

DEVMANTRA TIMES

Issue No. 62, Dated 2st May, 2026

DEAR READERS,

We welcome you to the Sixty second edition of DevMantra Times for the month of May 2026. This edition of our newsletter, where we bring you the latest developments shaping India's dynamic business and innovation landscape. India's economic and business landscape reflects a mix of policy support, financial stability, and shifting investment trends across sectors. The government is planning a ₹2-2.5 lakh crore credit guarantee scheme to support industries affected by the West Asia conflict by improving liquidity and easing credit access amid rising input and logistics costs. Banking credit growth has moderated to 15% but continues to remain in double digits, indicating sustained demand, while the microfinance sector has returned to growth after 11 quarters of contraction with improving loan portfolios and asset quality. Investment trends in the consumer sector show a decline in deal value but a rise in transaction volume, highlighting a shift towards smaller, diversified investments, while regulatory reforms are underway with India preparing new audit standards aligned with global practices. In the startup and innovation space, Karnataka is strengthening its global partnerships through the GIA programme, Zerodha is expanding its Coin platform into a broader passive wealth management ecosystem, and deep-tech developments are gaining momentum with companies like Humyn Labs scaling AI data infrastructure, DeepX moving toward an IPO, and AI-driven healthcare startups expanding partnerships. In mobility innovation, IndiGo's investment in Sarla Aviation signals growing interest in electric flying taxis, reflecting a broader push towards sustainable and technology-driven transformation across sectors.

Here's to a year filled with meaningful milestones, shared achievements, and inspiring moments that move us forward. May 2026 usher in renewed energy, good health, joy, and lasting prosperity for you and your loved ones. We are

deeply grateful to have you as an integral part of our community - your trust, support, and engagement continually strengthen and uplift us. As we step into the year ahead, let's continue to learn, grow, innovate, and shape it new possibilities together, making the journey not only successful but truly extraordinary in every way.

INDUSTRY & ECONOMIC UPDATES

India plans ₹2-2.5 lakh crore credit guarantee scheme amid West Asia conflict

EDITORIAL NOTE:

India is set to introduce a new credit guarantee scheme aimed at supporting industries that may face financial strain due to rising costs triggered by the ongoing West Asia conflict. The initiative is designed to ensure continued access to credit for businesses affected by increased input prices and elevated logistics expenses, thereby maintaining liquidity and operational stability across key sectors. By providing government-backed credit guarantees, the scheme seeks to reduce the risk exposure of lenders and encourage timely flow of institutional funding to impacted industries. This proactive policy measure reflects the government's intent to cushion potential macroeconomic disruptions, safeguard supply chains, and mitigate broader economic stress arising from geopolitical uncertainties.

India's consumer sector sees funding dip but deal activity surges in FY26

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In FY26, investment activity in the Indian consumer sector witnessed a notable decline in overall value, reflecting a cautious approach by investors amid evolving market conditions. However, despite the fall in deal sizes, the number of transactions increased significantly, indicating sustained participation across funding stages. Investor preference has clearly shifted towards smaller, diversified, and more strategic investments rather than large-scale or mega deals, which were largely absent during the period. This trend suggests a broader recalibration of risk appetite, with greater emphasis on sustainable growth, operational efficiency, and business fundamentals rather than aggressive expansion. Early-stage funding, in particular, continued to demonstrate resilience, highlighting ongoing confidence in emerging businesses. Overall, the market reflects a transition towards disciplined capital allocation, with companies increasingly focusing on addressing specific market gaps and building scalable, efficient operating models rather than pursuing rapid, capital-intensive expansion.

Bank credit growth slows to 15% in first half of April: RBI data

EDITORIAL NOTE:

Bank credit growth moderated to 15% in the fortnight ending April 15, following a phase of accelerated lending activity observed ahead of the financial year-end. The slowdown reflects a normalization in credit expansion after year-end balance sheet adjustments by banks and borrowers. However, despite the recent moderation, credit growth has continued to remain in double digits for over seven consecutive months, indicating sustained underlying demand in the economy. The trend points to a steady revival in borrowing appetite from both retail and corporate segments,

supported by improving economic activity, investment requirements, and consumption demand. Overall, while short-term fluctuations are evident, the broader credit environment continues to reflect resilience and gradual strengthening in financial intermediation.

Microfinance sector returns to growth after 11 quarters of contraction, loan portfolio rises 5.3%

EDITORIAL NOTE:

The microfinance sector has shown signs of recovery during the January–March period, marking a turnaround after a phase of contraction and increased write-offs. The overall market size has begun to expand again, supported by renewed growth in loan portfolios across multiple lender categories. At the same time, asset quality has improved, with delinquency rates witnessing a broad-based decline, indicating better repayment behaviour and improved credit discipline among borrowers. This combined trend of portfolio expansion and reduced stress suggests that the sector is stabilising after recent challenges. Overall, the data points to a gradual but steady recovery in the microfinance industry, with improving operational fundamentals and strengthening credit performance across institutions.

