DEVMANTRA TIMES

SEPTEMBER EDITION

Issue No.66, Dated 4th September, 2026

Dear Readers,

We welcome you to the Sixty-sixth edition of DevMantra Times for the month of September 2026. This edition of our newsletter, where we bring you a curated overview of the latest legal, regulatory, economic, and business developments shaping India's evolving corporate and financial landscape

This month's edition highlights significant developments across India's financial and economic ecosystem. The Bankers' Books Evidence Bill, 2026 has been introduced to replace the Bankers' Books Evidence Act, 1891, with a modern framework recognising electronic records and digital banking systems. The RBI also plans to resume Urban Co-operative Bank licensing after 22 years, review rural cooperative bank credit-monitoring norms and standardise lending-rate frameworks. The RBI has retained the policy repo rate and raised its FY 2026-27 GDP growth forecast to 6.7%.

JMJ Fintech reported a 72.48% YoY increase in net profit to ₹1.97 crore, while its AUM rose 82.11%. The company has also launched "Money Bro," a technology-driven lending platform. Separately, a Parliamentary Committee has recommended a self-sustaining revenue model for UPI, highlighting the gap between UPI's operational costs and government funding. Any future MDR is expected to remain nominal and be limited to certain high-value transactions.

Indian banks have raised around US$72.8 billion through overseas deposits and borrowings, including approximately US$65 billion through FCNR deposits. The RBI's discounted forex swap facility was scheduled to close on 31 August 2026. Brainbees Solutions (FirstCry) reported 13% YoY growth in operating revenue to ₹2,106 crore in Q1 FY27, while its net loss declined to ₹44 crore. Level Five Cartronics, a Bengaluru-based fabless semiconductor company, is working towards an indigenous semiconductor supply chain beginning with OSAT partnerships and has secured design wins for chips used in the Kavach railway safety system. PhysicsWallah reduced its Q1 FY27 consolidated net loss by 31% to ₹88.3 crore, while operating revenue increased 24% to ₹1,054 crore. The company retained its guidance of over 30% revenue growth and full-year profitability for FY27. India's first industry-built PSLV, being developed by HAL and L&T under an estimated ₹860-crore contract, has been delayed and is now expected to launch around March 2027. Atomberg Technologies has filed its DRHP for an IPO, comprising a fresh issue of up to ₹450 crore and an OFS of up to 7.65 crore shares. A91 Partners and Temasek are among the selling shareholders.

This edition also captures important judicial pronouncements and regulatory developments under the Goods and Services Tax, Income-tax, Corporate Laws, and allied legislations, together with key notifications, circulars, and compliance updates that may have a significant impact on businesses, professionals, and taxpayers.

Industry & Economic Updates

Govt introduces bill to modernise bank records law

EDITORIAL NOTE: The Finance Minister has introduced the Bankers' Books Evidence Bill, 2026 in the Lok Sabha, proposing to replace the Bankers' Books Evidence Act, 1891 with a legal framework aligned with modern digital banking practices. The proposed legislation seeks to broaden the definition of "bankers' books" to cover records maintained in various forms and expressly accommodate electronic records and digital banking systems. The Bill is intended to modernise the evidentiary framework applicable to banking records and empower the Central Government to prescribe the necessary rules and procedures for its implementation. The proposed framework seeks to provide a more technology-neutral and future-ready approach to the use of banking records as evidence.

RBI to resume urban cooperative banks' licensing after 22-year pause, review rural bank rules

EDITORIAL NOTE: The Reserve Bank of India (RBI) has announced plans to resume the licensing of Urban Co-operative Banks (UCBs) after a gap of 22 years, marking a significant development in the cooperative banking sector. The RBI also proposes to undertake a comprehensive review of the framework for credit monitoring by rural cooperative banks and has proposed standardising lending rate frameworks to enhance transparency and consistency in the pricing of loans. These measures were announced alongside the RBI's decision to keep the policy repo rate unchanged. The RBI has also raised its projection for India's real GDP growth for FY 2026-27 to 6.7%, reflecting an improved assessment of the country's economic outlook.

JMJ Fintech Q1 net profit rises 72.48% to ₹1.97 crore; AUM surges 82%

EDITORIAL NOTE: JMJ Fintech reported a 72.48% year-on-year increase in net profit to ₹1.97 crore, reflecting strong growth during the period. Its assets under management (AUM) increased by 82.11% compared with the previous financial year, indicating significant expansion in its managed portfolio. The company has also launched "Money Bro", a technology-driven lending platform aimed at making the borrowing process faster, simpler and more convenient for customers. Going forward, JMJ Fintech plans to leverage technology and digital lending capabilities to accelerate its expansion and strengthen its presence across India.

UPI costs Rs 20,700 crore, government allocation just Rs 2,000 crore: Parliament Panel

EDITORIAL NOTE: A Parliamentary Committee has recommended developing a self-sustaining revenue model for the Unified Payments Interface (UPI) to address the long-term financial sustainability of the digital payments ecosystem. The Committee noted a significant gap between the funds allocated for UPI and the operational costs associated with maintaining and expanding the payment infrastructure. Recent amendments to the Payment and Settlement Systems Act have also enabled the framework for levying transaction charges on digital payment transactions. However, any future Merchant Discount Rate (MDR) is expected to remain nominal and be applicable only to a limited category of high-value transactions, with the objective of balancing the financial sustainability of UPI with the need to preserve affordable and widespread access to digital payments.

