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EDITORIAL PMLA should focus on National Security

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The 1988 Vienna Convention served as the foundational international mandate prompting India to enact the **Prevention of Money Laundering Act (PMLA) in 2002**, creating domestic legislative machinery to criminalize laundering and confiscate illicit drug and crime proceeds.

Core Connection: Vienna Convention (1988)

- **First Global Instrument:** It was the first major international treaty to explicitly recognize and address the menace of money laundering, specifically targeting proceeds derived from illicit drug trafficking.
- **Criminalization Obligation:** It required all signatory member states to enact domestic laws making the conversion, transfer, or concealment of drug-related illicit profits a distinct criminal offense.
- **International Cooperation:** It mandated mutual legal assistance, extradition framework alignments, and the principle that local bank secrecy laws should not obstruct criminal investigations.

Transition to India's PMLA (2002)

- **Fulfilling Treaty Commitments:** As a signatory to the Vienna Convention, India faced mounting pressure—alongside guidelines from the Financial Action Task Force (FATF)—to establish a comprehensive anti-money laundering framework.
- **Legislative Birth:** Parliament enacted the **Prevention of Money Laundering Act, 2002** (enforced in 2005) to track, freeze, and confiscate assets acquired through illegal conduits, initially focused closely on transnational narcotics, Arms illegal trade, Prevention of Corruption Act and organized crime networks.
- Evolution: Over subsequent amendments during

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CGST - Section 16(2)(c) Upheld: The Pragmatic Shift After Bhandari Scrap Traders (2026 SC)

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The Supreme Court's ruling in Bhandari Scrap Traders v. Union of India & Ors. (2026) has cemented a harsh commercial reality: a buyer's Input Tax Credit (ITC) is strictly contingent upon the supplier discharging their tax liability. The Court unequivocally upheld the constitutional validity of Section 16(2)(c) of the CGST Act, refusing to carve out exceptions for bona fide purchasers. I have summarized below various aspects of the Judgement and its implications on businesses.

The Legal Reality: "Actually Paid" vs. Good Faith

The statutory language of Section 16(2)(c) is absolute: the tax charged on the supply must be actually paid to the Government.

- **The "Bona Fide" Defense is “No More Valid”:** A genuine transaction, a valid invoice, and payment through banking channels do not override Section 16(2)(c). The Supreme Court views ITC as a statutory concession, meaning the legislature can strictly dictate its conditions.
- **Why It is Constitutional:** The courts uphold these demands because the law does not permanently forfeit the ITC. Sections 41, 73, and 74 provide a mechanism where the credit can be re-availed once the supplier eventually pays, making the reversal a conditional suspension rather than an unconstitutional deprivation.
- **The Late Detection :** Even if an invoice appears in GSTR-2B and the supplier files GSTR-3B, if the department discovers years later that the supplier under-reported cash liabilities or utilized fraudulent ITC, the buyer's ITC fails the "actually paid" test, the GST Department shall be rightfully empowered to collect the same from the buyer who has availed the Input Tax Credit alongwith Interest @18% and Penalty (as applicable in circumstances of each case).

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CGST - Section 16(2)© Upheld ...

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Rule 37A & The "Filing Status" Proxy

The Bonafide Buyer, cannot audit a supplier's actual tax ledger, and hence the buyer normally relies on a proxy mechanism via Rule 37A. GSTR-2B matching cannot be viewed in isolation; it merely establishes a transaction trail, whereas Section 16(2)(c) demands actual payment.

- If a supplier reports an invoice but fails to file the corresponding GSTR-3B by September 30th of the following financial year, the recipient must reverse the ITC by November 30th. (though **Table 4(B)(2) - "Others"** of your GSTR-3B for October Tax period in the following financial year)
- Once the supplier subsequently files the return and pays the tax, the buyer can re-avail the credit by reporting it in **Table 4(A)(5) - "All other ITC"** and simultaneously declaring it in Table 4(D)(1) to inform the department that this is a reclaimed credit.