India may soon notify new audit standards after prolonged regulatory tussle

EDITORIAL NOTE:

India's Ministry of Corporate Affairs (MCA) is preparing to introduce revised audit rules aimed at aligning domestic auditing and assurance frameworks with global best practices. The proposed changes are intended to strengthen

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audit quality, enhance transparency, and improve consistency with international standards applicable to financial reporting and assurance engagements. As part of the process, the ministry is actively consulting with the National Financial Reporting Authority (NFRA) and the Institute of Chartered Accountants of India (ICAI) to ensure technical robustness and regulatory coherence. The reform exercise also seeks to address existing regulatory divergences and harmonise audit and quality management standards for smoother implementation across the corporate sector. Overall, the initiative is expected to reinforce India's audit governance framework and bring greater uniformity in professional auditing standards.

Startup Updates

Karnataka reviews global outreach push to boost startup market access

EDITORIAL NOTE:

A review meeting held in Bengaluru, attended by senior officials of the Information Technology and Biotechnology (IT/BT) Department along with key stakeholders, focused on strengthening Karnataka's international engagement framework to promote structured, outcome-oriented collaborations with global innovation ecosystems. The discussions centred on enhancing startup mobility, deepening institutional partnerships, improving global visibility of the state's innovation ecosystem, and strengthening governance mechanisms for international cooperation. The meeting also reviewed strategies for expanding the Global Innovation Alliance (GIA) programme to facilitate improved market access, cross-border partnerships, and knowledge exchange for startups and technology-driven enterprises. Overall, the deliberations aimed at positioning

Karnataka as a stronger global hub for innovation through sustained international collaboration and ecosystem integration.

Zerodha turns its 'Coin' into a passive wealth management hub

EDITORIAL NOTE:

Zerodha is expanding its Coin platform into a broader passive wealth management ecosystem, positioning it as a one-stop solution for investors seeking non-active investment avenues. The platform, which already facilitates investments in mutual funds and NPS, has now added fixed deposits to its product suite, enabling users to access a wider range of low-risk and diversified savings instruments within a single interface. In addition, the company is exploring the inclusion of bond distribution services, further strengthening its offerings in the fixed-income segment. This strategic expansion is aimed at catering to evolving investor preferences for simplified, passive wealth creation and long-term financial planning, while consolidating multiple investment products under one digital platform.

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Humyn Labs to deploy \$20 million to scale human data layer for physical AI, robotics

EDITORIAL NOTE:

A physical AI startup is addressing a critical bottleneck in the robotics and physical artificial intelligence ecosystem, namely the limited availability of high-quality, real-world human data and the lack of training systems capable of operating beyond controlled environments. To tackle this challenge, Humyn Labs plans to utilise the newly raised funds to significantly scale its data collection operations across multiple geographies, including India, Southeast Asia, Latin America, and the Middle East. The expansion is aimed at building more diverse and representative datasets that can improve the performance and adaptability of physical AI systems in real-world scenarios. This strategic focus is expected to strengthen the company's capabilities in developing more robust, globally relevant AI training infrastructure for robotics and embodied intelligence applications.

Korean AI chip startup DeepX prepares public share offering

EDITORIAL NOTE:

An on-device AI chip company, which already collaborates with major global players such as Hyundai Motor and Baidu, is preparing to take steps toward a potential initial public offering (IPO). According to its CEO Lokwon Kim, the company plans to appoint and finalise its banking partners for the IPO process after completing its ongoing funding round in the first half of the year. The move signals the company's intent to strengthen its capital base and move closer to public listing preparations, supported by growing interest in edge AI and semiconductor technologies.

Brain health startup Ivory develops 'treadmill test' for brain; focusses on cognitive health in India

EDITORIAL NOTE:

The AI-powered startup provides cognitive assessment solutions that evaluate key brain functions such as attention, memory, and executive function, delivering benchmarked scores along with actionable insights for users and healthcare professionals. Its objective is to integrate cognitive testing into multiple healthcare touchpoints to enable earlier and more accurate identification of cognitive decline, while also helping clinicians differentiate between clinical impairment and lifestyle-related factors through objective, data-driven analysis. The company has partnered with Metropolis Healthcare and is actively engaging with diagnostic chains, insurance providers, and wellness platforms, including Ultrahuman, to expand the adoption of its assessment tools across the healthcare and preventive wellness ecosystem.

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IndiGo takes equity stake in air-taxi startup Sarla Aviation, backs eVTOL push

EDITORIAL NOTE:

IndiGo has invested ₹10 crore in Bengaluru-based Sarla Aviation, a startup developing electric flying taxis, marking a strategic step into the emerging urban air mobility space. The investment comes after IndiGo's earlier non-binding partnership with Archer Aviation lapsed due to timeline-related challenges. Sarla Aviation is working on its electric vertical take-off and landing (eVTOL) aircraft, "Shunya," which is designed specifically for urban transport applications and aims for a potential commercial launch in Bengaluru by 2028. The move reflects growing interest among aviation players in next-generation, zero-emission mobility solutions to address urban congestion and future transportation needs.

Why this Volume of Newsletter is important for reader?

EDITORIAL NOTE:

Through the series of this newsletter, we aim at covering all relevant Income Tax, Goods & Service Tax and Companies Act, Start-up Update, notification, circulars and case laws which may directly or indirectly impact our readers.

At DevMantra, it is our utmost priority to help our readers to be informed with respect to the changes in relevant laws for a smoother compliance.

