rupee (SNRR) account.

The circular can be accessed at:

https://ifsca.gov.in/CommonDirect/GetFileView?id=91427247c5628a865846d173bced4fa1&fileName=Amendment_to_Cirular_dated_18_November_2024_20260619_0519.pdf

G. Amendment to SNRR Account Transaction Framework:

The International Financial Services Centres Authority (IFSCA), vide circular dated June 19, 2026, has amended the circular on permissible transactions through Special Non-Resident Rupee (SNRR) accounts of IFSC units.

Under the amendment, financial institutions may receive funds relating to business transactions outside IFSC through an SNRR account, subject to remitting such amounts to their IFSC Banking Unit account in a specified foreign currency within 30 working days, except for amounts used towards administrative expenses.

The circular can be accessed at:

https://ifsca.gov.in/CommonDirect/GetFileView?id=91427247c5628a865846d173bcedd7c2&fileName=Circular_on_amendment_to_SNRR_account_transactions_circular__2__20260619_0602.pdf

SEBI UPDATE

A. Norms for Base Price, Price Bands and Trading Framework for ETFs:

SEBI, vide Circular No. HO/47/11/11(1)2026-MRD-POD3/I/13804/2026 dated June 15, 2026, has revised the trading framework for Exchange Traded Funds (ETFs).

Pursuant to the circular, SEBI has introduced revised norms relating to the determination of base price, price bands, pre-open call auction mechanism and close-out procedures for ETFs to enhance price discovery and market efficiency. The provisions of the circular shall come into effect from September 01, 2026.

The Circular can be accessed at:

https://www.sebi.gov.in/legal/circulars/jun-2026/norms-for-base-price-price-bands-call-auction-in-pre-open-session-and-close-out-procedure-for-exchange-traded-funds-etfs-_102121.html

B. Guidelines for Winding up of AIFs:

SEBI, vide Circular No. HO/19/34/11(2)2026-AFD-POD1/I/13764/2026 dated June 16, 2026, has issued guidelines pursuant to Regulations 29(7), 29(10A) and 29(11) of the SEBI (Alternative Investment Funds) Regulations, 2012 regarding the retention of proceeds and grant of 'Inoperative Fund' status for Alternative Investment Funds (AIFs) during the winding-up process, with a view to facilitate smooth closure of AIFs and protect investor interests.

The Circular can be accessed at:

https://www.sebi.gov.in/legal/circulars/jun-2026/guidelines-for-winding-up-of-aifs-with-respect-to-retention-of-proceeds-and-inoperative-fund-status_102171.html

FEMA UPDATE

A. Case Law

I. Delayed FC-GPR Reporting Not Attributable to Investee Company Where Delay Caused by AD Bank

1. Summary

- The SAFEMA Appellate Tribunal has held that penalty for delayed reporting of Form FC GPR is not sustainable where the Indian company had duly submitted the form to its Authorised Dealer (AD) bank within the prescribed timeline and the delay in onward transmission to RBI was attributable to the AD bank.
- The Tribunal clarified that there is no legal requirement to file Form FC-GPR directly with the RBI, and compliance through the AD bank constitutes valid adherence to FEMA reporting norms
- Consequently, the penalty imposed under Section 13 of FEMA was set aside, along with a direction to refund the pre-deposit made by the appellant.

2. Background

- The appellant company received FDI of approximately ₹120 crores from a Mauritius based investor and issued equity linked instruments on the same day.
- Receipt of funds was duly intimated to the RBI within the prescribed timeline.
- The appellant submitted Form FC-GPR along with requisite documents to its AD Bank within the statutory period, supported by acknowledgements and follow-up correspondence.
- However, the AD Bank forwarded the FC-GPR to the RBI with a significant delay of several years.
- RBI treated the reporting as delayed and imposed a compounding penalty, which was not paid. Thereafter, the matter was referred to the Enforcement Directorate, culminating in a penalty of approximately ₹1.20 crores for alleged delayed reporting.

3. Key Issues Considered

- Whether submission of Form FC GPR to the AD Bank within time satisfies the reporting requirement under FEMA.
- Whether delay attributable to AD Bank's failure to forward the form to RBI can be fastened on the investee company.
- Whether FEMA or the applicable regulations require direct filing of FC-GPR with RBI, bypassing the AD Bank.
- Sustainability of penalty imposed under Section 13 read with Section 6(3)(b) of FEMA.