Penalty

The penalty shall be determined as under:

- **"Bona Fide Buyer" Scenario (Section 73)**
  - If Payment alongwith Interest is made, prior to issuance of Show Cause Notice (SCN) or within 30 days of issuance of SCN – NIL
  - In all other Cases: 10% of Tax Amount or Rs. 10,000 whichever is higher.
- **"Collusion or Fake Invoice" Scenario (Section 74)**
  - The burden of proof lies with the revenue to establish deliberate intent to evade.
  - Once proven – The penalty here is mandatory and equals 100% of the tax amount.

Conclusion & Key Takeaways

The Bhandari Scrap Traders judgment effectively shifts the burden of supplier compliance onto the recipient. Good faith is no longer a viable shield against ITC recovery if the exchequer has not received its dues. Businesses must aggressively revamp their vendor management frameworks, moving beyond mere GSTR-2B matching to actively monitor GSTR-3B filing statuses under Rule 37A. Implementing robust commercial safeguards—such as strict indemnity clauses and withholding the tax portion of payments until supplier compliance is verified — will be essential to mitigating the severe financial risks of reversed ITC, 18% interest, and associated penalties.

The Imperative for a Voluntary GST Health Check

Given the severe financial implications—ranging from 18% per annum interest to mandatory up to 100% penalties under Section 74, a comprehensive Voluntary GST Health Check conducted by an Independent Chartered Accountant Firm is an absolute necessity.

There is no substitute to undertaking due diligence of KYC, periodical physical visits to all material suppliers, reference check, buy only what is actually billed and examination of Financial statements of the suppliers and/or obtain a Certificate of compliance from the Auditors of the Supplier.

LATEST IN FINANCE

RBI Advances Closure of Special FCNR(B) Swap Window Amid Strong Dollar Inflows

The Reserve Bank of India (RBI) has advanced the closure of its special USD/INR swap facility for fresh FCNR(B) deposits by one month, bringing the mobilisation deadline forward from September 30 to August 31, 2026. Banks can, however, execute the corresponding swaps with the RBI up to September 11, 2026. The separate swap windows available for External Commercial Borrowings (ECBs) and Overseas Foreign Currency Borrowings (OFCBs) will continue until December 31, 2026. The early closure follows a strong response to the facility, which was introduced to encourage foreign-currency inflows and strengthen the banking system's access to stable dollar funding. The increased mobilisation has also contributed to a significant rise in India's foreign-exchange reserves, reinforcing external liquidity at a time of heightened currency-market volatility.

SBI Joins Global Banks to Fund Organon Acquisition

State Bank of India (SBI), along with 10 other global banks, has joined the financing for Sun Pharmaceutical Industries' $11.75 billion acquisition of US-based Organon & Co. The all-cash deal, announced in April, is expected to strengthen Sun Pharma's position in the global pharmaceutical and biosimilars markets. SBI is the only Indian bank in the lending consortium.

Financing structure

- **Total acquisition value:** $11.75 billion
- **Sun Pharma equity contribution:** $1.75 billion
- **Debt financing:** $10 billion
- **Initial underwriters:** Citi, JPMorgan and MUFG
- **Final lending consortium:** 11 banks, including SBI, HSBC, Standard Chartered, ING, DBS, Crédit Agricole and SMBC
- **Average lender commitment:** Around $1 billion each

RBI's SNFA guidelines-Mandate disposal of immovable property

Reserve Bank of India (RBI) tightened governance, valuation and disposal norms for specified non-financial assets (SNFAs). SNFAs include residential and commercial properties, industrial land, warehouses, among others. **The seven-year holding period begins from the date a lender acquires the property.** As a result, a bank that has already held an asset for five years would have only two years left to dispose of it. The framework also brings uniformity to NBFCs and HFCs, which otherwise sat outside Section 9 of the Banking Regulation Act. The one-year transition window for legacy SNFAs appears broadly adequate, provided banks move early and do not treat it as a year-end compliance exercise. This means SNFAs will need to be assessed for clean title, legal ability to deal with the asset, age since acquisition, carrying value, revised notional provisioning requirements and monetization feasibility, experts said. Public auctions are expected to become the preferred disposal route, with the sale back to the borrower or related parties expressly prohibited

LATEST IN FINANCE

CGSMFI 2.0: Government Expands Credit Support for Microfinance Lending

The Credit Guarantee Scheme for Microfinance Institutions-2.0 (CGSMFI-2.0), launched by the Government of India in March 2026 and extended until August 31, 2026, aims to facilitate 20,000 crore in collateral-free credit flow. Backed by the National Credit Guarantee Trustee Company (NCGTC), it provides risk cover to lenders extending loans to NBFC-MFIs for onward lending to small borrowers.