DevMantra was founded based on the unalterable premise of excellence, acuity,

integrity and an unwavering commitment to delivery. These principles continue to form the edifice of our approach as an organization, to our clients, our professionals and our community, and this has served us well in our journey so far. This approach has allowed DevMantra to work with and advise the very best clients, both in India and internationally. We encourage our people to strive for excellence and innovation within a meritocratic working environment and support their entrepreneurial spirit. It is our consistent endeavor with our people, to ensure that they imbibe the culture of the firm and form part of the weft and weave of the fabric of DevMantra. Our core values remain the guiding principles for everything we do, and we would like to emphasize "Knowledge" as one of the fundamental beliefs which drive the success of our operations. As we keep on reiterating, Knowledge is our number one priority. We don't count time when it comes to gain any new knowledge or to reinstate the earlier one. Our clients trust our expertise and putting countless hours in keeping ourselves up to date on the subject we are advising on, deserve their trust as has invested ₹10 crore in Bengaluru-based Sarla Aviation, a startup developing electric flying taxis, marking a strategic step into the emerging urban air mobility space. The investment comes after IndiGo's earlier non-binding partnership with Archer Aviation lapsed due to timeline-related challenges. Sarla Aviation is working on its electric vertical take-off and landing (eVTOL) aircraft, "Shunya," which is designed specifically for urban transport applications and aims for a potential commercial launch in Bengaluru by 2028. The move reflects growing interest among aviation players in next-generation, zero-emission mobility solutions to address urban congestion and future transportation needs.

Regards & Best Wishes,
Editorial Team

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GST

JUDICIAL UPDATES

Non-supply of third-party statements and no reasoning vitiated order; matter remanded: HC

EDITORIAL NOTE:

In a significant ruling emphasizing adherence to principles of natural justice in tax proceedings, it was held that where the proper officer merely entertained doubts regarding the movement of goods and converted such doubts into a definitive adverse finding solely on the basis of declarations made by vehicle owners, without

confronting the petitioner with those statements or supplying copies thereof, the proceedings stood vitiated for violation of natural justice. The court observed that the petitioner was denied a fair opportunity to rebut or explain the materials relied upon by the department. It was further noted that the impugned order failed to demonstrate any proper consideration of the documents and evidences furnished by the petitioner in support of the genuineness of movement of goods, nor did it provide adequate reasoning as to why such documents were considered insufficient. Accordingly, the order was held to suffer from patent procedural infirmity and breach of the principles of natural justice, rendering the action unsustainable in law.

Consolidated SCN for multiple years under fraud allegation impermissible as GST scheme mandates yearwise notices: HC

EDITORIAL NOTE:

In a significant ruling under the GST regime, it was held that the issuance of a consolidated show cause notice (SCN) covering multiple financial years and tax periods on allegations of fraud, suppression, or wilful misstatement was legally impermissible. The court observed that GST is structured around distinct tax periods and separate annual compliances, including yearly returns, with independent limitation periods applicable to each assessment year. Accordingly, clubbing several financial years into a single consolidated SCN defeats the statutory scheme and prejudices the taxpayer's ability to effectively respond to the allegations year-wise. The court further noted that adjudication under GST law requires clear identification of the relevant tax period, turnover, liability, and limitation applicable for each individual year. In view of these defects, the consolidated SCN was

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quashed as being contrary to law and violative of procedural requirements, while granting liberty to the department to issue fresh year-wise notices in accordance with the provisions of the GST law and within the prescribed limitation period.

GSTN issues clarification for filing appeals where demand shown as NIL due to prior payment

EDITORIAL NOTE:

The Goods and Services Tax Network (GSTN) has issued an important clarification regarding difficulties faced by taxpayers while filing appeals in Form GST APL-01 in cases where adjudication orders reflect "NIL" demand. This issue commonly arises where taxpayers have already made payments during the show cause notice (SCN) stage without admitting liability, following which the adjudicating authority passes an order showing no outstanding demand. As a result, the GST portal records zero demand in the Demand and Collection Register, which consequently blocks the electronic filing of appeals against such orders. GSTN has advised taxpayers facing this technical and procedural issue to first seek rectification or correction of the adjudication order from the proper authority so that the correct demand amount is reflected in the system records. Only after such rectification would the appeal filing process function properly on the portal. Taxpayers have also been cautioned to ensure that such rectification requests and subsequent appeals are filed within the statutory limitation period prescribed under the GST law to avoid adverse legal consequences.

Proper officer may drop GST registration cancellation and restore on full compliance with tax and filing conditions: HC

In a significant ruling relating to cancellation of GST registration, it was held that even where an assessee's registration had been cancelled for non-filing of returns after granting opportunity of reply, and the subsequent appeal against such cancellation was rejected on the ground of limitation, the proper officer still retained the authority to revoke or drop the cancellation proceedings upon compliance with statutory requirements. The court observed that cancellation of GST registration carries serious civil and business consequences, affecting the taxpayer's ability to conduct business, issue tax invoices, and avail input tax credit benefits. It was further noted that the proviso to Rule 22(4) of the GST Rules specifically empowers the proper officer to restore registration where the taxpayer furnishes all pending returns and clears the applicable tax dues, interest, late fees, and other liabilities. Accordingly, the court held that substantive compliance and regularization of defaults should be considered favourably, and the authorities ought to exercise their powers in a manner that facilitates restoration of registration once statutory conditions are fulfilled, notwithstanding rejection of the appeal on technical grounds of limitation.