India raises $72.8 billion via overseas deposits, loans, central bank says

EDITORIAL NOTE: Indian banks have raised over US$72 billion through overseas borrowings, including funds mobilised from Non-Resident Indians (NRIs) and other international sources. The funds may be utilised by banks for lending to NRIs, subject to the applicable regulatory framework. The RBI has reported around US$65 billion through Foreign Currency Non-Resident (FCNR) deposits, highlighting the continued importance of foreign-currency funding for the Indian banking sector. In addition, the RBI's discounted foreign exchange swap facility for banks is scheduled to close on 31 August 2026. The developments reflect the growing role of overseas funding channels in supporting banks' foreign-currency liquidity and lending operations.

Startup Updates

FirstCry reports 13% growth in revenues, cuts losses by 34% in Q1

EDITORIAL NOTE: Brainbees Solutions, the parent company of the mother-and-baby care brand FirstCry, reported a 13% year-on-year increase in operating revenue to ₹2,106 crore in Q1 FY27. The company also narrowed its net loss to ₹44 crore, compared with ₹67 crore in the corresponding quarter of the previous year. Its total expenses increased by 12% year-on-year to ₹2,046 crore, from ₹1,829 crore a year earlier, primarily driven by higher purchases of stock-in-trade. The results indicate continued growth in the company's operating scale, alongside an improvement in its profitability profile despite higher expenditure.

DEVMANTRA TIMES

SEPTEMBER EDITION

Issue No.66, Dated 4th September, 2026

Bengaluru-based chip company Level Five Cartronics seeks OSAT partners in India

EDITORIAL NOTE: Bengaluru-based fabless semiconductor company Level Five Cartronics (LFC), which has secured design wins for chips used in the Indian Railways' Kavach train-protection system, is planning to establish an indigenous semiconductor supply chain, beginning with Outsourced Semiconductor Assembly and Testing (OSAT) capabilities. The company has held discussions with Indian OSAT players, including CG Semi and Kaynes Semicon in Sanand and Suchi Semicon in Surat, as part of its efforts to develop domestic manufacturing and testing capabilities. The initiative is aimed at strengthening local semiconductor supply chains, reducing dependence on overseas manufacturing and supporting the company's expansion in strategic applications such as railway safety systems.

PhysicsWallah Q1 loss narrows 31%; retains FY27 growth target

EDITORIAL NOTE: Edtech company PhysicsWallah reported a 31% year-on-year reduction in consolidated net loss to ₹88.3 crore in Q1 FY27, compared with ₹127 crore in the corresponding quarter of the previous year. The company's operating revenue increased by 24% year-on-year to ₹1,054 crore, primarily driven by growth in its online business. PhysicsWallah retained its FY27 guidance of over 30% revenue growth, achieving full-year net profitability and turning its offline business profitable. The company indicated that a delayed NEET examination cycle had impacted the timing of student enrolments, but remained confident of achieving its stated growth and profitability targets for the financial year.

First industry-built PSLV launch slips to March 2027

EDITORIAL NOTE: India's first industry-built Polar Satellite Launch Vehicle (PSLV), being developed by Hindustan Aeronautics Limited (HAL) and Larsen & Toubro (L&T) under an estimated ₹860-crore contract, is facing another delay, with the launch now expected around March 2027. The project, being undertaken in collaboration with NewSpace India Limited (NSIL), the commercial arm of the Indian Space Research Organisation (ISRO), has witnessed multiple changes to its launch schedule. The development marks a significant step towards greater private-sector participation in India's space-launch ecosystem, with industry-led manufacturing of PSLVs expected to strengthen domestic launch capabilities and expand the role of Indian private companies in the space sector.

Atomberg files IPO papers for Rs 450-crore fresh issue

Consumer appliances company Atomberg Technologies has filed its Draft Red Herring Prospectus (DRHP) for an Initial Public Offering (IPO), comprising a fresh issue of equity shares aggregating up to ₹450 crore and an Offer for Sale (OFS) of up to 7.65 crore shares by existing investors. The value of the OFS will depend on the price band determined by the company. Among the selling shareholders, A91 Partners proposes to sell up to 3.77 crore shares, while Singapore-based Temasek plans to offload up to 1.22 crore shares. The proposed IPO will provide Atomberg with fresh capital for its business requirements while also offering existing investors an opportunity to partially monetise their holdings.

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.

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

Printing of company name on package in statutory compliance does not constitute affixing 'brand name'; exemption upheld : GSTAT

EDITORIAL NOTE: The appellate authority held that where a supplier discontinued the use of its brand name on product packaging and thereafter printed only its own name and address to comply with the requirements of the Food Safety and Standards Regulations, such statutory disclosure could not be regarded as "use of a brand name" for the purpose of denying exemption under Notification No. 02/2017-Central Tax (Rate). The mere mention of the supplier's name and address, when made pursuant to a statutory requirement and not for the purpose of indicating a proprietary brand or trade identity, did not disentitle the supplier from claiming the applicable exemption. Accordingly, the appellate authority was justified in setting aside the demand raised against the assessee, and no infirmity was found in its order. The ruling highlights that mandatory statutory declarations on packaging should not, by themselves, be treated as use of a brand name for determining eligibility for GST exemption.