4. **Key Tribunal's Findings**
   - → Timely Compliance by the Company: Documentary evidence established that the appellant had submitted FC-GPR to the AD Bank within the prescribed period, along with relevant certifications and KYC documents.
   - → Role of the AD Bank: The AD Bank admitted, in its communication to RBI, that the delay in transmission was on its part, and sought condonation for the same.
   - → No Requirement of Direct Filing with RBI: The Tribunal observed that there is no statutory requirement under FEMA or the regulations to submit FC-GPR directly to RBI. Filing through the AD Bank is the prescribed and recognised mechanism.
   - → Attribution of Delay: It was held to be unfair and legally untenable to attribute the contravention to the appellant when the delay arose due to the AD Bank's internal lapse or loss of records.
   - → Penalty Set Aside: In light of the above, the Tribunal concluded that the appellant had complied with FEMA reporting requirements, and the penalty imposed was not sustainable.
   - → Refund Directed: The Tribunal directed refund of the pre deposit made by the appellant towards the penalty.

5. **Key Takeaways**
   - → Submission of FC GPR to the AD Bank within the prescribed timeline constitutes valid compliance under FEMA.
   - → Delays attributable to AD Banks cannot be imputed to the reporting company where evidence of timely submission exists.
   - → FEMA and the FDI regulations do not mandate direct filing of FC GPR with RBI.
   - → This decision reaffirms the importance of maintaining acknowledgements and follow-up correspondence with AD Banks for regulatory defence.
   - → Enforcement actions must consider institutional lapses and cannot mechanically penalise reporting entities.

Case Law:
Rithwik Projects (P.) Ltd. v. Special Director, Directorate of Enforcement

B. FEMA Updates

I. RBI Notifies Amendments to Cross Border Merger Regulations (2026)

- → The Reserve Bank of India has issued the Foreign Exchange Management (Cross Border Merger) (Amendment) Regulations, 2026, effective from the date of publication in the Official Gazette.
- → Key changes include are as follows :

1. Introduction of "Competent Authority"

A new definition has been added, replacing the earlier exclusive reference to the National Company Law Tribunal (NCLT).

"Competent Authority" now refers to any authority empowered under the Companies Act, 2013 to approve merger or amalgamation schemes.

2. Replacement of NCLT references

Across regulations 4, 5, 7, and 9, the term "NCLT" has been replaced with "Competent Authority", broadening the scope of approving authorities.

3. Removal of definition clause

An existing clause (vii) under Regulation 2 has been omitted.

NOTIFICATION:

https://rbidocs.rbi.org.in/rdocs/notification/PDFs/FEMA38905062026200413 3EF5EB477EA06F6AC597C1917B.PDF

II. RBI amends Export of Goods & Services Regulations; restores time for realization & repatriation of export proceeds to 9 months

→ The Reserve Bank of India has issued the Foreign Exchange Management (Export of Goods and Services) (First Amendment) Regulations, 2026, effective from the date of publication in the Official Gazette.

→ Key change are as follows :

1. **Reduction in export realization timeline**
   - The time limit for realization and repatriation of export proceeds under Regulation 9 has been reduced from 15 months to 9 months
   - Applicable to both general export transactions (sub-regulation 1)
   - And specified cases under sub-regulation (2)(a)

NOTIFICATION:

https://rbidocs.rbi.org.in/rdocs/notification/PDFs/EGS050620261F93347664F94E4491D6F8762DFF8EF7.PDF

III. RBI Amends Mode of Payment & Reporting for Non-Debt Instruments (2026)

→ The Reserve Bank of India has issued the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Amendment) Regulations, 2026, effective upon publication in the Official Gazette.