Key Features of CGSMFI-2.0

- **Validity:** Active until August 31, 2026, or until guarantees totalling ₹20,000 crore are issued.
- **Tiered Guarantee Coverage:** Risk coverage depends on the size of the MFI based on Assets Under Management (AUM):
  - **Small MFIs (< ₹500 crore AUM):** 80% coverage (max loan cap: 20% of AUM up to ₹100 crore).
  - **Medium MFIs (₹500 crore to < ₹2,000 crore AUM):** 75% coverage (max loan cap: 20% of AUM up to ₹200 crore).
  - **Large MFIs (≥ ₹2,000 crore AUM):** 70% coverage (max loan cap increased from ₹300 crore to ₹1,000 crore, within 20% of AUM).
- **Equitable Distribution:** Lenders must ensure at least 5% of total loans go to small MFIs and 10% to medium MFIs.
- **Interest Rate Caps:** Bank-to-MFI lending is capped at EBLR or 1-year MCLR + 2% per annum. MFI-to-borrower lending rates must be kept 1% below the average lending rate of the past six months.
- **Guarantee Fee:** Charged at 0.5% per annum on the sanctioned amount for the first year and on the outstanding amount for subsequent years.

Banks told to disclose bulk deposit rates daily

Come October 1, 2026, banks will make a daily disclosure of the interest rates payable on bulk deposits on their website and ensure uniformity in the matter of interest paid on deposits. Further, they will have the further they will have the freedom to offer differential interest rate on bulk deposits.

Bloomberg defers bond index entry

Bloomberg index services deferred the inclusion of Indian government securities in its flagship Global Aggregate Bond Index, saying it needs more time to ensure recent market reforms are fully embedded in trading and operational practices.

Previous inclusions

- JPMorgan Chase added Indian bonds to its emerging market index in June 2024
- Inclusion in Bloomberg's Emerging Market Local Currency Index came in January 2025
- FTSE Russell included Indian bonds in its emerging market government bond index in September 2025

Fairfax to Take Over IDBI Bank in $5.5b Deal

The government has finalised Fairfax Holdings for the sale of its stake in IDBI Bank after the Canadian firm sweetened its offer, people aware of the development said.

Fairfax is now offering 81 per share, which is higher than their offer of ₹75 given last year. At this price, the government could raise around ₹26,620 crore by selling a 30.48% stake out of the 45.48% it holds in the bank. State-run Life Insurance Cor-poration that owns just under 50% in the bank is also planning to sell 30.24%, which will take the total deal size to 53,000 crore ($5.5 billion) and make it the biggest foreign investment in an Indian bank. Fairfax Holdings will have to also make an open offer to the public shareholders.

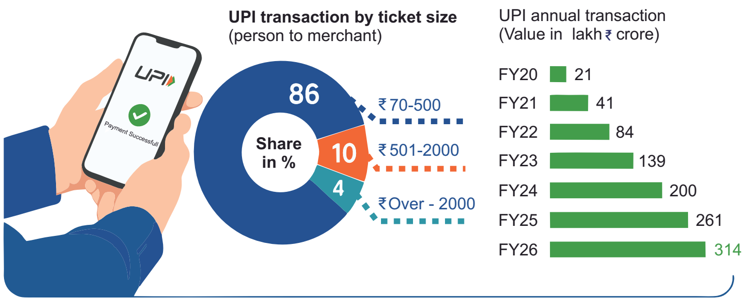
The successful bidder will have to go through a final assessment Reserve by the Bank of India to ensure that it meets the regulator's 'fit & proper standards. In addition, approvals will be needed from statutory and regulatory authorities, including the Competition Commission of India.

