

DEVMANTRA TIMES

Issue No. 63, Dated 2nd June, 2026

Dear Readers,

We welcome you to the Sixty third edition of DevMantra Times for the month of June 2026. This edition of our newsletter, where we bring you the latest developments shaping India's dynamic business and innovation landscape. The Supreme Court has reaffirmed its landmark 2021 ruling in Engineering Analysis, holding that payments for end-user software licences to foreign vendors do not constitute "royalty" under the Income-tax Act or tax treaties, thereby removing withholding tax exposure and providing strong tax certainty for businesses.

In the financial sector, the RBI has cancelled registrations of 150 NBFCs for regulatory non-compliance and imposed penalties on entities like City Union Bank for KYC lapses, loan charge issues, and governance deficiencies, while India's banking system achieved a record ₹4 lakh crore profit (FY26) driven by strong credit growth, improved asset quality, and robust performance across public sector banks (PSBs) and private banks. PSBs alone reported ₹1.98 lakh crore profit, even as the Finance Ministry reviews credit flow to MSMEs, agriculture, and concerns around digital frauds and stressed assets. Central Bank of India also announced expansion with 150 new branches and around 1,400 recruitments, supporting financial inclusion.

In the innovation ecosystem, Karnataka is advancing its space-tech and deep-tech strategy under the "DeepTech Decade" vision through testing facilities, manufacturing parks, and startup support infrastructure. IIT Madras has launched a Silicon Valley centre (Menlo Park) to support deep-tech startups globally, while Samsung introduced a startup program offering up to \$50,000 grants for AI, XR, and mobile security innovations. Meanwhile, Microsoft is reportedly exploring AI startup acquisitions beyond OpenAI to strengthen its artificial intelligence ecosystem.

However, the startup sector shows mixed signals, with Ola Consumer reporting a 42% revenue decline, rising losses, and weakening credit

profile ahead of its IPO, while Karnataka has relaunched its Elevate Startup Program, offering grants up to ₹50 lakh with special focus on women-led startups and SC/ST entrepreneurs, reinforcing inclusive entrepreneurship and early-stage innovation support.

Here's to a year filled with meaningful milestones, shared achievements, and inspiring moments that move us forward. May June 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 new possibilities together, making the journey not only successful but truly extraordinary in every way.

INDUSTRY & ECONOMIC UPDATES

SC refuses to reopen 2021 ruling exempting foreign software payments from royalty tax

EDITORIAL NOTE:

In a major development for cross-border taxation, the Supreme Court of India has once again dismissed the Income-tax Department's review petitions relating to the taxability of software payments made to non-residents, reaffirming its landmark ruling in Engineering Analysis Centre of Excellence Pvt. Ltd. v. CIT. The Court reiterated that payments made by Indian customers or distributors for the purchase or use of software under end-user licence agreements do not constitute "royalty" since such arrangements merely grant a limited right to use the software and do not involve the transfer of any copyright rights. Consequently, such payments are not taxable as royalty under the Income-tax Act or the applicable tax treaties and

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are generally not subject to withholding tax obligations applicable to royalty payments. The dismissal of the review petitions reinforces the finality of the Supreme Court's 2021 judgment and provides significant tax certainty and relief to Indian businesses acquiring software from overseas suppliers.

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

EDITORIAL NOTE:

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.

Listed banks earned a record profit of ₹4 lakh crore in FY26

EDITORIAL NOTE:

In a landmark achievement for the Indian banking sector, Indian banks reported a record consolidated net profit of over ₹4 lakh crore during FY 2025-26, reflecting strong balance sheets, healthy credit growth, and improved asset quality across the industry. Leading lenders such as State Bank of India, HDFC Bank, and ICICI Bank together contributed more than half of the sector's aggregate profitability, underscoring their dominant position in the banking landscape. Private sector banks marginally surpassed public sector banks in terms of profit contribution, highlighting their continued operational efficiency and profitability. The strong performance was achieved despite challenges arising from rising bond yields, which impacted treasury gains, and regulatory constraints such as limits on net open foreign exchange positions. The record earnings demonstrate the resilience of the banking sector and its ability to sustain profitability amid evolving market and regulatory conditions.

FinMin to meet chiefs of PSU banks on Fri to review credit flow to agri, MSME sectors

EDITORIAL NOTE:

In a strong reflection of the resilience of India's public banking sector, Public Sector Banks (PSBs) reported a record net profit of approximately ₹1.98 lakh crore for the financial year ended March 2026, driven by improved asset quality, robust credit growth, and enhanced operational efficiency. Against this backdrop, the Ministry of Finance is scheduled to hold a review meeting with the heads of PSBs to assess financial performance and discuss key policy priorities. The deliberations are expected to focus on the flow of credit to critical sectors such as

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agriculture and Micro, Small and Medium Enterprises (MSMEs), strengthening the functioning of Regional Rural Banks (RRBs), addressing the growing challenge of digital frauds, and improving recovery and resolution mechanisms for stressed assets. The meeting underscores the Government's continued emphasis on sustaining credit growth, enhancing financial inclusion, and ensuring that the strong profitability achieved by PSBs translates into broader support for economic development.