DEVMANTRA TIMES

SEPTEMBER EDITION

Issue No.66, Dated 4th September, 2026

Refund claim cannot be denied due to portal glitches; manual processing of refund directed: HC

EDITORIAL NOTE: The Court held that a taxpayer's statutory entitlement to refund could not be denied merely on account of technical difficulties or glitches on the GST portal and the absence of an effective mechanism for manual redressal. Where the refund claims could not be processed due to portal-related issues, the authorities were directed to accept the requisite physical documents, process the claims manually and issue appropriate refund orders in accordance with the taxpayer's statutory entitlement. The ruling reiterates that procedural or technical limitations of an online system cannot override substantive statutory rights and that the tax authorities are required to provide an effective mechanism for granting legitimate refunds.

No pre-deposit required for penalty-only GST appeals if all orders pre-date 01.10.2025 amendment: GSTAT

EDITORIAL NOTE: The Court held that where penalty proceedings relating to alleged fake invoicing without actual supply of goods or services were initiated and concluded before 1 October 2025, no pre-deposit was required for filing an appeal before the GST Appellate Tribunal (GSTAT). The Court noted that the proviso requiring a pre-deposit in cases where the appeal is against an order relating only to a penalty was introduced by the Finance Act, 2025 with effect from 1 October 2025 and could not be applied retrospectively to proceedings completed before that date. Accordingly, where the show-cause notice, order-in-original and appellate order all preceded 1 October 2025, the assessee could pursue the appeal before the GSTAT without complying with the subsequently introduced pre-deposit requirement. The ruling underscores that a statutory condition affecting the right of appeal cannot be retrospectively imposed on proceedings governed by the law prevailing at the relevant time.

CBIC directs coordination with State Mining Authorities to curb GST evasion linked to illegal mining: Instruction

EDITORIAL NOTE: The CBIC has issued instructions to strengthen coordination between CGST field formations and State Mining Authorities for periodic exchange of information relating to illegal mining and transportation of minerals. The CGST Zones have been directed to designate nodal officers and establish appropriate mechanisms for regular information sharing with the concerned State authorities. Based on the information received and any resulting detection of tax evasion, the field formations are required to initiate appropriate action under the CGST Act and Rules. The initiative is aimed at improving inter-departmental coordination, facilitating timely identification of tax evasion in the mining sector and strengthening GST enforcement through systematic sharing and analysis of relevant information.

Recovery of GSTR-1/GSTR-3B mismatch invalid without prior DRC-01B notice & Rule 88C compliance: HC

EDITORIAL NOTE: The Court held that recovery of tax arising from a mismatch between GSTR-1 and GSTR-3B cannot be initiated directly under Section 79 of the CGST Act, 2017 by treating the differential amount as self-assessed tax under the Explanation to Section 75(12), without first following the procedure prescribed under Rule 88C of the CGST Rules, 2017. The proper officer is required to issue Form GST DRC-01B and provide the taxpayer an opportunity to either pay the differential tax or furnish an explanation for the mismatch, which must be duly considered. Accordingly, garnishee proceedings initiated directly under Section 79 without following the prescribed procedure were set aside. The ruling reinforces that recovery powers under Section 79 cannot be invoked mechanically without complying with the statutory mechanism for addressing GSTR-1/GSTR-3B discrepancies and affording the taxpayer an opportunity to respond.

Composite show cause notice for multiple years invalid; separate notices required: HC

EDITORIAL NOTE: The Court held that issuance of a single composite show-cause notice and summary covering multiple financial years was impermissible, as tax proceedings relating to different financial years are required to be initiated and adjudicated separately in accordance with the statutory framework. Accordingly, the consolidated show-cause notice and summary were quashed, while liberty was granted to the authorities to issue separate notices for each relevant financial year in accordance with law. To protect the Revenue from the impact of limitation arising solely due to the court proceedings, the period commencing from the date of issuance of the composite notice until receipt of a copy of the judgment was directed to be excluded while computing the limitation period for re-initiation of proceedings. The ruling reiterates the importance of adhering to the year-wise statutory procedure in GST adjudication while balancing procedural fairness with the legitimate interests of the Revenue.

GST not leviable on university affiliation fee paid by college; refund with 7% interest directed: HC

EDITORIAL NOTE: The Court held that GST could not be levied on affiliation fees paid by a college to a University, particularly when the issue had already been settled by judicial precedent holding that such affiliation fees were not liable to GST. Following the settled legal position, the GST demand raised against the college was set aside. The ruling reiterates that where the taxability of a particular transaction has already been conclusively settled by the courts, authorities cannot disregard the established legal position and raise a contrary demand in respect of the same issue.