IREDA classifies loan accounts of Gensol Engg, arm as fraud;

State-run Indian Renewable Energy Development Agency (IREDA) (IREDA) has classified the loan accounts of Gensol Engineering Ltd and its subsidiary, Gensol EV Lease Ltd, as fraud and reported the matter to the Reserve Bank of India.

UPI Usage Remains Concentrated in Small-Ticket Payments

KEY METRICS



Editorial Comment : *UPI transactions are largely concentrated in small-ticket payments. It would be improper for the Government to consider imposing a 0.5% Merchant Discount Rate (MDR) on so-called large merchants. The data indicates that 96% of users transact for amounts below ₹2,000, making any such move premature.*

FEMA

RBI proposes future-ready FEMA rules

The apex bank proposed a principle-based regulatory framework for foreign investment with the aim to improve clarity and reduce the compliance burden for foreign investors. The draft Foreign Exchange Management (Foreign Investment) Rules, 2026, seek to replace the existing Foreign Exchange Management (Non-Debt Instruments) Rules, 2019.Foreign entities and person's resident outside India can invest in and acquire equity. These include depository receipts, investments by non-resident Indians (NRIs) and overseas citizens of India (OCIs) in the National Pension System (NPS), and foreign investment through international stock exchanges.

FEMA

FEMA Draft Seeks to Simplify Foreign Investment in Unlisted Firms

Under the draft, foreign investments of 10% or more in unlisted companies would qualify as FDI, while holdings below 10% would be treated as FPI. So far, this distinction has applied only to listed companies, allowing minority investors in unlisted firms to invest through the FDI route.

CAPITAL MARKET

Direct Listing at GIFT City Without a Public Offer

Under the draft framework, issuers that are not listed in India or overseas can list directly if they meet at least one of three financial criteria: **minimum operating revenue of $20 million, pre-tax profit of $1 million, or post-listing market capitalisation of $50 million**

Action Plan

- Eligibility is linked to the prescribed financial thresholds.
- Several global exchanges already allow direct listings under defined financial criteria.
- Firms including Spotify, Slack and Palantir have listed on overseas exchanges through this route.
- The framework targets companies that are not seeking fresh capital but want market visibility.
- For price discovery, the reference or base price may be determined through a valuation report by an independent registered valuer.
- A special pre-open price discovery session, similar to a call auction, may be conducted on the first day of listing.
- The proposal also permits companies with superior voting rights (SR shares) to list without an IPO, subject to shareholder approval and a three-month holding requirement before filing.
- IFSCA has proposed in-principle clearance within 15 days from a recognised stock exchange.
- The issuer must then file an information document, vetted by a registered investment banker, covering material disclosures such as risk factors, capital structure, financial statements, litigation, related-party transactions and management information.
- Indian issuers must comply with domestic minimum public shareholding norms, while foreign issuers may be required to maintain at least 10% public shareholding after listing.
- The proposal aims to make GIFT City more attractive as a global capital-raising hub
- The proposed norms aim to enhance the attractiveness of GIFT City as a global capital-raising hub.

Standing instructions for STP, SWP extended

The securities and exchange board of India (Sebi) extended the facility of creating standing instructions with the registrar and transfer agents (RTA) or the fund house for Systematic transfer plan (STP) and systematic withdrawal plan (SWP) transactions. This will allow the investors holding their mutual fund units in demat form to create standing instructions for periodic redemption of specified number of mutual fund units or amount through SWP or transfer of investments from one mutual fund scheme to another scheme of the same fund house by redemption from one scheme and subscription to the other scheme via STP.

SEBI proposes major PMS overhaul, opens door to overseas and pre-IPO investments

SEBI plans to explicitly allow PMs to invest client funds in "to be listed" securities, enabling clients to participate in investment opportunities before listing. The regulator also proposed permitting discretionary PMs to invest up to 10 per cent of a client's assets in investment-grade unlisted debt securities, while retaining the existing safeguards. PMs would be allowed to invest client funds in overseas listed equities, listed debt securities and overseas mutual funds, subject to FEMA limits and explicit client consent. SEBI has also proposed introducing a dedicated MF only PMS category, under which portfolio managers will invest exclusively in direct plans of mutual funds, including exchange-traded funds and specialised investment funds. The new framework proposes a lower minimum investment threshold of ₹25 lakh compared with ₹50 lakh under the existing PMS regime, along with reduced net worth and compliance requirements for operators.