Rectification for ITC post 2024 amendment to be decided on merits; limitation issue kept open: HC

EDITORIAL NOTE:

In a significant ruling concerning availment of Input Tax Credit (ITC) pursuant to retrospective amendments introduced by the Finance (No. 2) Act, 2024, it was held that where the assessee had filed a rectification application seeking grant of ITC benefits under the amended provisions, the authorities could not reject the application outright merely on the basis of limitation

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objections arising from a six-month time limit prescribed in a departmental circular. The court observed that since the assessee's claim was founded upon retrospective statutory amendments intended to confer substantive relief, the rectification application deserved consideration on merits after providing a reasonable opportunity of hearing to the assessee. Accordingly, the authority was directed to adjudicate the rectification application substantively while keeping the issue of limitation open for determination in accordance with law. The court further granted liberty to the assessee to challenge the resultant rectification order, along with the original adjudication order, through appropriate legal remedies available under the GST framework.

GST registration cancellation for return defaults can be revoked on filing pending returns and payment of dues: HC

EDITORIAL NOTE:

In a matter relating to cancellation of GST registration for continuous non-filing of returns for six months or more, it was held that such cancellation, though validly initiated, does not permanently extinguish the assessee's ability to regularise its status. The court/tribunal observed that the GST framework empowers the proper officer to consider restoration of registration where the taxpayer subsequently complies with statutory requirements by filing all pending returns and discharging outstanding tax liabilities, interest, late fee, and applicable penalties. Accordingly, the authorities were directed to examine the restoration application on merits, keeping in view the statutory scheme which permits revival of registration upon compliance, rather than adopting a rigid or purely technical approach. It was further clarified that cancellation of registration does not absolve

the assessee of liability, and the taxpayer continues to remain responsible for all statutory dues and penalties arising during the period of default.

Order set aside as adjudicating authority failed to consider reply filed by petitioner; matter remanded: HC

EDITORIAL NOTE:

In a significant ruling on procedural fairness in tax adjudication, it was held that where an adjudication order confirming demand, interest, and penalty was passed without duly considering the reply submitted by the assessee in the prescribed form, such an omission constituted a clear violation of the principles of natural justice. The court/tribunal observed that a quasi-judicial authority is under a statutory obligation to independently examine the submissions, documentary evidence, and explanations furnished by the taxpayer before arriving at any adverse conclusion. Failure to deal with the defence raised renders the order legally unsustainable. Accordingly, the impugned adjudication order was set aside and the matter was remitted back to the competent authority for fresh adjudication on merits. The authority was directed to provide a proper opportunity of hearing to the assessee and permit the filing of a supplementary reply, if necessary, to ensure a fair and reasoned decision in accordance with law.

Hearing before reply time was invalid and breached natural justice; order quashed, fresh proceedings to be initiated from SCN stage: HC

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In an important ruling dealing with principles of natural justice in tax proceedings, it was held that an assessment order cannot be sustained where the personal hearing was scheduled before the expiry of the time granted for filing a reply to the show cause notice (SCN), thereby effectively denying the assessee a meaningful opportunity to respond. The court observed that such a procedure renders the opportunity of hearing illusory and violates the fundamental requirement of fair adjudication, as the assessee must be allowed adequate time to submit a reply before being heard on the merits of the case. Accordingly, the impugned assessment order was quashed on the ground of procedural infirmity and breach of natural justice. The matter was remitted back to the assessing authority with directions to restart the proceedings from the stage of issuance of SCN, to permit the assessee to file a detailed reply within the prescribed time, and thereafter to grant a proper personal hearing before passing a fresh speaking order in accordance with law.

In Post GST regime villa construction, no GST profiteering arose as ITC benefit was factored in upfront payment by buyers: GSTAT

EDITORIAL NOTE:

In a ruling concerning alleged profiteering under GST, it was held that where complainants alleged non-passing of Input Tax Credit (ITC) benefits in respect of duplex villa sales, no contravention could be established in the absence of any demonstrable incremental benefit arising from GST rate changes or additional ITC accrual. The authority observed that all key transactions—including booking, execution of agreement, construction milestones, and payment flows—were undertaken in the post-GST regime, and the pricing of the villas was already determined after duly factoring in the availability of ITC. Further,

payments were made through construction-linked instalments, reflecting a transparent and market-aligned pricing mechanism.

It was also noted that the Director General of Anti-Profiteering (DGAP) analysis of credit ratios did not indicate any increase in net ITC or any excess benefit accruing to the supplier that could be attributed as profiteering. In these circumstances, the complainants were found to lack locus standi in the absence of any identifiable loss or undue benefit, and the allegation of profiteering was held to be unsubstantiated. Accordingly, no violation of anti-profiteering provisions was made out.