Penalty order under GST for goods detention set aside as passed beyond mandatory 7-day limit: GSTAT

EDITORIAL NOTE: The Court held that where goods of a registered trader were detained in transit for non-generation of an e-way bill, the penalty order in Form GST MOV-09 passed after a delay of 47 days from issuance of the notice was without jurisdiction. The Court observed that Section 129(3) of the CGST Act, 2017 prescribes a specific period of seven days for passing the order determining the penalty, and such statutory time limit cannot be disregarded by the authorities. Since the penalty order was passed well beyond the prescribed period, the proceedings were held to be barred by limitation and the penalty was accordingly set aside. The ruling underscores that statutory timelines governing detention and seizure proceedings under Section 129 are mandatory and that an order passed beyond the prescribed period cannot be sustained.

Commission for student recruitment to foreign universities is export of service, refund admissible subject to verification: AAR

EDITORIAL NOTE: The Authority held that where an Indian consultant provides advertising and marketing services to foreign universities for facilitating student admissions and receives consideration in convertible foreign exchange, the services qualify as export of services under the IGST Act, provided the prescribed conditions are satisfied. Since the consultant had no contractual arrangement with the students and was not acting as an intermediary between the foreign universities and the students, the service was not excluded from the scope of export on account of the intermediary provisions. Accordingly, the supply was treated as zero-rated, and the consultant was eligible to claim refund of accumulated input tax credit (ITC), subject to verification of the prescribed conditions and supporting documents.

Composition scheme under GST ceased from date turnover exceeded limit; regular tax applicable only prospectively: GSTAT

EDITORIAL NOTE: The Authority held that where a brick manufacturer registered under the composition scheme exceeded the prescribed aggregate turnover threshold during the financial year, after excluding amounts arising from typographical errors, the option to pay tax under the composition scheme ceased from the date on which the turnover limit was crossed. Consequently, the taxpayer became liable to discharge GST at the applicable regular rate only on supplies made after such date, while giving due credit for the tax already paid under the composition scheme. Since the turnover determination and consequential tax liability were found to be correctly computed, no interference was warranted with the figures so determined. The ruling reiterates that crossing the prescribed turnover threshold results in cessation of composition levy prospectively from the date of breach, rather than retrospectively for the entire financial year.

DEVMANTRA TIMES

SEPTEMBER EDITION

Issue No.66, Dated 4th September, 2026

Head-wise ITC mismatch does not create excess liability as long as aggregate eligible ITC remains intact: GSTAT

EDITORIAL NOTE: The Court held that a head-wise mismatch in the allocation of Input Tax Credit (ITC) among IGST, CGST and SGST would not, by itself, amount to excess availment of ITC where the total eligible ITC reflected in the Electronic Credit Ledger was equal to the ITC actually claimed. Since there was no actual excess availment of credit, the principal tax demand could not be sustained, and consequently the related interest and penalty were also liable to be set aside. The Court took note of the clarification issued by the CBIC and the provisions of Rule 88B of the CGST Rules, which support determination of the actual tax liability rather than treating a mere accounting or head-wise mismatch as excess ITC. The ruling reiterates that a demand cannot be sustained merely on the basis of a technical classification mismatch when there is no actual excess availment of eligible ITC.

INCOME TAX

REGULATORY UPDATES

Surcharge & cess not leviable over DTAA-capped tax rate on interest; otherwise, Act rates apply: ITAT

EDITORIAL NOTE: The Mumbai ITAT, in the case of DBS Bank Ltd., reaffirmed that interest paid by the Indian Permanent Establishment (PE) of a Singapore bank to its Head Office (HO) and overseas branches can be allowed as a deduction while determining the profits attributable to the Indian PE under Article 7 of the India-Singapore DTAA. While the Indian branch and its HO constitute the same legal entity under domestic law and such interest may ordinarily be regarded as a payment to self, Article 7 applies a separate-enterprise fiction for determining the profits attributable to the PE. Accordingly, the interest cost attributable to the Indian banking operations is allowable in computing the PE's treaty profits, subject to the terms of the applicable DTAA. The decision, following the principles laid down by the Special Bench in Sumitomo Mitsui Banking Corporation, reinforces the distinction between domestic-law computation and treaty-based attribution of profits to a foreign banking PE.

Forex loss on restatement of ECB for capital asset acquisition held capital in nature: ITAT

EDITORIAL NOTE: The Tribunal held that foreign exchange fluctuation loss arising on year-end restatement of an External Commercial Borrowing (ECB) obtained from the assessee's parent company, where the ECB was utilised for acquisition of capital assets, was capital in nature. Since the underlying borrowing was directly linked to the acquisition of capital assets, the resultant foreign exchange loss was regarded as forming part of the cost of the capital asset rather than being an expenditure incurred in the ordinary course of business. Accordingly, the assessee could not claim deduction of such loss under Section 37(1) of the Income-tax Act, 1961, which applies only to expenditure that is revenue in nature and not to capital expenditure. The decision reiterates the principle that the purpose and utilisation of the underlying borrowing are critical in determining the character of foreign exchange fluctuations arising therefrom.