RBI slaps Rs 10.10 lakh penalty on City Union Bank, 2 more entities

EDITORIAL NOTE:

In a recent regulatory enforcement action, the Reserve Bank of India has imposed monetary penalties on three financial entities for non-compliance with various regulatory requirements. City Union Bank Limited was penalized for deficiencies relating to the levy of loan-related charges and inaccuracies in regulatory data reporting. Mintifi Finserve Private Limited faced a penalty for delays in uploading customers' Know Your Customer (KYC) records to the prescribed central repository, while Newa Investments Finance and Consultancy Company Limited was penalized for appointing directors without obtaining prior approval from the RBI as required under applicable regulations. These enforcement measures underscore the RBI's continued focus on ensuring strict regulatory compliance, strengthening governance standards, and promoting transparency and accountability across the financial sector.

Central Bank of India to open 150 branches, recruit about 1,400 officers in FY27: MD

EDITORIAL NOTE:

In a significant expansion initiative, Central Bank of India has announced plans to strengthen its nationwide presence by opening 150 new branches across the country. To support this growth strategy, the public sector lender intends to recruit approximately 1,400 employees, including officers and other banking professionals, while also enhancing capabilities across its subsidiary businesses. The expansion is aimed at increasing customer outreach, improving access to banking services, and deepening the bank's presence in key growth markets. The recruitment drive and branch network expansion are expected to support business growth, enhance service delivery, and further the bank's role in promoting financial inclusion across diverse regions of India. The move reflects the broader momentum in the public sector banking industry, which has witnessed strong profitability and business growth in recent years.

Startup Updates

Karnataka eyes larger role in commercial space economy; plans common testing facility

EDITORIAL NOTE:

In a significant boost to India's space technology ecosystem, Karnataka has unveiled plans to strengthen its position as a leading hub for commercial space innovation through its ambitious "DeepTech Decade" vision. The initiative seeks to accelerate the growth of the SpaceTech sector by creating enabling infrastructure, including common testing facilities, specialised manufacturing parks, and support mechanisms for research, development, and commercialisation.

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The proposed ecosystem is expected to particularly benefit startups and Micro, Small and Medium Enterprises (MSMEs) operating in the emerging new-space economy by providing access to shared resources, reducing entry barriers, and fostering innovation. The initiative aligns with India's broader efforts to expand private sector participation in the space industry and is expected to enhance Karnataka's role as a key centre for advanced technology, aerospace manufacturing, and space entrepreneurship.

IIT-Madras launches centre in California, to be launchpad for Indian deeptech startups

EDITORIAL NOTE:

In a significant development for India's innovation and deep-tech ecosystem, IIT Madras Global Research Foundation has established its first international centre in Menlo Park, marking a major step towards strengthening global collaboration in research, technology, and entrepreneurship. Located in the heart of Silicon Valley, the new centre is expected to serve as a bridge between Indian innovators and the global technology ecosystem by facilitating access to venture capital, industry partnerships, research collaborations, and international markets. The initiative is particularly aimed at supporting Indian deep-tech startups by helping them commercialise innovations, attract investment, and scale their businesses globally. The move is expected to enhance India's presence in the global deep-tech landscape and foster stronger ties between academia, industry, and investors across borders.

Samsung R&D launches startup incubation drive, offers upto \$50,000 grants

EDITORIAL NOTE:

In a significant boost to India's startup and innovation ecosystem, Samsung Electronics, through its R&D Institutes in Bengaluru and Noida, has launched the 2026 Samsung Mobile Advance Program, an open innovation initiative aimed at supporting deep-tech startups. The program offers grant funding of up to USD 50,000 for developing proof-of-concept solutions in next-generation mobile technologies, including Artificial Intelligence (AI), Extended Reality (XR), mobile security, and other advanced digital innovations. Selected startups will benefit from access to Samsung's technology ecosystem, technical mentorship, research expertise, and opportunities for collaboration with Samsung's global innovation network. The initiative is expected to help emerging technology ventures accelerate product development, validate innovative solutions, and enhance their prospects for commercialisation and market expansion in the rapidly evolving mobile technology landscape.

Ola Consumer's FY25 revenue drops 42%, losses widen, as company begins prep for IPO

EDITORIAL NOTE:

In a notable development in India's startup ecosystem, Ola Consumer is reportedly continuing preparations for its proposed initial public offering (IPO) despite facing significant financial challenges. Recent financial disclosures indicate a sharp decline in revenue accompanied by a substantial increase in losses, reflecting mounting competitive pressures and a loss of market share in key business segments. The deteriorating financial performance has also had an adverse impact on the company's credit profile and ratings. Meanwhile, Ola Electric

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Technologies Limited, another venture associated with Bhavish Aggarwal, is also confronting revenue-related headwinds amid an increasingly competitive market environment. The developments highlight the challenges faced by high-growth technology companies in balancing expansion, profitability, and investor expectations, particularly as they prepare to access public capital markets. Investors are likely to closely evaluate the companies' path to sustainable growth, market positioning, and financial performance as part of any future fundraising or listing process.

Microsoft eyeing startup deals for life after OpenAI

EDITORIAL NOTE:

In a significant development in the global artificial intelligence landscape, Microsoft Corporation is reportedly exploring acquisition opportunities involving AI-focused startups as part of its strategy to strengthen in-house AI capabilities, attract top research talent, and accelerate the development of next-generation artificial intelligence models. Among the companies reportedly under consideration is Inception, a startup engaged in developing novel large language model (LLM) architectures and advanced AI technologies. The move reflects the intensifying competition among major technology companies to secure AI expertise, intellectual property, and innovative research capabilities. By pursuing strategic acquisitions, Microsoft aims to expand its AI ecosystem, reduce development timelines, and enhance its ability to build cutting-edge AI models and applications. The reported discussions underscore the growing importance of talent acquisition and proprietary AI research in shaping the future competitive landscape of the global technology industry.