No proper SCN issued, only DRC-01 summary; initiation invalid, order set aside: HC

EDITORIAL NOTE:

In a significant ruling under the GST framework, it was held that issuance of only a summary of show cause notice in Form DRC-01 under Section 74 of the CGST Act, without serving a proper and detailed show cause notice along with the required statement of allegations and grounds, does not satisfy the mandatory statutory requirements. The court observed that the summary in Form DRC-01 is merely a procedural intimation intended for electronic communication and cannot substitute the substantive and foundational requirement of a valid show cause notice, which must clearly set out the allegations, basis of demand, and material relied upon.

Accordingly, initiation of proceedings based solely on such summary was held to be legally invalid, rendering the entire adjudication process vitiated for violation of statutory procedure and principles of natural justice. The impugned order was therefore set aside. However, the authority was granted liberty to initiate de novo

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proceedings in accordance with law, by issuing a proper show cause notice and following the prescribed procedure under Section 74 of the CGST Act.

Assessment proceedings on GST for seigniorage fee/royalty kept in abeyance pending SC verdict with 10% deposit: HC

EDITORIAL NOTE:

In a matter concerning levy of GST on seigniorage fee/royalty payable for quarrying operations, it was held that the issue being sub judice before the Supreme Court on the nature and taxability of such levy, the assessment proceedings on the disputed GST demand ought to be kept in abeyance pending final adjudication by the Apex Court. The court observed that in view of the uncertainty surrounding the legal character of seigniorage fee/royalty and its susceptibility to GST, it would be appropriate to defer final determination to avoid multiplicity of proceedings and conflicting outcomes.

However, balancing the interests of revenue and the taxpayer, the petitioner was directed to deposit 10% of the disputed tax amount as a condition of interim protection, to be treated as a security deposit. The authorities were further directed to keep the remaining assessment proceedings in abeyance and proceed afresh only after the pronouncement of the Supreme Court's decision on the issue, in accordance with the law declared therein.

GSTN informs availability of Excel-based IMS Offline Tool for bulk invoice actions: Advisory

EDITORIAL NOTE:

The Goods and Services Tax Network (GSTN) has introduced an IMS Offline Tool in Excel format to enhance taxpayer convenience and streamline invoice management under the Invoice Management System (IMS). The facility enables taxpayers to download IMS data in JSON format, process it offline, and take action on invoices filed through GSTR-1, GSTR-1A, and the Invoice Furnishing Facility (IFF). Users can efficiently accept, reject, or keep invoices pending either individually or in bulk, depending on their reconciliation requirements. The tool incorporates the same validation checks as the online IMS dashboard, ensuring consistency and accuracy in data processing. After offline verification and action, the processed data can be re-uploaded to the GST portal for system reflection. This initiative is aimed at simplifying compliance, improving operational efficiency, and reducing dependency on real-time portal access for invoice-level decision-making.



INCOME TAX

JUDICIAL UPDATES

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CBDT specifies new forms for changes or corrections in PAN data

EDITORIAL NOTE:

The Central Board of Direct Taxes (CBDT) has introduced a revised mechanism for correction and updation of Permanent Account Number (PAN) details by notifying two separate application forms to simplify and streamline the correction process. As per the new framework, Form PAN CR-01 has been prescribed for individual applicants, while Form PAN CR-02 is applicable for non-individual entities such as companies, LLPs, firms, trusts, societies, and other organizations. These forms are intended to facilitate corrections in PAN data including name, date of birth/incorporation, father's name, address, contact details, Aadhaar linkage-related information, and other demographic particulars maintained in the PAN database. The move is aimed at enhancing accuracy in taxpayer records, reducing discrepancies in financial and compliance-related transactions, and ensuring smoother integration with digital tax administration systems. Taxpayers seeking rectification or updation of PAN information are advised to use the appropriate form based on their constitution to avoid processing delays or rejection of applications.

CBDT specifies the manner of requirement of a computer-generated DIN; earlier circular withdrawn

EDITORIAL NOTE:

The Central Board of Direct Taxes (CBDT) has issued a fresh circular prescribing the revised procedure and manner for mandatory usage of the Document Identification Number (DIN) in

computer-generated communications issued by the Income Tax Department. With the issuance of this new circular, the earlier Circular No. 19/2019 dated 14.08.2019, which previously governed the generation and quoting of DIN in departmental communications, shall stand withdrawn and cease to have effect from the date of issuance of the latest circular. The revised framework aims to strengthen transparency, authenticity, traceability, and accountability in official tax communications by ensuring standardized implementation of DIN across digitally generated notices, letters, orders, and correspondence issued through electronic systems. Taxpayers and professionals are advised to verify the validity of DIN in all departmental communications and take note of the updated procedural requirements introduced under the new circular.

CBDT amends GAAR Rules to allow grandfathering of investments made before 01-04-2017; dilutes Tiger Global ruling

EDITORIAL NOTE:

The Central Board of Direct Taxes (CBDT) has amended Rule 10U of the Income-tax Rules, 1962 and the corresponding Rule 128 of the Income-tax Rules, 2026 to broaden and clarify the scope of grandfathering provisions relating to investments made prior to 01-04-2017. The amendment specifically provides that eligible investments acquired before the said date shall continue to enjoy grandfathering benefits, thereby offering greater certainty and protection to taxpayers in respect of tax treatment on such legacy investments. The revised rules are significant as they effectively dilute the impact of the Supreme Court's decision in Tiger Global International II Holdings [2026] 182 taxmann.com

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375 (SC), where a narrower interpretation of the grandfathering benefit had created concerns among foreign investors and stakeholders. Through this amendment, CBDT has sought to restore clarity, reduce litigation, and ensure continuity of tax relief intended for investments made before the transition date under the amended tax regime.