Rejection of refund application for delay beyond 6 years under CBDT Circular No.9/2015 unsustainable as authority has sec.119(2)(b) power: HC

EDITORIAL NOTE: The Court held that rejection of an assessee's application seeking condonation of delay for claiming refund, merely by relying on CBDT Circular No. 9/2015, which prescribed a six-year time limit, was not legally sustainable. It observed that the power conferred under Section 119(2)(b) of the Income-tax Act, 1961 enables the competent authority to consider applications for condonation even beyond the period specified in the circular, particularly where genuine hardship is demonstrated. The authority is therefore required to exercise its statutory discretion and examine the application on its merits, rather than rejecting it mechanically solely on the ground that the claim falls beyond the six-year period prescribed by the CBDT circular. The ruling reinforces that administrative circulars cannot curtail the statutory powers vested in the authorities under Section 119(2)(b).

Employees' PF/ESI contribution paid before due date of filing return cannot be disallowed in sec. 143(1) intimation: ITAT

EDITORIAL NOTE: The Tribunal held that where the employees' contribution towards PF/ESI was deposited before the due date for filing the income-tax return under Section 139(1), the corresponding disallowance under Section 36(1)(va) could not be sustained merely through an adjustment while processing the return under Section 143(1). The Tribunal observed that such an issue, particularly where the payment dates and applicability of the relevant provisions require examination, falls outside the limited scope of adjustments permissible under Section 143(1). Accordingly, the disallowance made during processing of the return was held to be beyond the permissible adjustments and was directed to be deleted. The decision highlights the distinction between a substantive disallowance under Section 36(1)(va) and the limited jurisdiction available to the CPC while processing a return under Section 143(1).

Interest on late TDS remittance disallowed as penal in nature, not compensatory business expense: ITAT

EDITORIAL NOTE: The Tribunal held that where an assessee, engaged in the contracting business, delayed the remittance of employees' contributions towards PF and ESI due to the government-imposed COVID-19 lockdown, the delay could not be mechanically treated as a disallowable payment under Section 36(1)(va) without examining the actual circumstances and supporting evidence. Since the assessee had furnished PF/ESI challans and other documentary evidence to substantiate that the delay was attributable to lockdown-related restrictions, the matter was restored for reconsideration based on the actual dates of payment and the evidence linking the delay to the lockdown conditions. The ruling emphasises that a genuine delay caused by exceptional circumstances such as the COVID-19 lockdown must be examined on the basis of actual evidence and surrounding circumstances before invoking disallowance under Section 36(1)(va).

DEVMANTRA TIMES

SEPTEMBER EDITION

Issue No.66, Dated 4th September, 2026

Interest paid to universities exempt from TDS as they are statutory corporations under section 194A(3)(iii)(f): ITAT

EDITORIAL NOTE: The Tribunal held that interest paid by the assessee to universities established as statutory bodies under State legislation was not subject to TDS under Section 194A. Since such universities were established by or under a State Act and qualified as statutory corporations, they fell within the specific exemption provided under Section 194A(3)(iii)(f) of the Income-tax Act, 1961. Accordingly, the assessee was not required to deduct tax at source on the interest payments made to such universities and could not be treated as an assessee in default under Section 201 for non-deduction of TDS. The ruling reiterates that where the recipient falls within a specific statutory exemption from TDS, the payer cannot be subjected to consequential liability under Section 201 merely for not deducting tax from the payment.

Govt. introduces Taxation and Other Laws (Amendment) Bill, 2026 in Lok Sabha

EDITORIAL NOTE: The Government has introduced a Bill seeking to replace the Income-tax (Amendment) Ordinance, 2026, proposing amendments to the Income-tax Act, 2025, the Finance Act, 2026 and the Payment and Settlement Systems Act, 2007. The proposed amendments are aimed at strengthening India's position as a global fund-management and financial services hub by providing targeted tax incentives, introducing exemptions for specified foreign entities and facilitating greater flexibility in fund management activities. The measures are intended to create a more favourable tax and regulatory framework for international investors and financial institutions, while promoting the development of India's fund-management ecosystem and enhancing the country's attractiveness as an international financial centre.

ICAI issues Revised 2026 Edition of Guidance Note on Tax Audit under Section 44AB

EDITORIAL NOTE: The Direct Taxes Committee (DTC) of the Institute of Chartered Accountants of India (ICAI) has issued the Eleventh Edition (Revised 2026) of the Guidance Note on Tax Audit under Section 44AB of the Income-tax Act, 1961. The revised Guidance Note provides updated and comprehensive guidance to Chartered Accountants on the planning and conduct of tax audits, preparation of tax audit reports and compliance with reporting requirements under Forms 3CA, 3CB and 3CD. It also seeks to facilitate consistent interpretation and reporting of various tax-audit requirements in light of recent legislative and regulatory developments, thereby serving as a practical reference for tax auditors in ensuring accurate, complete and compliant reporting under Section 44AB.

Lok Sabha passes Tribunals Reforms Bill, 2026, to establish the National Tribunals Commission

EDITORIAL NOTE: The Lok Sabha has passed the Tribunals Reforms Bill, 2026, which seeks to repeal the Tribunals Reforms Act, 2021 and introduce a new institutional framework for the administration of Tribunals. A key proposal is the establishment of an independent National Tribunals Commission to oversee the selection, appointment and functioning of Chairpersons and Members of various Tribunals. The Bill also proposes uniform conditions of service for Tribunal Members, with the objective of ensuring greater institutional independence, consistency and transparency in the functioning of Tribunals. The proposed reforms are aimed at strengthening the overall Tribunal system and improving its administrative and functional efficiency.