Karnataka invites fresh applications under startup grant program

EDITORIAL NOTE:

In a notable push to strengthen the startup ecosystem, Karnataka's Department of Electronics, IT/BT has reopened applications for its flagship Elevate startup support program, offering grants of up to ₹50 lakh to eligible ventures. This year marks a significant expansion of the initiative, with four categories being run simultaneously for the first time to promote broader inclusion and targeted support across different founder segments. These include "Elevate Shakti," focused on women-led startups, and "Elevate Unnati," designed to support entrepreneurs from Scheduled Caste and Scheduled Tribe (SC/ST) communities, alongside other thematic tracks under the program. The initiative aims to provide financial assistance, mentorship, and ecosystem support to early-stage startups across the state, reinforcing Karnataka's position as a leading hub for innovation and inclusive entrepreneurship in India's technology landscape.

Why this Volume of Newsletter is important for reader?

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.

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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.

Regards & Best Wishes,
Editorial Team



GST

JUDICIAL UPDATES

Government amended GST Rate notification to incorporate revised HSN Classification for Beverages under Chapter 2202

EDITORIAL NOTE:

In a recent GST update, the Government has amended Notification No. 9/2025-Central Tax (Rate) to align GST tariff entries with the revised Harmonised System of Nomenclature (HSN) classification introduced under the Finance Act, 2026 for beverages falling under Heading 2202. The amendment substitutes existing tariff entries and makes corresponding changes in Schedule I (taxable at 5%, i.e., 2.5% CGST + 2.5% SGST) and Schedule III (taxable at 40%, i.e., 20% CGST + 20% SGST) to ensure proper classification and tax treatment of various categories of beverages under the revised HSN framework. The changes are primarily aimed at maintaining consistency between customs and GST classifications and

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facilitating accurate tax compliance. The amended provisions have come into force with effect from 1 May 2026, requiring businesses dealing in beverages to review their product classifications and GST rates in light of the revised HSN codes.

Cancellation for non-filing quashed on bona fide cause; registration to be restored subject to compliance: HC

EDITORIAL NOTE:

In a taxpayer-friendly GST ruling, the Court held that cancellation of GST registration for non-filing of returns could not be sustained where the taxpayer had demonstrated bona fide reasons for non-appearance in response to the show cause notice. Although the registration had been cancelled and the subsequent appeal was dismissed as time-barred, the Court observed that cancellation of registration carries serious civil and business consequences, affecting the taxpayer's ability to carry on business and comply with tax obligations. Considering the circumstances and the explanation offered by the petitioner, the Court set aside the cancellation order and directed restoration of the GST registration, subject to the taxpayer fulfilling all statutory requirements, including filing pending returns and discharging tax liabilities. The ruling underscores that procedural lapses should not result in disproportionate consequences where the taxpayer is willing to regularize compliance.

Ex-parte GST demand order quashed for 2018-19 as no adequate hearing granted; matter remanded: HC

EDITORIAL NOTE:

In a significant ruling reaffirming the principles of natural justice, the Court held that an ex-parte demand order and the consequential summary order issued in Form GST DRC-07 could not be sustained where the taxpayer was not provided an adequate opportunity of being heard. The Court observed that the determination of tax liability has serious civil consequences and therefore requires strict adherence to procedural fairness. Since the impugned orders were passed without granting the petitioner a meaningful opportunity to present its case, they were held to be violative of the principles of natural justice. Accordingly, the Court quashed the demand order as well as the summary order in Form GST DRC-07 and directed the tax authorities to initiate fresh proceedings in accordance with law after providing the petitioner with a proper and effective opportunity of hearing. The ruling highlights that procedural fairness is an indispensable requirement in GST adjudication proceedings.

Separate GST registration in site State required as construction site qualifies as fixed establishment: AAR

EDITORIAL NOTE:

In a significant GST advance ruling, it was held that where an applicant undertakes erection and assembly of precast structures at construction sites located in other States and maintains sufficient permanence through manpower, machinery, and other resources at such sites, the sites would qualify as a "fixed establishment" under GST law. The authority observed that the existence of adequate human and technical resources at the project locations enabled the applicant to supply services from those sites with

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a reasonable degree of permanence. Consequently, the construction sites constituted fixed establishments distinct from the applicant's principal place of business. Accordingly, the applicant was required to obtain GST registration in the States where such construction sites were located and from where the taxable supplies were effectively made. The ruling underscores that project sites with sufficient operational presence and continuity may trigger separate registration requirements under GST.

Order denying ITC for GSTR-3B/2A mismatch set aside as reconciliation per Circular 183/15/2022-GST not followed: HC

EDITORIAL NOTE:

In a significant GST ruling, the Court held that a demand arising from denial of Input Tax Credit (ITC) on account of excess claims, invoices issued by allegedly non-existent suppliers, and reverse charge mechanism (RCM) discrepancies could not be sustained where the prescribed reconciliation mechanism had not been followed by the tax authorities. The Court observed that Circular No. 183/15/2022-GST lays down a specific procedure for reconciliation of mismatches between GSTR-3B and GSTR-2A, and such procedure must be adhered to before denying ITC and raising a demand. Since the authorities failed to undertake the required reconciliation exercise, the impugned order was set aside and the matter was remanded for fresh consideration. The parties were directed to carry out the reconciliation process strictly in accordance with the circular and thereafter determine the admissibility of ITC. The ruling reinforces that ITC disputes must be adjudicated only after following the prescribed verification and reconciliation procedures.