SEBI proposes reforms for online dispute resolution framework

A major proposal looks to shift the responsibility for handling dispute resolution from ODR institutions to market infrastructure institutions (MIIs), including stock exchanges and depositories. While retaining a fully technology-driven process, MIIs would manage the entire workflow, applying their closer regulatory oversight over intermediaries and listed entities.

Sebi has suggested revising the appointment process for arbitrators and conciliators. Parties to a dispute would be required to submit preferences from a panel of arbitrators, with MIIs selecting a candidate based on these choices. Conciliators would be appointed directly by MIIs from their empanelled pool. To speed up grievance redressal, unresolved complaints on the Sebi's SCORES platform would be escalated directly to the conciliation stage under ODR after review by designated bodies, cutting the process timeline by 21 days.

The regulator has suggested giving alternative investment fund (AIF) investors the option to resolve disputes through mechanisms agreed upon in pre-existing contracts, instead of mandatorily using the ODR plat- form. Sebi has also proposed extending legal protections investors currently available to AIF structured as trusts to those investing through companies or limited liability partnerships, ensuring uniform safe- guards irrespective of the fund's structure.

CAPITAL MARKET

Coming soon: KYC from home for NRIS, foreign nationals

The Finance Ministry and the Securities Exchange Board of India (Sebi) are working towards simplifying the onboarding for non-resident process Indians resident Indians (NRIs) and foreign nationals looking to invest in the Indian market, and could scrap the mandate that they be physically present or visit a bank branch to complete their Know your-customer(KYC) paperwork. The reform measures on the anvil are likely to include a video based KYC process, cess, Aadhaar-based authentication for NRIs holding a UID number, the recognition of digital signatures from other countries and the possible introduction of a digital notarisation process.

EXPORT IMPORT

India faces scrutiny over tariffs, MSP, quality control steps at WTO review

India came under sustained scrutiny from several WTO members during its eighth Trade Policy Review (TPR), with countries raising concerns over **tariff changes, quality control measures, agricultural restrictions, the MSP regime, industrial subsidies and New Delhi's stance on key plurilateral initiatives.** Members also flagged **unexpected export restrictions, complex licensing procedures, lengthy investment approval processes and an overall lack of regulatory certainty.**

QUALITY CONTROL

India's expanding use of Quality Control Orders (QCOs) also drew extensive scrutiny. While countries acknowledged New Delhi's efforts to improve product quality and consumer protection, they sought greater clarity on **consultation procedures, delays in factory inspections, implementation timelines, conformity assessment requirements and recognition of foreign testing laboratories.** In concluding remarks after the two-day review, Chairperson Ambassador Nella PePe Tavita Levy said **transparency and predictability emerged as the foremost concerns** raised by members, even as they acknowledged India's growing importance in the global economy and supported its ambition of becoming a developed nation by 2047.

DIRECT TAX

Singapore Holds Ground on Withholding Tax

IRAS Says when a Singapore tax resident pays interest to a bank in India, withholding tax would apply question on whether Indians residing in Singapore have to pay WTH to the Singapore government on loan interest charged by banks in India, the Inland Revenue Authority Singapore(IRAS) said," Under section12(6) of the Singapore Income Tax Act 1947, any interest in connection with any loan or indebtedness borne, directly or indirectly by a person resident in Singapore is deemed to be derived from Singapore, In this regard where an individual tax resident in Singapore pays interest to a bank in India, such interest is deemed to be derived from Singapore and Singapore withholding tax would apply.

Direct tax collections increase 16.4%, STT receipts up 48% The government has collected 26,429 crore in securities transaction tax (STT) till July 13, up 47.8% on-year.

Foreign financial data to be part of tax statements

The Central Board of Direct Taxes (CBDT) has permitted foreign financial information received under tax treaties (DTAAs) to be reflected As) to be reflected in the assesses Annual Information Statement (AIS) and Form 26AS.