Full TDS credit allowed to assessee as co-owners did not claim share and supported entire credit to him: ITAT

EDITORIAL NOTE: The Tribunal held that where three co-owners of a property jointly received rental income in a common bank account and each co-owner duly offered his respective one-third share of rental income to tax, the assessee was nevertheless entitled to claim full credit of the TDS deducted against his PAN. Since the entire TDS had been deducted and reported in the assessee's name, while the other co-owners had neither claimed any credit for the TDS nor disputed that the credit belonged to the assessee, denial of the entire TDS credit merely on the ground that the rental income was shared among the co-owners was held to be unjustified. The decision reinforces that, where the tax has actually been deducted and deposited against the assessee's PAN and there is no double claim of credit by the other co-owners, the assessee can claim credit for the entire TDS amount.

Govt. issues the Foreign Assets of Small Taxpayers Disclosure Scheme Rules, 2026 and FAQs

EDITORIAL NOTE: The Finance Act, 2026 has introduced the Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026, a one-time voluntary disclosure scheme aimed at providing eligible taxpayers an opportunity to regularise certain undisclosed or undeclared foreign assets and/or foreign income by paying the prescribed tax or fee. The Scheme permits eligible taxpayers to make declarations during the period from 16 August 2026 to 31 December 2026. To facilitate implementation, the Government has now notified the Foreign Assets of Small Taxpayers – Disclosure Scheme Rules, 2026, along with detailed FAQs explaining the eligibility criteria, manner of making declarations, payment requirements and other procedural aspects of the Scheme. The Scheme provides a limited-time compliance window for eligible small taxpayers to come forward and disclose specified foreign assets or income in accordance with the prescribed conditions.

Income Tax Dept. launches nationwide verification of suspicious foreign remittances; examines Form 15CB certifications

EDITORIAL NOTE: The Income Tax Department has initiated a nationwide verification exercise covering around 394 entities and 36 professionals in connection with suspected irregularities in large foreign remittances. The exercise has been undertaken based on data analysis indicating instances where foreign remittances appeared disproportionate to the reported turnover of the concerned entities, including suspected shell entities. The Department is also examining the role of professionals involved in issuing Form 15CB certificates, particularly with regard to the adequacy of due diligence undertaken before certifying such remittances. The exercise highlights the increasing use of data analytics by the tax authorities to identify potentially high-risk foreign transactions and underscores the need for taxpayers and professionals to maintain proper documentation, undertake appropriate verification and ensure accurate reporting and certification of cross-border remittances.

Section 263 revision invalid as Pr. CIT failed to conduct enquiry or record error in AO's order: ITAT

EDITORIAL NOTE: The Tribunal held that the Principal Commissioner of Income-tax (Pr. CIT) could not validly invoke revisionary jurisdiction under Section 263 of the Income-tax Act, 1961, merely on the basis of alleged suppression of business receipts reflected in Form 26AS and inadequate verification of the creditworthiness of parties from whom unsecured loans were received. The Tribunal observed that the Pr. CIT had neither conducted any independent enquiry nor recorded any categorical finding establishing how the assessment order passed by the Assessing Officer (AO) was erroneous as well as prejudicial to the interests of the Revenue, which are the twin conditions necessary for exercising jurisdiction under Section 263. Accordingly, the order passed by the Pr. CIT under Section 263 was set aside. The ruling reiterates that revisionary jurisdiction cannot be exercised merely on the basis of suspicion or inadequate verification without demonstrating, through proper enquiry and specific findings, the existence of both statutory conditions under Section 263.

DEVMANTRA TIMES

SEPTEMBER EDITION

Issue No.66, Dated 4th September, 2026

Handing over limited possession under JDA for development does not amount to transfer u/s 2(47); no capital gains taxable: ITAT

EDITORIAL NOTE: The Finance Act, 2026 has introduced the Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026, providing a one-time voluntary compliance window for eligible taxpayers to disclose specified undisclosed or undeclared foreign assets and/or foreign income by paying the prescribed tax or fee. Declarations under the Scheme can be made from 16 August 2026 to 31 December 2026. To facilitate implementation and provide greater clarity to taxpayers, the Government has now notified the Foreign Assets of Small Taxpayers – Disclosure Scheme Rules, 2026, along with FAQs addressing key aspects of the Scheme, including eligibility, manner of declaration, payment of the applicable amount and procedural requirements. The Scheme provides eligible small taxpayers with a limited opportunity to regularise specified foreign assets or income and achieve greater tax compliance.

Receipts from sale of apartments held as investment taxable as capital gains, not business income: HC

EDITORIAL NOTE: The Tribunal held that where the assessee developed a real estate project with the intention of holding and leasing the apartments as investments, and consistently treated the properties as investments in its books and tax returns, the subsequent sale proceeds were taxable as capital gains and not business income. In reaching its conclusion, the Tribunal considered the assessee's consistent intention to earn rental income, the long period for which the apartments were held, the treatment of the properties as investments and the fact that the assessee had undertaken only a single real estate project. Accordingly, the mere sale of the apartments did not alter the investment character of the properties, and the resultant gains were chargeable under the head "Capital Gains" rather than "Profits and Gains of Business or Profession."