Disallowance u/s 94B on interest to non-resident AE discriminatory as per Article 24(4) India-Denmark DTAA: ITAT

EDITORIAL NOTE:

In a significant ruling concerning thin capitalization provisions and treaty protection, it was held that where an assessee, being a subsidiary of a Danish entity, had availed External Commercial Borrowings (ECBs) from its non-resident Associated Enterprise (AE), the disallowance made under Section 94B of the Income-tax Act was not sustainable, particularly when the Transfer Pricing Officer (TPO) had already accepted the interest payment to be at arm's length. The decision observed that Section 94B applies specifically to interest paid on borrowings from non-resident associated enterprises, thereby creating an unequal and discriminatory treatment between borrowings from resident and non-resident entities. Such differential treatment was found to be contrary to the non-discrimination clause contained in Article 24(4) of the India-Denmark DTAA, which prohibits less favourable taxation merely on the ground of foreign ownership or foreign-source borrowing. Accordingly, the tribunal/court held that the disallowance under Section 94B could not survive in light of the treaty protection available to the assessee.

Maximum marginal rate not applicable as AoP exercised sec. 115BAC option : ITAT

EDITORIAL NOTE:

In a notable ruling relating to taxation of an Association of Persons (AoP), it was held that where the assessee had validly exercised the option under Section 115BAC of the Income-tax Act while filing its return of income, the income could not subsequently be taxed by the Centralized Processing Centre (CPC) at the Maximum Marginal Rate (MMR) along with surcharge. The decision clarified that the tax liability under Section 115BAC is governed by the specific option exercised by the assessee and the concessional tax regime chosen under the statute. Therefore, once the assessee had opted for taxation under Section 115BAC and fulfilled the prescribed conditions, the automatic application of MMR by CPC was unjustified and contrary to the scheme of the provision. Accordingly, it was held that the higher tax rate and surcharge applicable under the Maximum Marginal Rate provisions could not be imposed in such circumstances, and the assessee was entitled to taxation in accordance with the rates prescribed under Section 115BAC.

India-Japan MoU notified for mutual assistance in tax collection effective from 8 July 2025

EDITORIAL NOTE:

The Central Board of Direct Taxes (CBDT) has officially notified that the Memorandum of Understanding (MoU) entered into between India and Japan for mutual assistance in the

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collection of taxes shall come into force in India with effect from 08-07-2025. Pursuant to the notification, all provisions contained in the said MoU, as detailed in the Annexure to the notification, shall apply accordingly for facilitating cooperation between the tax authorities of both countries in matters relating to recovery and collection of tax dues. The arrangement is aimed at strengthening international tax administration, improving cross-border tax enforcement mechanisms, and enhancing cooperation in recovery proceedings involving taxpayers with assets, income, or financial interests spread across both jurisdictions. The notification further reinforces India's ongoing commitment toward global tax transparency, effective exchange of information, and international cooperation in tax compliance and revenue collection matters.

Assessee not liable u/s 201 for non-deduction of TDS as section 194-IA aggregation applies only post 1.4.2024: ITAT

EDITORIAL NOTE:

In a significant relief for salaried taxpayers, it was held that where an assessee claimed exemption in respect of leave encashment under Section 10(10AA) of the Income-tax Act, the Assessing Officer was not justified in restricting the exemption to the earlier monetary ceiling of ₹3 lakhs. The ruling clarified that pursuant to CBDT Notification No. 31/2023, the exemption limit for non-government employees in respect of leave encashment received at the time of retirement or otherwise has been enhanced to ₹25 lakhs. Accordingly, the assessee was held entitled to claim exemption up to the revised threshold of ₹25 lakhs, subject to fulfillment of the prescribed conditions under Section 10(10AA). The decision

reiterates that the enhanced limit notified by CBDT is applicable for eligible cases and cannot be ignored by relying upon the erstwhile ceiling of ₹3 lakhs.

Leave encashment exemption u/s 10(10AA) allowable up to Rs. 25 lakh as per CBDT Notification No. 31/2023: ITAT

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In a significant relief for salaried taxpayers, it was held that where an assessee claimed exemption in respect of leave encashment under Section 10(10AA) of the Income-tax Act, the Assessing Officer was not justified in restricting the exemption to the earlier monetary ceiling of ₹3 lakhs. The ruling clarified that pursuant to CBDT Notification No. 31/2023, the exemption limit for non-government employees in respect of leave encashment received at the time of retirement or otherwise has been enhanced to ₹25 lakhs. Accordingly, the assessee was held entitled to claim exemption up to the revised threshold of ₹25 lakhs, subject to fulfillment of the prescribed conditions under Section 10(10AA). The decision reiterates that the enhanced limit notified by CBDT is applicable for eligible cases and cannot be ignored by relying upon the erstwhile ceiling of ₹3 lakhs.