ECL blocking without pre-decisional notice held unsustainable as per Rule 86A; ledger unblocked: HC

EDITORIAL NOTE:

In a significant ruling on GST procedural safeguards, the Court held that blocking an assessee's electronic credit ledger without issuing a prior notice or providing an opportunity of hearing violates the principles of natural justice. The credit ledger had been blocked on allegations that the supplier was non-functioning and that the goods or services covered by the invoices had not actually been received. The Court observed that such action has serious financial consequences for the taxpayer and cannot be taken without following due process. Since no pre-decisional notice had been issued before restricting the assessee's Input Tax Credit (ITC), the blocking of the electronic credit ledger was held to be unsustainable and was accordingly set aside. The authorities were directed to immediately unblock the ledger, while retaining the liberty to initiate appropriate proceedings in accordance with law after following the prescribed procedure. The ruling reinforces that administrative actions affecting taxpayers' rights must adhere to the principles of natural justice and procedural fairness.

Corporate guarantees for group cos. without consideration being outside business scope not a "supply": HC

EDITORIAL NOTE:

In a significant GST ruling, it was held that corporate guarantees extended by an

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infrastructure company in favour of lenders of its group entities, without charging any fee, commission, or other consideration, do not constitute a taxable supply. The authority noted that the guarantee deeds expressly provided that no consideration was payable by the group companies and that the assessee was not engaged in the business of providing guarantee services. The guarantees were merely in-house financial support extended within the corporate group to facilitate borrowing by related entities. In the absence of any consideration and considering the nature of the transaction, the activity could not be treated as a supply liable to GST. The ruling highlights that genuine corporate support arrangements undertaken without consideration and outside the ordinary course of business may not attract GST merely because they benefit related parties.

GSTN notifies offline utility for filing Annexure-B in accumulated ITC refund applications: Advisory

EDITORIAL NOTE:

In a significant compliance-related update, the GST Network (GSTN) has introduced an Excel-based Annexure-B Offline Utility to facilitate filing of refund applications involving accumulated Input Tax Credit (ITC) under specified categories, including exports without payment of tax, supplies made to Special Economic Zones (SEZs), and refunds arising from an inverted duty structure. The utility enables taxpayers to report invoice details on an HSN/SAC-wise basis, generate and upload JSON files, and undergo system-driven validation with data available in GSTR-2B. By automating the reconciliation and verification process, the new utility is expected to bring greater accuracy, consistency, and transparency in refund claims while reducing

processing delays and manual intervention. The initiative represents another step towards standardising and streamlining GST refund procedures through technology-driven compliance.

Govt. omits quarterly transfer provision under HSNS Cess Fund Rules and revises accounting mechanism: Notification

EDITORIAL NOTE:

In a recent regulatory update, the Government has amended Rule 35 of the Health Security and National Security Cess Rules, 2026, introducing changes to the mechanism governing the utilisation, transfer, and accounting of cess collections. The amendment removes the existing requirement for the Department of Revenue to transfer cess proceeds to the Health Security and National Security (HSNS) Cess Fund on a quarterly basis. Additionally, the Rules have been revised to redefine the authorities responsible for the allocation, management, and accounting of cess funds, thereby streamlining the administrative framework governing the cess. The changes are aimed at improving the efficiency of fund management and aligning the accounting procedures with the revised operational structure under the Rules.

GSTN proposes mandatory 'Ship-To GSTIN' capture in Bill-To/Ship-To transactions: Advisory

EDITORIAL NOTE:

In a recent advisory, the GST Network (GSTN) has proposed significant enhancements to the

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e-Way Bill (EWB) system aimed at improving tracking and compliance in goods movement transactions. The proposed changes include mandatory capture of the 'Ship-To GSTIN' in Bill-To/Ship-To transactions to ensure greater accuracy in identifying the actual recipient of goods. GSTN has also proposed the introduction of a voluntary e-Way Bill closure facility, enabling suppliers, recipients, transporters, and other authorised persons to formally close an EWB once the movement of goods is completed or the transaction is otherwise concluded. In addition, the advisory outlines necessary API and system integration changes for GST Suvidha Providers (GSPs), ERP systems, and other stakeholders to accommodate the new functionalities. The proposed enhancements are expected to strengthen data integrity, improve transparency in logistics reporting, and streamline EWB compliance, with deployment in the production environment targeted by 15 June 2026.

Refund rejection of software export under sec. 54(3) set aside as order was non-speaking and lacked reasons: HC

EDITORIAL NOTE:

In a significant GST refund ruling, the Court held that a refund claim filed by a software development service provider could not be rejected without a proper examination of the submissions and supporting documents furnished by the taxpayer. The petitioner had provided software development services to its associated enterprises located outside India and claimed a refund on the basis that the services qualified as exports. However, the refund was denied by treating the petitioner as an intermediary service provider, without recording

specific findings or adequately addressing the taxpayer's contentions. The Court observed that the impugned order was a non-speaking order lacking proper reasoning and failed to demonstrate how the services fell within the scope of intermediary services. Accordingly, the order was set aside and the matter was remanded to the competent authority for fresh adjudication after considering all submissions, agreements, and relevant documents. The ruling reiterates that refund claims cannot be rejected through unreasoned orders and that authorities must clearly establish the basis for classifying a service as an intermediary before denying export-related GST benefits.