Disallowance u/s 40(a)(i) not valid as AO failed to establish payment as royalty under Indo-US DTAA: ITAT

EDITORIAL NOTE: The Tribunal held that where an assessee, following the mercantile system of accounting and Ind AS-9, had recognised unbilled revenue as income in earlier years and subsequently reversed the same due to non-invoicing, the corresponding write-off could not be disallowed where the assessee had furnished complete details substantiating the reversal. Since the unbilled revenue had already been offered to tax in the earlier years, treating the subsequent write-off as a fresh loss requiring separate disallowance would result in taxation of the same income twice. The Tribunal accordingly held that the write-off was in the nature of a bad debt or business loss, and the denial of deduction was unjustified. The ruling reiterates that where income has already been recognised and taxed in an earlier period, a genuine subsequent reversal arising from non-realisation or non-invoicing should be appropriately allowed, subject to verification of the underlying facts and accounting treatment.

Non-govt. retiree eligible for increased Rs. 25L leave encashment exemption as Notification 31/2023 rationalizes sec. 10(10AA): ITAT

EDITORIAL NOTE: The Tribunal held that a non-government employee who received leave encashment on retirement was entitled to claim the enhanced exemption limit of ₹25,00,000 under Section 10(10AA) of the Income-tax Act, 1961, notwithstanding that the amount exceeded the earlier exemption ceiling of ₹3,00,000. The Tribunal noted that the enhancement of the exemption limit was intended to rationalise the provision and bring the tax treatment of eligible non-government employees closer to that applicable to government employees. Accordingly, the assessee was entitled to claim exemption up to the enhanced limit in respect of leave encashment received on retirement. The ruling provides relief to retired employees by recognising the applicability of the enhanced exemption limit to eligible retirement benefits.

CORPORATE LAW UPDATES

SEBI releases its Annual Report for the Financial Year 2025-26

EDITORIAL NOTE: The Authority held that where an Indian consultant provides advertising and marketing services to foreign universities for facilitating student admissions and receives consideration in convertible foreign exchange, the services qualify as export of services under the IGST Act, subject to fulfilment of the prescribed conditions. Since the consultant had no contractual relationship with the students and was not acting as an intermediary between the foreign universities and the students, the services did not fall within the exclusion applicable to intermediary services. Accordingly, the supply was eligible for zero-rated treatment, and the consultant was entitled to claim refund of accumulated Input Tax Credit (ITC), subject to verification of the relevant statutory conditions and supporting documents.

IFSCA approves ICAI certification course for Capital Market Intermediaries

EDITORIAL NOTE: The IFSCA has recognised the ICAI certificate course titled "Regulatory Framework for Capital Markets Intermediaries and Listing Requirements of IFSCA" as an approved certification for the purposes of the IFSCA (Capital Market Intermediaries) Regulations, 2025. Accordingly, employees of Capital Market Intermediaries can now fulfil the prescribed certification requirement by successfully completing either the ICAI-approved course or the corresponding ICSI course. The recognition provides an additional certification pathway for employees and facilitates compliance with the qualification requirements applicable to personnel of Capital Market Intermediaries operating within the IFSCA framework.

SEBI clarifies that stock brokers cannot undertake NBFC activities under the current regulatory framework

EDITORIAL NOTE: The SEBI, through an Informal Guidance Letter, has clarified that a stock broker cannot presently undertake activities as a Non-Banking Financial Company (NBFC) under the existing regulatory framework. Although Regulation 12(1) of the SEBI (Stock Brokers) Regulations, 2026 permits a stock broker to undertake activities regulated by another financial sector regulator in such manner as may be specified by SEBI, no specific framework, circular or mechanism has so far been prescribed by SEBI for stock brokers to undertake NBFC activities. Accordingly, in the absence of such enabling framework, a stock broker cannot currently engage in NBFC activities. The clarification highlights that the general enabling provision under Regulation 12(1) does not, by itself, authorise stock brokers to undertake activities falling within another regulator's regulatory domain.

DEVMANTRA TIMES

SEPTEMBER EDITION

Issue No.66, Dated 4th September, 2026

IFSCA directs regulated entities to maintain valid LoA and Regulatory Instruments for IFSC operations

EDITORIAL NOTE: The IFSCA has directed all regulated entities operating in IFSC to ensure that they hold valid and subsisting Letters of Approval (LoA) and applicable Regulatory Instruments at all times and have specifically cautioned entities against undertaking any business activity without obtaining the requisite approvals. The Authority has emphasised that continued validity of such approvals is a necessary regulatory requirement for carrying out permitted activities within the IFSC framework. Any non-compliance may invite appropriate regulatory action, including financial penalties, suspension or cancellation of the relevant Regulatory Instruments. The directive reinforces the need for regulated entities to continuously monitor the validity of their approvals and ensure that all business activities remain within the scope of their authorised regulatory framework.