Interest-free or concessional staff loans taxable as perquisites u/s 17; bank's TDS action upheld: HC

EDITORIAL NOTE:

In a significant ruling concerning taxation of employee benefits, it was held that where a bank

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treated interest-free or concessional loans provided to employees as taxable perquisites and deducted tax at source (TDS) in accordance with the CBDT Circular dated 15-10-2025, such action was lawful and in compliance with the provisions of the Income-tax Act. The court observed that the benefit arising from concessional or interest-free loans squarely falls within the ambit of "perquisites" forming part of salary under Section 17 of the Act and is therefore liable to taxation in the hands of employees. It was further held that the writ petition challenging the circular was not maintainable, as the impugned circular was merely consequential and clarificatory in nature, issued for implementation of the statutory provisions already existing under the law. Accordingly, the deduction of TDS by the employer-bank on such taxable perquisites was upheld as valid and legally sustainable.

CBDT issues corrigendum to IT Rules 2026; drops mention of 'Aadhaar' instead of 'PAN' in several forms

EDITORIAL NOTE:

The Central Board of Direct Taxes (CBDT) has issued a corrigendum to Notification No. 64/2026 dated 20-03-2026 for rectifying certain errors, inconsistencies, and drafting anomalies identified in various prescribed tax forms and corresponding Income-tax Rules. Through this corrigendum, CBDT has also withdrawn and corrected the earlier requirement that permitted furnishing of an Aadhaar number in place of a Permanent Account Number (PAN) in several forms and compliances. The amendment is aimed at ensuring procedural clarity, consistency in reporting requirements, and alignment with statutory PAN-related provisions under the Income-tax Act. Taxpayers, deductors, professionals, and reporting entities are advised

to carefully review the revised forms and updated compliance requirements to ensure accurate filing and avoid procedural defects or validation issues in future submissions.

Gratuity/leave encashment arise from past service and are not part of VRS: HC

EDITORIAL NOTE:

In an important ruling concerning deduction of employee separation expenses, it was held that where an assessee paid compensation under a Voluntary Retirement Scheme (VRS) along with gratuity and leave encashment to retiring employees, the assessee was justified in claiming amortization under Section 35DDA only in respect of the VRS compensation while separately claiming full deduction for gratuity and leave encashment under the applicable provisions of the Income-tax Act. The court/tribunal observed that gratuity and leave encashment are statutory or contractual post-retirement obligations arising out of past services rendered by employees and are independent in nature from the compensation paid under a VRS scheme. Therefore, such payments cannot automatically be treated as part of VRS expenditure merely because they were disbursed at the time of retirement. Accordingly, the restriction imposed by the Assessing Officer by clubbing gratuity and leave encashment with VRS expenditure for the purpose of Section 35DDA was held to be erroneous and unsustainable in law, and the assessee's claim for separate deduction was allowed.

Renewal under sec. 12A(1)(ac)(ii) could not be denied on old allegations or cancellation grounds: ITAT

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EDITORIAL NOTE:

In a significant ruling concerning charitable and educational institutions, it was held that where educational institutions had applied for renewal of registration under Section 12A/12AB of the Income-tax Act, the authorities were not justified in rejecting such renewal merely on the basis of old search-related materials and allegations that were more relevant to proceedings for cancellation of registration under Section 12AB(4). The court/tribunal observed that the scope of examination in renewal proceedings is distinct and cannot be expanded to reassess historical allegations or invoke considerations applicable specifically to cancellation proceedings unless the statutory conditions for such action are properly established. It was further noted that even the settlement proceedings relied upon by the Revenue had not resulted in withdrawal or denial of exemption benefits to the institutions. Accordingly, the denial of renewal registration on such grounds was held to be arbitrary and unsustainable in law, and the competent authority was directed to process the renewal application in accordance with the statutory framework governing charitable registrations.

SEBI issues consultation paper on re-introduction of open market buy-back through stock exchange

EDITORIAL NOTE:

The Securities and Exchange Board of India (SEBI) has issued a consultation paper proposing the reintroduction of open-market buy-backs through stock exchanges as an additional mode under the existing Buy-Back Regulations, 2018. The proposal seeks to provide listed companies with greater flexibility in executing share buy-backs while enhancing liquidity, improving price discovery, and enabling broader shareholder participation through market-based mechanisms. At the same time, the framework continues to retain key safeguards prescribed under the Companies Act, 2013 and related regulations to ensure investor protection and prevent market abuse. SEBI has invited public comments and stakeholder feedback on the proposal within 21 days from the date of issuance, indicating a consultative approach before finalizing the regulatory changes.



CORPORATE LAW UPDATES

SEBI grants one-time relaxation from penalties for Minimum Public Shareholding non-compliance between Apr & Sep 2026

EDITORIAL NOTE:

The Securities and Exchange Board of India (SEBI) has granted a one-time relaxation from the applicability of penal provisions under the Master Circular for listed entities that fail to meet Minimum Public Shareholding (MPS) norms, where the compliance due date falls between April 1, 2026 and September 30, 2026. The

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relaxation has been issued in view of prevailing market conditions and aims to provide temporary regulatory relief to affected listed companies during the specified period. Accordingly, stock exchanges and depositories have been directed not to initiate or continue any penal actions against such entities for non-compliance within this timeframe, and any enforcement actions already initiated during the said period are required to be withdrawn. The measure is intended to ensure regulatory flexibility while maintaining overall compliance objectives under the SEBI framework governing public shareholding requirements.