Writ not maintainable for GST appeal as GSTAT now operational with extended timelines; petitioner to file appeal: HC

EDITORIAL NOTE:

In a significant GST ruling, the Court held that the extraordinary writ jurisdiction should not be invoked where an effective statutory appellate remedy is available. The petitioner had challenged an order passed under section 74 of the GST law on the ground that the Goods and Services Tax Appellate Tribunal (GSTAT) had not been constituted, and the appellate authority had already upheld the demand. However, during the pendency of the proceedings, the Government notified the functioning of the GSTAT and prescribed the timelines for filing appeals. In these circumstances, the Court observed that the reason for bypassing the statutory appellate mechanism no longer survived. Accordingly, the petitioner was directed to avail the appellate remedy by making the statutorily prescribed pre-deposit and filing an appeal before the GSTAT within the stipulated time. The ruling reinforces

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the principle that writ jurisdiction is generally not available when an effective alternative remedy exists under the statute.



INCOME TAX

REGULATORY UPDATES

Section 54F deduction allowed as property owned by assessee was open land, not residential house: ITAT

EDITORIAL NOTE:

In a significant ruling concerning the exemption available under Section 54F of the Income-tax Act, the Court held that ownership of a vacant plot of land cannot be equated with ownership of a residential house for the purpose of denying the exemption. The assessee had earned Long-Term Capital Gains (LTCG) from the sale of a non-agricultural land parcel and claimed deduction under Section 54F. The Revenue sought to disallow the claim on the ground that the assessee allegedly owned multiple residential properties, including a property situated at Ambli. However, upon examining the

registered sale deed and the purchaser's affidavit, the Court found that the Ambli property was merely an open plot of land with no residential construction existing on it. Since Section 54F restricts the benefit only where the assessee owns more than the prescribed number of residential houses, a vacant land cannot be treated as a residential house merely because it is capable of future development. Accordingly, the Court held that the Ambli property could not be considered a residential property and, therefore, could not be counted while determining the assessee's eligibility under Section 54F. The exemption was consequently allowed, reaffirming the principle that the actual nature and use of a property, rather than its potential future use, are decisive factors for the purposes of Section 54F. This ruling provides valuable guidance to taxpayers by clarifying that ownership of vacant land does not, by itself, jeopardize the availability of capital gains exemption under Section 54F.

No addition for notional interest on advances to related parties or imprest as only real income taxable: ITAT

EDITORIAL NOTE:

In a noteworthy ruling on revenue recognition and taxation of advances, the Court held that advances received from customers cannot be treated as taxable income merely because the corresponding sales have not been booked in the financial statements. The assessee-company, engaged in real estate development, had received advances from customers towards the sale of land and chalets. In respect of land sales, the revenue had already been offered to tax in earlier years in accordance with the company's consistently followed revenue recognition policy. For the chalets under

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construction, revenue was recognized based on the Percentage of Completion Method (POCM), a recognized accounting method commonly followed in the real estate sector. The Revenue sought to tax the outstanding customer advances as income on the ground that the sales had not yet been formally recorded. Rejecting this approach, the Court observed that advances received from customers represent liabilities until the conditions for revenue recognition are satisfied and cannot automatically be treated as income. Since the assessee had consistently followed an accepted method of accounting and the related income had either already been taxed or was being recognized in accordance with POCM, there was no justification for making a separate addition merely on account of unadjusted advances. Accordingly, the impugned addition was deleted. The ruling reinforces the principle that taxation must align with established revenue recognition practices and that customer advances, by themselves, do not constitute taxable income unless they acquire the character of revenue under the applicable accounting and tax framework.

CPC must process return under new tax regime as Form 10-IE was available at processing stage: ITAT

EDITORIAL NOTE:

In a significant ruling, the Court held that a delay in filing Form No. 10-IE should not, by itself, deprive an assessee of the benefit of the new tax regime. Although the form was not filed within the due date prescribed under section 139(1), it was available on record when the return was processed and the assessee had clearly opted for the new regime in the return of income. The Court observed that the requirement of filing

Form No. 10-IE within the prescribed time was directory and not mandatory. Accordingly, the Assessing Officer was directed to process the return under the new tax regime and grant the applicable tax benefits.

Land beyond 8 KM from municipal limits and classified as agricultural in revenue records is not a capital asset u/s 2(14): ITAT

EDITORIAL NOTE:

In a significant ruling on the taxation of agricultural land, the Court held that land situated beyond 8 kilometres from the limits of the nearest municipality and recorded as agricultural land in revenue records does not qualify as a "capital asset" under section 2(14) of the Income-tax Act. The Court observed that the land had not been converted for non-agricultural use and retained its agricultural character. Therefore, the absence of evidence regarding actual agricultural operations or agricultural income was not decisive in determining its tax treatment. Since the land fell outside the scope of a capital asset, the gains arising from its transfer were not liable to capital gains tax. The ruling reaffirms that the location and legal classification of land are key factors in determining whether capital gains provisions apply.