MCA notifies Ind AS Amendment Rules, 2026: Key Changes to Financial Instrument Accounting and Ind AS 101 Transition

EDITORIAL NOTE: The MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2026 vide Notification No. G.S.R. 725(E) dated 12 August 2026, introducing significant amendments to Ind AS 109, Ind AS 107 and Ind AS 101. The amendments cover key areas including hedge accounting, accounting for specified electricity-related contracts, enhanced disclosures relating to derecognition of financial assets and revised transition requirements arising from amendments to the classification and measurement of financial instruments. These changes are intended to align the Indian Accounting Standards framework with evolving accounting requirements and provide greater clarity and consistency in the recognition, measurement, presentation and disclosure of financial instruments and related transactions.

SEBI allows IFSCA-regulated entities to access KRA systems for seamless client KYC information sharing

EDITORIAL NOTE: The SEBI has permitted entities regulated by the IFSCA to access the systems of SEBI-registered KYC Registration Agencies (KRAs) for obtaining and sharing client KYC information in connection with financial services. Accordingly, IFSCA-regulated entities may access KRA records for carrying out KYC of their clients, thereby facilitating seamless information sharing and streamlining the onboarding and verification process. In cases involving clients registered as Foreign Portfolio Investors (FPIs), the concerned entities are required to comply with the SEBI data security guidelines applicable to FPIs, Designated Depository Participants (DDPs) and eligible foreign investors. The measure is aimed at strengthening KYC processes and facilitating greater regulatory interoperability between the SEBI and IFSCA frameworks.

SEBI allows FPIs to execute PoA using digital signatures for faster and seamless onboarding

EDITORIAL NOTE: The SEBI has permitted Foreign Portfolio Investors (FPIs) to execute Power of Attorney (PoA) documents through digital signatures in accordance with the Information Technology Act, 2000. The measure is expected to significantly reduce the time and procedural requirements involved in FPI onboarding by enabling digital execution of PoA documents. The initiative forms part of SEBI's broader efforts to leverage technology, simplify regulatory processes and facilitate a seamless, transparent and investor-friendly onboarding framework for foreign investors.

SEBI extends deadline for implementing ETF norms on base prices, price bands and close-out procedure to September 7, 2026

EDITORIAL NOTE: The SEBI has extended the implementation timeline for the revised norms relating to Exchange Traded Funds (ETFs) by one week, up to 7 September 2026. The norms cover key aspects including base prices, price bands, call auctions during the pre-open session and the close-out procedure for ETFs. The extension has been granted pursuant to feedback received from stock exchanges and is intended to facilitate smooth and orderly implementation of the prescribed framework. All other provisions of the SEBI circular dated 15 June 2026 will remain unchanged. The extension provides market participants and stock exchanges additional time to make the necessary operational and system-level arrangements for compliance with the revised requirements.

DEVMANTRA TIMES

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COMPLIANCE CALENDAR

Tax Compliance Calendar for August 2026

Compliance Due Date	Concerned (Reporting) Period	Compliance Detail	Applicable To
7th September 2026	August 2026	Deposit of TDS and TCS	All deductors and collectors required to deposit TDS/TCS deducted or collected during August 2026.
11th September 2026	August 2026	GSTR-1 (Outward supply return)	Every regular taxable person who is required to furnish details of outward supply every month, is required to furnish monthly statement of outward supply for the month of August, 2026.
13th September 2026	August 2026	Invoice Furnishing Facility (IFF)	Taxpayers registered under the QRMP Scheme opting to furnish details of outward supplies through the Invoice Furnishing Facility (IFF) for the first month of the quarter (July 2026). 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 August, 2026, using Invoice Furnishing Facility (IFF).
13th September 2026	August 2026	ISD Return	An Input Service Distributor is required to furnish monthly return of input tax distributed for the month of August, 2026
15th September	July-September 2026	Deposit of advance income-tax	Second instalment of advance tax payable for tax year 2026-27 is required to be deposited by persons other than those covered by section 58(2) [Table No. 1 or 3].
20th September 2026	August 2026	GSTR-3B (Summary Return)	A regular taxpayer having aggregate turnover more than Rs. 5 crore in the preceding financial year is required to furnish monthly return for the month of August, 2026.
22nd September 2026	August 2026	GSTR-3B (Summary 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 furnish monthly return for the month of August, 2026.
24th September 2026	August 2026	GSTR-3B (Summary 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 furnish monthly return for the month of August, 2026.
30th September 2026	AY 2026–27	Tax Audit of Accounts	Following persons are required to get their books of account audited and obtain audit report : (i) Every person carrying on business if so required under section 44AB (ii) Every person carrying on the business shall, if the profits and gains from the business are deemed to be the profits and gains of such person under section 44AE or section 44BB or section 44BBB as the case may be, and he has claimed his income to be lower than the profits or gains so deemed to be the profits and gains of his business, as the case may be, in any previous year (iii) Every person carrying on profession if the total receipts from such profession are ` 50 lakhs or more for the previous year 2025-26 (iv) Any professional covered by section 44ADA if he claims his total income to be lower than 50% of the gross receipts and his total income exceed maximum amount not chargeable to tax (v) Any person whose case is covered by section 44AD(4) and his income exceeds the maximum amount which is not chargeable to tax