SEBI introduces mechanism for lock-in of pledged shares under ICDR norms to ease compliance

EDITORIAL NOTE:

SEBI has introduced a mechanism under the ICDR framework for the lock-in of pledged shares with the objective of easing compliance and bringing greater clarity in handling such securities during public issues and related transactions. For operationalising the same, depositories have issued a standard framework prescribing the manner in which issuers are required to comply, including incorporating suitable provisions in the Articles of Association, issuing necessary intimations to concerned lenders or pledgees, and ensuring appropriate disclosures in the offer documents to maintain transparency. The depositories have also upgraded their systems and processes to enable seamless implementation of the lock-in mechanism, thereby aligning operational procedures with regulatory requirements and ensuring uniform compliance across the securities market.

SEBI clarifies applicability of broad-based fund requirement to AIFs and their schemes under MF Regulations

EDITORIAL NOTE:

A company had sought clarification from the Securities and Exchange Board of India (SEBI) regarding the applicability of the broad-based fund requirement in relation to Alternative Investment Funds (AIFs) and their schemes under the relevant Mutual Fund Regulations. SEBI clarified that the requirement applies to entities providing management or advisory services to AIFs, and compliance must be evaluated at the individual scheme level rather than at the umbrella fund level. It was further clarified that each fund or scheme, including feeder funds, is required to independently satisfy the prescribed broad-based criteria, and no consolidated or group-level compliance can be considered for this purpose. SEBI also reiterated that domestic entities are not eligible for exemption from this requirement, thereby ensuring uniform applicability and adherence to investor protection standards across all categories of funds.

MCA proposes amendments to incorporation rules to simplify filings and reduce compliance burden

EDITORIAL NOTE:

The Ministry of Corporate Affairs (MCA) has proposed amendments to the Companies (Incorporation) Rules, 2014 with the objective of streamlining the incorporation process and reducing the overall compliance burden on companies. The draft amendments seek to

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consolidate multiple existing incorporation-related forms into simplified electronic forms, thereby enhancing ease of filing and reducing procedural complexity. It also proposes rationalisation of KYC and documentation requirements to minimise redundancy and improve efficiency in verification processes. Further, the proposed changes aim to simplify name reservation provisions, introduce greater flexibility in the rules governing registered office requirements, and strengthen the use of electronic communication for regulatory interactions. Stakeholders have been invited to submit their comments and suggestions on the draft amendments by May 9, 2026, as part of the consultative approach adopted for finalisation of the rules.

MCA update: DIR-3 KYC Web allows updating DIN particulars at Rs. 500 per change, w.e.f. 21 April, 2026

EDITORIAL NOTE: _____

The Ministry of Corporate Affairs (MCA) has amended the Companies (Registration Offices and Fees) Rules, 2014 through the 2026 Amendment Rules, effective from 21st April 2026, revising the fee structure for filing Form DIR-3 KYC Web. As per the amendment, no fee is payable if the form is filed within the due date, i.e., 30th September of the relevant financial year. However, if the form is filed after the due date or is required for reactivation of a deactivated Director Identification Number (DIN), a fee of ₹5,000 is applicable. Further, in cases where the form is subsequently filed again for updating or correcting details, a reduced fee of ₹500 is prescribed, thereby introducing a structured compliance and penalty mechanism for delayed and repeated filings.

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Compliance Due Date	Concerned (Reporting) Period	Compliance Detail	Applicable To
11th May	April 2026 to June 2026	GSTR-1 (Outward supply return)	Filing of outward supply details for April 2026 by taxpayers with a turnover more than ₹5 crore or who opted for monthly filing.
13th May		GSTR-1 (Outward supply return)	Every regular taxable person who is required to furnish details of outward supply every quarter is allowed to furnish details of B2B outward supply made during the month of April, 2026, using Invoice Furnishing Facility (IFF)
		ISD Return	An Input Service Distributor is required to furnish monthly return of input tax distributed for the month of April, 2026
20th May		GSTR-3B (Summary return)	A regular taxpayer with an aggregate turnover exceeding ₹5 crore in the preceding financial year is required to pay tax and file the monthly return for April 2026.
22nd May		Monthly Return	A regular taxpayer having an aggregate turnover of upto ₹5 crore in the previous financial year, whose principal place of business is in category A States, is required to make payment of tax and furnish monthly return for the month of April, 2026
24th May		Monthly Return	A regular taxpayer whose principal place of business is located in Category B States and whose aggregate turnover in the preceding financial year did not exceed ₹5 crore is required to pay tax and file the monthly return for April 2026.
31st May		Quarterly statement of TDS in case of all deductors	Quarterly statement of TDS to be furnished : (i) In respect of tax deducted at source from salary payments made during quarter January to March 2026; (ii) In respect of tax deducted at source from income other than salary during quarter January to March 2026; (iii) In respect of deductee who is non-resident not being a company or foreign company or resident but not ordinarily resident for the quarter January to March 2026.

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