TDS not deductible on cross-charges under cost-sharing agreement as payment was pure reimbursement without markup: HC

EDITORIAL NOTE:

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In a significant ruling on TDS obligations, the Court held that cross-charges paid by an assessee to its sister concern under a cost-sharing arrangement were not liable for tax deduction at source where the payments represented pure reimbursements without any profit element. The expenses related to staff costs and promotional activities incurred on behalf of the assessee and were recovered on an actual-cost basis without any markup. The Court noted that the sister concern had already deducted TDS, wherever applicable, while making payments to the ultimate vendors or employees. Since the reimbursements did not contain any income component, they could not be subjected to TDS again in the hands of the assessee. Accordingly, the disallowance made under section 40(a)(ia) for non-deduction of tax at source was deleted. The ruling reinforces the principle that genuine reimbursements of expenses, devoid of any income or profit element, do not attract TDS provisions.

No sec. 56 addition if property purchase value falls within 10% tolerance band per sec. 50C: ITAT

EDITORIAL NOTE:

In a taxpayer-friendly ruling, the Court held that the tolerance band provided under section 50C is equally relevant while examining additions under section 56 relating to immovable property transactions. The assessee had purchased a property for a consideration that was within 10 per cent of the stamp duty valuation. The Revenue sought to make an addition under section 56 on account of the difference between the purchase consideration and the stamp value. However, the Court observed that where the variation falls within the prescribed tolerance limit, such difference is to be ignored and cannot

trigger a deemed income addition. Since the difference between the actual consideration and the stamp duty value was within the 10 per cent safe harbour limit, no addition under section 56 was justified. The ruling provides relief to taxpayers by recognizing that minor valuation differences should not result in adverse tax consequences.

Section 40(a)(ia) disallowance not attracted for short TDS where tax deducted at lower rate: HC

EDITORIAL NOTE:

In an important ruling on TDS-related disallowances, the Court held that where an assessee has deducted tax at source under one provision of the Act, a subsequent dispute regarding the applicable TDS section or rate would amount to a case of short deduction and not non-deduction of tax. In the present case, the assessee deducted TDS at 2 per cent under section 194C, whereas the Assessing Officer contended that the payments were in the nature of royalty covered by Explanation 6 to section 9(1)(vi) and were therefore liable to TDS at 10 per cent under section 194J. The Court observed that tax had in fact been deducted and deposited, and the issue was merely one of classification of payment and the applicable rate of deduction. Since section 40(a)(ia) applies primarily to cases where tax has not been deducted at all, a mere short deduction due to a difference of opinion regarding the correct TDS provision cannot trigger disallowance under that section. Accordingly, the disallowance made under section 40(a)(ia) was deleted, reaffirming the principle that short deduction of TDS does not automatically result in disallowance of expenditure.

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DDT on dividends to non-resident shareholders to be restricted to DTAA rates :ITAT

EDITORIAL NOTE:

In a significant ruling on the interaction between domestic tax provisions and tax treaties, the Court held that where an Indian company distributed dividends to its non-resident shareholders who were tax residents of Japan and Thailand and were the beneficial owners of such dividend income, the benefit of the applicable Double Taxation Avoidance Agreements (DTAAs) could not be denied. Accordingly, the Dividend Distribution Tax (DDT) payable under section 115-O was required to be restricted to the rate of 10 per cent as prescribed under the India-Japan and India-Thailand DTAAs. The Court observed that treaty benefits are available where the shareholders satisfy the conditions of residency and beneficial ownership, and therefore the tax burden on dividend distributions cannot exceed the rate agreed under the respective tax treaties. The ruling reinforces the principle that DTAA provisions prevail over domestic law where they are more beneficial to the taxpayer.

No TDS required u/s 194-IA if assessee's share in jointly purchased property is below Rs. 50 lakhs: ITAT

EDITORIAL NOTE:

In a noteworthy ruling on the applicability of TDS under section 194-IA, the Court held that the threshold limit of ₹50 lakh must be examined with reference to the individual share of each

transferee in the property and not the aggregate purchase consideration. In the present case, the assessee, along with two other co-purchasers, jointly acquired an immovable property for ₹55 lakh, with each purchaser's share being less than ₹50 lakh. The Revenue sought to treat the assessee as a defaulter for failure to deduct tax at source under section 194-IA. However, the Court observed that the obligation to deduct TDS arises only where the consideration attributable to a particular transferee exceeds the prescribed threshold. Since the assessee's individual share in the property was below ₹50 lakh, the provisions of section 194-IA were not attracted. Accordingly, the intimation issued under section 200A treating the assessee as a defaulter was held to be unsustainable and was set aside. The ruling provides important clarity for joint property transactions by affirming that the threshold under section 194-IA applies on a per-transferee basis.

Intra-group share transfer between wholly owned Indian subsidiaries held exempt under section 47(iv): ITAT

EDITORIAL NOTE:

In a significant ruling on intra-group restructurings, the Court held that the transfer of shares of an Indian subsidiary by a French parent company to another wholly owned Indian subsidiary was a genuine reorganization of shareholding and qualified for exemption under section 47(iv). The transaction did not result in any change in the ultimate beneficial ownership of the shares, as control continued to remain within the same corporate group. The Revenue sought to tax the transaction as income from other sources, alleging that it was undertaken to obtain a tax advantage. However, the Court

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observed that there was no material evidence to suggest that the arrangement was sham, colourable, or lacking commercial substance. Mere perception of a tax benefit could not be a ground to disregard a legitimate corporate restructuring. Accordingly, the transfer was held to be covered by the exemption provided under section 47(iv), and no tax liability could be imposed by treating the transaction as income from other sources. The ruling reaffirms that bona fide group reorganizations cannot be denied statutory tax exemptions in the absence of evidence of tax avoidance or artificial arrangements.