DIRECT TAX CASE LAWS

ITAT: Foreign Life Policy Not Undisclosed Asset; Maturity Proceeds Exempt from Income Tax

The Delhi ITAT held that a foreign life-insurance policy acquired while the assessee was a **non-resident from income not taxable** in India could not be treated as an undisclosed foreign asset where the source of the investment was satisfactorily explained. The assessee had subsequently paid premiums from disclosed and taxed Indian salary The Tribunal also held that the maturity proceeds were exempt under **Section 10(10D).** The provision covers "any sum received under a life insurance policy" and does not restrict the exemption to policies issued by Indian insurers. The definition of "insurer" under Section 2(28BB) could not be imported into Section 10(10D). The Tribunal relied on **CBDT Circular No. 13/2015** and the Supreme Court's ruling in Oxford University Press and allowed the assesses appeal. *Sarvesh Naidu v. DDIT (Inv.)-1, Gurugram, BMA No. 8/Del/2024, AY 2017-18, ITAT Delhi, order dated 31.07.2026.*

Delhi HC: I-T Department Directed Not to Process ITRs of SC and HC Judges Under New Tax Regime

The Delhi Tax Bar Association challenged a CBDT Office Memorandum issued in September 2025 regarding the tax treatment of certain allowances available to Supreme Court and High Court judges. The dispute relates to allowances covered under the High Court Judges Act, 1954 and the Supreme Court Judges Act, 1958. **Court's Direction:** The Delhi High Court directed the Income Tax Department **not to process the ITRs of Supreme Court and High Court judges until further orders.** The Court also allowed judges opting for the new tax regime to disclose the disputed allowances as **"receipts not in the nature of income"** until the matter is finally decided. **The Court has not yet given a final ruling on whether these allowances are exempt under the new tax regime.**

Bogus Purchase Allegation Alone Cannot Sustain Section 69C Addition

The assessee faced a ₹104.99 crore addition under Section 69C in respect of transactions undertaken through Letters of Credit. The Revenue alleged that the purchases were bogus. The assessee furnished stock records, MVAT records, corresponding sales, confirmations and other supporting documents. The ITAT deleted the addition, holding that Section 69C requires the source of expenditure to be unexplained. Since the funds had been disbursed by banks against the LCs, the source was identifiable. The Bombay HC upheld the finding and rejected the Section 68 addition

GST

GSTN puts eway bill enhancements on hold

The Goods and Services Tax Network (GSTN) has put on hold planned enhancements to the electronic way bill (eway bill)- which was originally set for August 1 - following industry concerns over technology and business processes.

OTHER LAWS

Banks' Body Cannot Blacklist Lawyers for Alleged Negligence

The Supreme Court held that banks and the Indian Banks' Association (IBA) cannot put the advocates in the "caution list" merely on allegations of professional negligence. Reinforcing the independence of the legal profession, a bench of Justices PS Narasimha and Alok Aradhe held that blacklisting lawyers amounted to an impermissible encroachment upon the statutory disciplinary jurisdiction of the Bar Councils. The Bench said the alleged allegations of professional negligence or misconduct on' the part of the appellant-advocate, even if true, fall within the exclusive jurisdiction of the disciplinary authorities contemplated under the Advocates Act.

Byju's gets interim relief as NCLT pauses bidding

The National Company Law Tribunal (NCLT), Bengaluru Bench, on Wednesday stayed the insolvency bidding process of Think & Learn, the parent company of educational technology firm Byju's, until the next hearing on August 31, providing temporary relief to the company's founders. The stay came as the founders challenged the ₹1,433 crore claim by US term loan lenders. The decision pauses the invitation and selection of potential buyers.

Insurance

IRDAI Eases Regulations to Spur Insurance Sector Growth

The Insurance Regulatory and Development Authority of India (IRDAI) has brought in a slew of regulatory, supervisory and developmental reforms in line with the implementation of the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025.