→ Key changes are as follows :

1. **Revised payment & remittance norms for NRIs/OCIs (Schedule III):**
   → Investments must be made via inward remittance or funds from repatriable accounts.
   → A designated repatriable rupee account must be used exclusively for such investments.
   → NPS subscriptions can now be funded through repatriable FC/Rupee accounts or NRO accounts
   → Sale proceeds of investments (net of taxes) can be:
      → Remitted abroad, or
      → Credited to permitted accounts in India (with added flexibility for mutual funds and NPS proceeds).
2. **Updated framework for investments via International Exchanges (Schedule XI):**
   → Payments for equity shares of Indian companies listed on international exchanges can be made through:
      √ Foreign currency account of the Indian company, or
      √ Inward remittance / repatriable accounts.
   → Sale proceeds can be repatriated or credited to the investor's permissible bank account.
3. **Revised reporting requirement (Regulation 4):**
   → Authorised Dealer Category-I banks must report transactions by individual foreign investors (including NRIs/OCIs) in Form LEC (IFI) for equity transactions on Indian stock exchanges.

NOTIFICATION:

https://rbidocs.rbi.org.in/rdocs/notification/PDFs/
FEMA395150620262C7B3A9A9E874AB699D15A2C820B3DBA.PDF

IV. RBI amends FEM (Deposit) Regulations; permits opening of 'Special Non-Resident Rupee Account' with ADs in IFSCs

→ These regulations may be called the Foreign Exchange Management (Deposit) (Sixth Amendment) Regulations, 2026 and shall come into force from the date of their publication in the Official Gazette.

→ **Key highlights are as follows:**

1. **Introduction of IFSC Definition:**

A formal definition of International Financial Services Centre (IFSC) has been inserted, aligning FEMA regulations with the IFSCA Act, 2019.

2. **Expansion of SNRR Account Facilities:**

   Non-residents can now open and maintain SNRR accounts with:
   → Authorised Dealer (AD) banks in India
   → Overseas branches of AD banks
   → IFSC-based branches

3. **Broadened Usage of SNRR Accounts:**

   SNRR accounts can be used for:
   → Permissible current and capital account transactions with Indian residents
   → Bona fide transactions with other non-residents

4. **Enhanced Fund Transfer Provisions:**
   → Transfers from NRO accounts permitted within prescribed limits
   → Transfers allowed from NRO to NRE and SNRR accounts, subject to regulatory caps

5. **Streamlining of SNRR Framework:**
   → Multiple existing provisions in Schedule 4 have been deleted and simplified
   → Provides a more principle-based and flexible structure

6. **Clarity on Inter-Account Transfers:**

   Transfers from NRO to SNRR accounts aligned with existing Schedule 3 provisions for consistency

7. **New Provision for Non-Resident Transactions:**

   Transactions between non-residents through SNRR accounts can be processed by AD banks based on declared purpose, even where full FEMA compliance may not apply

NOTIFICATION:

https://rbidocs.rbi.org.in/rdocs/notification/PDFs/EFEMA5R29062026E3BFC156720D4B4A8E338E7CAFEE6D1B.PDF

GST UPDATE

GST ON SALE OF UNDER-CONSTRUCTION IMMOVABLE PROPERTY:

Karnataka High Court Settles a Long-Standing Debate

One question that keeps surfacing in real estate and distressed-asset transactions is this: if a property is still “under construction” and no completion certificate has been issued, does its sale automatically attract GST? The Karnataka High Court, in Rohan Corporation India Pvt. Ltd. v. Union of India, has now given a clear and practical answer, and the ruling deserves every practitioner's and client's attention.

The Background

GST law draws a sharp line between a taxable “supply of construction service” and a non-taxable “sale of immovable property”. Under Entry 5(b) of Schedule II to the CGST Act, construction of a building intended for sale is treated as a supply of service, but only until the entire consideration is received after issuance of the completion certificate or first occupation, whichever is earlier. Entry 5 of Schedule III, on the other hand, keeps sale of land and (subject to Entry 5(b)) sale of building outside GST altogether. For years, GST authorities have tended to read these two entries mechanically: no completion certificate at the time of sale meant the transaction was automatically pushed into Entry 5(b), regardless of what was actually being sold.

The Facts

Rohan Corporation purchased a partly built commercial mall in Mangalore from a liquidator in an IBC sale, on an “as is where is” basis. There was no clause requiring the liquidator to carry out any further construction after the sale; it was a straightforward transfer of whatever existed on the ground, backed by a registered sale deed and full stamp duty. The department nevertheless insisted on GST, treating the sale as construction service merely because no completion certificate had been obtained. The buyer paid GST of over Rs. 14.3 crore under protest and applied for a refund, which was rejected. That rejection was challenged before the Karnataka High Court.