Capital gains taxable in year of possession transfer despite delayed sale deed execution; section 54 deduction allowable: ITAT

EDITORIAL NOTE:

In a significant ruling on the timing of capital gains taxation, the Court held that a transfer of immovable property is deemed to have taken place when the parties have substantially performed their obligations, even if the formal sale deed is executed later. In the present case, the assessee had received the entire sale consideration and handed over possession of the property by 31 October 2017, while the execution of the sale deed was delayed due to a lien appearing in the revenue records. The Court observed that both parties had fulfilled the essential terms of the transaction by the said date, and therefore the transfer stood completed within the meaning of section 2(47). Accordingly, the capital gains were taxable in that assessment year itself, and the assessee was also entitled to claim deduction under section 54 in the same year. The ruling emphasizes that the substance of the transaction and completion of contractual obligations are decisive factors in

determining the year of transfer for capital gains purposes.

Retail and after-sales traders held functionally dissimilar to wholesale auto-parts trader under FAR analysis: ITAT

EDITORIAL NOTE:

In a significant transfer pricing ruling, the Court held that companies engaged in retail sales and after-sales services of automobile components cannot be considered valid comparables for an assessee engaged solely in wholesale trading of auto components. The Court observed that the functions performed, assets employed, and risks assumed by retail and after-sales businesses are materially different from those of a wholesale distributor, making them functionally incomparable. After excluding such inappropriate comparables, only one comparable company remained, whose profit margin was lower than that of the assessee. Consequently, the assessee's international transactions were found to be at arm's length, and the transfer pricing adjustment made by the Revenue was directed to be deleted. The ruling reiterates the importance of selecting functionally comparable entities while conducting transfer pricing analyses.



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CORPORATE LAW UPDATES

SEBI operationalises fast-track mechanism for processing of Placement Memorandum of AIFs filed with SEBI

EDITORIAL NOTE:

In a significant Ease of Doing Business initiative, Securities and Exchange Board of India (SEBI) has streamlined the process for launching schemes by Alternative Investment Funds (AIFs) through the introduction of a Fast-Track Mechanism for processing Placement Memorandums (PPMs). Under the revised framework, AIFs may proceed with the launch of their non-Large Value Fund for Accredited Investors (non-LVF) schemes and circulate the PPM to prospective investors for fundraising after the expiry of 30 days from the date of filing the application with SEBI, unless otherwise advised by the regulator. The measure is expected to reduce procedural delays, enhance operational efficiency, and provide greater certainty to fund managers while maintaining regulatory oversight. The initiative reflects SEBI's continued efforts to facilitate capital formation and improve the ease of doing business in India's alternative investment fund ecosystem.

NCLT grants partial relief for deadlock and mismanagement as respondents obstructed statutory compliance records access

EDITORIAL NOTE:

In a significant ruling on corporate governance and shareholder disputes, it was held that where

the petitioners and respondents held equal shareholding in the company and the relationship between them had irretrievably broken down, leading to a management deadlock, denial of access to statutory records, and failure to comply with statutory obligations, a case of mismanagement was made out warranting intervention under section 242 of the Companies Act, 2013. The authority observed that the continued stalemate was adversely affecting the affairs of the company and the interests of its stakeholders. Accordingly, the petitioners were granted partial relief, including access to the company's statutory records and directions to facilitate necessary regulatory and statutory compliances. However, other substantive reliefs sought by the petitioners were declined as the facts did not justify such measures. The ruling underscores that while courts and tribunals may intervene to remedy mismanagement and protect the functioning of a company, the relief granted will be tailored to address the specific prejudice established on record and safeguard the interests of all stakeholders.

SEBI proposes review and rationalization of (Buy-Back of Securities) Regulations, 2018

Retail and after-sales traders held functionally dissimilar to wholesale auto-parts trader under FAR analysis: ITAT

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SEBI proposes review and rationalization of (Buy-Back of Securities) Regulations, 2018

EDITORIAL NOTE:

In a significant regulatory development, Securities and Exchange Board of India has issued a consultation paper proposing a comprehensive review and rationalisation of the SEBI (Buy-Back of Securities) Regulations, 2018. The key proposals include reintroducing the open market route for buybacks through stock exchanges, dispensing with the mandatory requirement of appointing a merchant banker for conducting buybacks, and reallocating responsibilities currently performed by merchant bankers to the company, stock exchanges, and secretarial auditors. The proposed changes are aimed at reducing compliance costs, enhancing operational efficiency, and simplifying the buyback process while maintaining adequate regulatory oversight and investor protection. SEBI has invited public comments and stakeholder feedback on the proposals, with submissions being accepted until 29 May 2026.