- Introduction of perpetual registration of insurance intermediaries, grant of certificate of registration to Pro-Tec General Insurance and operationalization of the Policyholders' Education and Protection Fund (PEPF) were among the key reforms introduced by the regulator.
- Grant of certificate of registration to Pro-Tec General Insurance.
- The reforms provide insurers with greater operational and financial flexibility through liberalised investment norms.
- A facilitative framework for capital infusion and corporate restructuring.
- Streamlined provisions relating to transfer of shares and amalgamations.
- Strengthening actuarial oversight and financial governance.

PF Trust

EPFO Amnesty Scheme for Exempted PF Trusts

- The Employees' Provident Fund Organisation (EPFO) said that establishments operating exempted provident fund (PF) trusts can regularise their status under the **Amnesty Scheme, 2026**, over the next six months, with retrospective effect from June 29.
- The scheme applies to establishments that have been operating a Provident Fund (PF) Trust recognised under the **Income Tax Act, 1961**, but do not possess a formal exemption notification from the central or state government.
- It is available for establishments that have initiated the compliance process and are seeking **retrospective trust regularisation as unexempted establishments**, as well as for those opting for **prospective compliance as unexempted establishments.**
- Establishments that choose to continue operating as exempted establishments under the **Code of Social Security, 2020** can also seek retrospective trust regularisation under the scheme, the EPFO said.
- Recognition under the **Income Tax Act, 2025** shall be available only to provident funds that have obtained exemption under **Section 17 of the Employees' Provident Fund & Misc. Provisions Act, 1952.**
- Amnesty shall be granted to such establishments retrospectively under **Section 17 of the Act and Section 143 of the Code on Social Security, 2020**, the EPFO said.
- Establishments seeking regularisation will be eligible for a **waiver of the minimum employee headcount and corpus size** under the Code on Social Security, 2020.

OTHER IMPORTANT CASE LAWS

ADMINISTRATIVE LAW

Supreme Court Sets Aside NCLT Order for Relying on AI-Generated Case Law.

The Supreme Court set aside an NCLT order after finding it relied on judgments which were non-existent, and some AI-generated paragraphs were also wrongly attributed to genuine citations. The Court made clear that AI cannot replace human judicial reasoning, emphasizing that while technology can assist judges, final responsibility for applying legal principles and delivering reasoned decisions rests with human judges.

Further court said that we need to be extra cautious, as unregulated use of AI can insidiously enter legal practice, the process of judicial decision-making and decision-making itself. Pooja Ramesh Singh Vs Jammu and Kashmir Bank Ltd. and Another 2026 SCC OnLine SC 1258

Supreme Court Ruled that courts cannot add words to statutory provisions where none exist.

The Supreme Court of India, in a significant judgment delivered in July 2026, reaffirmed the principle of judicial restraint by holding that courts and administrative tribunals cannot add words to statutes or rewrite executive regulations under the guise of interpretation. Setting aside

the orders of the Central Administrative Tribunal and the High Court, the Court held that judicial bodies must adhere to the plain language of statutory rules and cannot substitute their own discretion for the assessment of expert executive committees.
[The Director General, Council of Scientific and Industrial Research & Ors. v. Anil Earnest 2026 INSC 677]

INSOLVENCY AND BANKRUPTCY CODE

NCLAT Clarifies That the IBC Moratorium Does Not Extend to Assets Attached Under the PMLA

The NCLAT dismissed the appeals, holding that Section 14's moratorium is meant to freeze only the CD's legitimately acquired assets and civil debt-liability, not assets tainted as proceeds of crime under a distinct penal statute like the PMLA; that IBC tribunals' jurisdiction under Section 60(5) does not extend to reviewing ED's attachment/withdrawal actions or Section 50 notices, since such challenges lie exclusively before the adjudicatory mechanism under the PMLA itself; and that even the partially set-aside attachment (pending before the Bombay High Court) must be tested in that forum, not before the NCLT/NCLAT reaffirming that IBC cannot be used as a shield to protect a corporate debtor's ill-gotten wealth from PMLA action.[Value Wise Consultancy Pvt. Ltd. v. Deputy Director, ED & Ors NCLAT, Principal Bench, New Delhi.]