The Court's Reasoning

The Court's starting point was Section 7 itself: unless a transaction qualifies as a “supply”, Schedule II never comes into play. Entry 5(b) presupposes a service relationship, where a builder undertakes construction pursuant to an agreement with the buyer. Where the seller has no obligation, contractual or otherwise, to construct, complete, or hand over a finished building, there is no service element and therefore no “supply” at all.

The Court held that Entry 5(b)'s reference to “intended for sale to a buyer” describes construction carried out in the course of performance for that buyer — not a pre-existing, already-built (even if incomplete) structure that is merely being transferred as it stands. On the facts, the liquidator had built the mall independently, and its later sale, without any further construction commitment, was nothing more than a transfer of what already existed. That squarely falls within Entry 5 of Schedule III.

Importantly, the Court rejected the department's argument that the absence of a completion certificate is, by itself, decisive. The completion certificate becomes relevant only once a transaction is otherwise found to be a supply of construction service under Entry 5(b). It cannot be used to convert a transaction that has no service component into a taxable supply. The rejection order was quashed, and the authorities were directed to refund the amount with interest under Section 56.

Why This Matters

This decision reorients the analysis. The real test is not "has a completion certificate been issued", but "is there a construction service being rendered by the seller to the buyer under an agreement". Only where that service element exists does the completion-certificate proviso in Entry 5(b) come into the picture at all.

For developers and buyers, this gives a firmer basis to resist GST demands on "as is where is" sales, provided the transaction documents genuinely reflect that no further construction obligation rests on the seller. For insolvency professionals and liquidators handling incomplete real estate assets, the ruling confirms that GST need not be collected where the auction terms and sale deed clearly rule out any post-sale construction commitment. The same logic extends to banks and NBFCs disposing of repossessed or foreclosed under-construction properties under SARFAESI or similar recovery routes; such sales, structured without a construction service component, should equally fall outside GST.

For practitioners, the message is about documentation. Whether a transaction attracts GST will increasingly turn on how the sale agreement is worded: does it impose, expressly or by implication, any obligation on the seller to construct, complete, or deliver a finished structure? Silence on this point, or an explicit "as is where is" clause with no future construction commitment, supports the Schedule III position. Conversely, if the seller retains any responsibility to complete or hand over construction, Entry 5(b) will apply until the consideration is received post-completion certificate or first occupation.

Practical Checklist for Transaction Documentation

Given that the outcome now turns heavily on drafting, the following points are worth building into any sale agreement or auction terms involving an under-construction or partly built structure:

- State expressly whether the seller has any obligation to carry out further construction, finishing, or handover work after the sale.
- Where the sale is genuinely "as is where is", say so in as many words, and avoid clauses that could be read as requiring even minor completion work.
- Record the stage of construction at the time of sale, supported by site photographs or a surveyor's report, so that the factual position is not disputed later.
- Ensure the sale deed and stamp duty valuation are consistent with a sale of immovable property, not a works contract or construction agreement.
- Where any residual finishing work is contemplated, consider structuring it as a separate, clearly priced contract so that it does not contaminate the characterisation of the principal sale.
- Preserve auction notices, tender terms, and correspondence, since these are often relied upon by courts to determine the true nature of the transaction.

A Cautionary Note

The ruling is a High Court decision on its own facts, involving a substantially built structure transferred without further construction. It does not settle every variant of the question. Buildings at an early or nominal stage, or sales where some finishing work remains contractually with the seller, may still invite scrutiny and need to be examined on their own facts. Until the CBIC clarifies, or the position is tested in appeal, taxpayers should build a clear documentary record establishing the absence of any construction service, rather than treating the judgment as a blanket exemption.

Conclusion

The Karnataka High Court's ruling in Rohan Corporation brings welcome clarity to a recurring GST dispute in real estate and distressed-asset sales. It reaffirms a basic but often overlooked principle: GST taxes a supply of service, not the mere physical state of a property. Where no construction service is undertaken by the seller for the buyer, the transaction is a sale of immovable property under Entry 5 of Schedule III, and the presence or absence of a completion certificate is beside the point. Developers, liquidators, banks, NBFCs, and their advisors dealing with under-construction or partly completed properties would do well to revisit their transaction structuring and documentation in light of this decision.