IFSCA notifies IFSCA (Finance Company) (Amendment) Regulations, 2026

EDITORIAL NOTE:

In a significant regulatory update, International Financial Services Centres Authority has notified the IFSCA (Finance Company) (Amendment) Regulations, 2026, introducing greater flexibility for finance companies operating in International Financial Services Centres (IFSCs). Under the amended framework, a finance company or unit is now permitted to undertake leasing or financing activities through a Special Purpose Vehicle (SPV). The regulations further provide that where such leasing or financing activities are carried out through an SPV, the minimum owned fund or paid-up capital requirement for the SPV shall be equivalent to the amount prescribed under the Companies Act, 2013, or such other amount as may be specified by the Authority from time to time. The amendment is expected to facilitate structured financing arrangements, enhance operational flexibility, and promote the ease of doing business within the IFSC ecosystem while ensuring adequate capitalisation and regulatory oversight of SPVs.

Market value for NH land to be as per sec. 26(1)(a) of Land Acquisition Act, 2013; arbitral award ignoring statutory mandate set aside: SC

EDITORIAL NOTE:

In a significant ruling on land acquisition compensation, the Court held that an arbitral award determining the market value of acquired land for four-laning of a National Highway was liable to be set aside on account of patent illegality. The Arbitrator had relied upon a single

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sale exemplar that was not comparable to the acquired land and thereby failed to adhere to the mandate of Section 26(1)(b) of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013. The Court observed that where the prescribed statutory methodology is not properly followed, the resulting valuation cannot be sustained. Accordingly, it held that the market value should instead be determined under Section 26(1)(a) based on the applicable Ready Reckoner rate, fixing the value at ₹2,020 per square metre rather than the higher rate awarded by the Arbitrator. The ruling underscores that compensation under land acquisition laws must be determined strictly in accordance with the statutory framework and on the basis of reliable and comparable valuation parameters.

SEBI issues updated Master Circular on surveillance of securities market framework

EDITORIAL NOTE:

In a significant regulatory update, Securities and Exchange Board of India has issued an updated Master Circular on surveillance of the securities market, consolidating and rationalising various circulars and directions issued over time in the areas of market surveillance and compliance monitoring. The Master Circular brings together provisions relating to insider trading disclosures, trading window closure requirements, system-driven disclosures, and surveillance-related lapses at Market Infrastructure Institutions (MIIs), thereby providing a comprehensive reference framework for market participants. It also incorporates recent regulatory changes concerning Non-Convertible Securities and the PAN freezing mechanism applicable to designated persons for non-compliance with disclosure requirements. The updated circular is

aimed at enhancing regulatory clarity, strengthening market integrity, and ensuring uniform implementation of surveillance and compliance measures across the securities market ecosystem.

SEBI permits InvITs to use borrowings above 49% asset value for specified purposes

EDITORIAL NOTE:

In a significant clarification for the infrastructure investment sector, Securities and Exchange Board of India has specified the circumstances in which borrowings exceeding 49% of the value of assets of an Infrastructure Investment Trust (InvIT) may be undertaken under Regulation 20(3)(b)(ii) of the SEBI (Infrastructure Investment Trusts) Regulations, 2014. SEBI has clarified that such enhanced borrowings may be utilised for capital expenditure aimed at improving the performance, efficiency, or capacity of existing infrastructure assets, funding major maintenance requirements in the case of road projects, and refinancing existing debt obligations. The utilisation of such borrowings remains subject to the conditions and safeguards prescribed under the regulations. The clarification provides greater certainty to InvITs in planning capital allocation and financing strategies while ensuring that higher leverage is employed for asset enhancement and other specified purposes that support long-term value creation.

MCA enables CSR spending through Zero Coupon Zero Principal Instruments on Social Stock Exchange

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EDITORIAL NOTE:

In a significant corporate governance and social finance reform, the Ministry of Corporate Affairs has amended the Companies (CSR Policy) Rules, 2014 and Schedule VII of the Companies Act, 2013 to allow companies to undertake Corporate Social Responsibility (CSR) activities through subscription to Zero Coupon Zero Principal (ZCZP) Instruments issued by eligible Not-for-Profit Organisations and listed on the Social Stock Exchange. The amendments provide a new avenue for channelising CSR funds towards social impact projects

while strengthening the Social Stock Exchange ecosystem. The revised framework also lays down specific conditions regarding utilisation of the funds raised, timelines for completion of projects, treatment of unspent CSR amounts, and disclosure and reporting requirements to ensure transparency and accountability. The changes are expected to facilitate greater participation of corporates in impact-driven initiatives while creating a structured and regulated mechanism for funding social sector organisations.

Tax Compliance Calendar for June 2026

Compliance Due Date	Concerned (Reporting) Period	Compliance Detail	Applicable To
11th June	April 2026 to June 2026	GSTR-1 (Outward supply return)	Filing of outward supply details for May 2026 by taxpayers with a turnover more than ₹5 crore or who opted for monthly filing.
13th June		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 May, 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 May, 2026
15th June		Advance Tax Payment (Quarter-1)	In case of all assessee first instalment of advance tax payable for the tax year 2026-27 is required to be deposited by persons other than those covered by section 58(2) [Table S. No. 1 or 3].
20th June		GSTR-3B (Summary return)	A regular taxpayer having aggregate turnover more than Rs. 5 crore in the preceding financial year is required to make payment of tax and furnish monthly return for the month of May, 2026.
22nd June		Monthly Return	A regular taxpayer having an aggregate turnover of upto Rs. 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 May, 2026
24th June		Monthly Return	A regular taxpayer having an aggregate turnover of upto Rs. 5 crore in the previous financial year, whose principal place of business is in category B States, is required to make payment of tax and furnish monthly return for the month of May, 2026

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