DUE DATES

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

Due Date	Act/Authority	Compliance Description
07-07-26	Income Tax	Due date for the deposit of tax deducted/collected for the month of June 2026.
10-07-26	GST	Return (GSTR-7) to be furnished by the registered persons who are required to deduct tax at source for the month of June - 2026.
10-07-26	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 June - 2026
11-07-26	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 June - 2026.
13-07-26	GST	Statement of outward supplies (IFF) by the taxpayers having an aggregate turnover of upto Rs. 5 crore and who have opted for QRMP scheme for the month of June - 2026.
13-07-26	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 June - 2026.
13-07-26	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 June - 2026.
15-07-26	PF/ESIC	Payment of PF / ESIC for the month of June - 2026
15-07-26	Income Tax	Issue of certificate in Form No. 132 (Income-tax Rules, 2026) under section 395(4) of the Income-tax Act 2025 for tax deducted at source under section 393(1) [Table Sl. No. 2(i), 3(i), 6(ii) & 8(vi)] of the Income-tax Act, 2025 in the month of May, 2026 [earlier Forms 16QB/16QC/16QD/16E]
15-07-26	Income Tax	Furnishing of quarterly statement in Form 147 (Income-tax Rules, 2026) to be furnished by an authorised dealer in respect of remittances made for the quarter ending June 2026 [earlier Form 15CC]
20-07-26	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 June - 2026.

20-07-26	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 June - 2026.
25-07-26	GST	Payment of GST for a Taxpayer with aggregate turnover upto Rs. 5 crores during the previous year and who has opted for filing of return under QRMP scheme for the month of June-2026.
30-07-26	Income Tax	Furnishing of challan-cum-statement in Form No. 141 (Income-tax Rules 2026) in respect of deduction of tax under section 393(1) [Table Sl. No. 2(i), 3(i), 6(ii) & 8(vi)] of the Income-tax Act, 2025 for the month of June, 2026 [earlier Forms 26QB/26QC/26QD/26QE]
31-07-26	Income Tax	Filing of quarterly statement in Form No. 138 under the Income-tax Rules, 2026 by employers deducting tax from salaries under section 392 or by a specified bank for income paid to a specified senior citizen under section 393(1) of the Income-tax Act, 2025, for the quarter ended June 30, 2026. [Earlier Form 24Q]
31-07-26	Income Tax	Furnishing of statement in Form No. 3CFA (Income-tax Rules, 1962) for exercising the option to pay tax at a concessional rate under section 115BBF (Income-tax Act, 1961) for income in the nature of royalty arising from patent developed and registered in India
31-07-26	Income Tax	Due date for furnishing the return of income for the Assessment Year 2026–27 by non corporate non business assessee.
31-07-26	Income Tax	Furnishing of Form No. 10BBD (Income-tax Rules, 1962) reporting details of funds received from eligible persons, directly or through an Alternative Investment Fund, during the Previous Year 2025-26..
31-07-26	Income Tax	Filing of quarterly statement in Form No. 140 (Income-tax Rules 2026) by deductors responsible for deduction of tax at source on non-salary payments such as commission, brokerage, professional fees, rent, etc., made to residents for the quarter ending June 30, 2026 [Earlier Form 26Q].
31-07-26	Income Tax	Filing of quarterly statement of collection of tax at source under section 397(3)(b) of the Income-tax Act, 2025 in Form No. 143 (Income-tax Rules 2026) for the quarter ending June 30, 2026 [Earlier Form 27EQ].
31-07-26	Income Tax	Filing of quarterly statement of TDS in Form No. 144 in respect of payments other than salary made to non-residents for quarter ending June 30, 2026 [Earlier Form 27Q].
31-07-26	Income Tax	Furnishing of the certificate in Form No. 10-IA (Income-tax Rules, 1962) from the medical authority certifying ‘person with disability’, ‘severe disability’, ‘autism’, ‘cerebral palsy’ or ‘multiple disability’ for the purposes of sections 80DD and 80U (Income-tax Act, 1961)
31-07-26	Companies Act	DPT-3: Return to be filed by a company for deposits and/or outstanding receipts of money or loans not treated as deposits as on 31st March of the financial year.

> There's no shortage of remarkable ideas, what's missing is the will to execute them.

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