Supreme Court Limits Scope of Section 14 IBC Moratorium to the Corporate Debtor

The Supreme Court has held that the moratorium under Section 14 of the Insolvency and Bankruptcy Code, 2016 (IBC) applies only to the corporate debtor and does not extend to promoters, directors, landowners, or other non-corporate respondents unless expressly provided by law. Setting aside the NCDRC's order, the Court ruled that consumer proceedings can continue against such non-corporate parties despite the pendency of CIRP against the corporate debtor, while proceedings against the corporate debtor shall remain stayed under Section 14 IBC. The judgment reaffirms that the moratorium cannot be interpreted to grant blanket protection to all persons associated with the corporate debtor. *Tejas J.Shah & Amisha t. Shah & Ors. VsMantri Technology Constellations Pvt. Ltd. (now known as Buoyant Technology Constellations Pvt. Ltd.) & Ors.2026 INSC 746*

Intellectual Property Rights

Delhi High Court Orders Crocs to Pay ₹24.63 Lakh Costs to Bata after Design Registration was cancelled.

The Court held that silence on costs didn't amount to waiver, and relying on Uflex Ltd. v. Government of Tamil Nadu (2021 INSC 492) that costs must follow the cause in commercial litigation to deter vexatious litigation and indemnify the winning party directed Crocs to pay Bata India ₹24,63,400/- (its undisputed actual costs) within three months, disposing of the connected execution petition upon payment.[Crocs Inc. USA v. M/s Bata India Ltd. & Ors].

PMLA

Karnataka High Court Affirms That PMLA Prosecution Does Not Violate the Rule Against Double Jeopardy

The Karnataka High Court, by its judgment dated 9 July 2026, held that prosecution under the Prevention of Money Laundering Act, 2002 (PMLA) following a conviction for the predicate (scheduled) offence does not violate the constitutional protection against double jeopardy under Article 20(2) of the Constitution of India or the statutory bar contained in Section 300 of the Code of Criminal Procedure, 1973. Justice M. Nagaprasanna observed that the offence of money laundering under the PMLA is an independent statutory offence, distinct from the scheduled offence, and that prosecution under the PMLA does not amount to a second trial for the same offence but constitutes a separate prosecution under a different enactment

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EDITORIAL PMLA should focus on National Security

2005 to 2014, PMLA expanded significantly past its focus on organised crimes and expanded statute handling diverse scheduled offenses and stringent enforcement powers were added post 2015.

Key Differences: 2002 Scope vs. Modern Amendments

The modern **Prevention of Money Laundering Act (PMLA)** has shifted from a specific anti-narcotics tool into one of India's most stringent economic statutes.

- **Broader Offenses:** The original 2002 Act focused narrowly on drug trafficking and terrorism. Amendments have expanded the "Scheduled Offenses" to include even alleged fraud, Environment issues, tax evasion and a long list of offences already having adequate criminal prosecution provisions and process of trial, establishment of guilt and adequate punishment.
- **Redefined Money Laundering:** Initially, a person had to actively project tainted property as untainted to be accused of Money Laundering. Following crucial statutory amendments **(a)concealment; or (b) possession; or (c) acquisition ;or (d)use ;or (e)projecting as untainted property ;or (f)claiming as untainted property, in any manner whatsoever;** is now a standalone PMLA offense.
- **Burden of Proof on accused that he is not guilty:** In the case of a person charged with the offence of money-laundering under section 3, the Authority or Court shall, unless the contrary is proved, presume that such proceeds of crime are involved in money-laundering. in the case of any other person the Authority or Court, may presume that such proceeds of crime are involved in money-laundering.
- **Pre-Trial Asset Attachment:** Enforcement Directorate is empowered to provisionally attach and seize assets immediately, even much before the accused offence is proved and, in most cases, even charge sheet is not filed or trial has not commenced. The provisional attachment is done on the pretext that there is a risk that assets might be transferred or hidden. The attachment continues for several years without any time limitation.

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- **Stringent Bail Conditions:** Section 45 amendments restored "twin conditions" for bail. The accused must prove prima facie innocence to the court before bail can be granted, reversing the standard presumption of innocence. This becomes almost impossible with the legal presumption of guilt and burden of proof shifting to accused.

Specific Powers of the Enforcement Directorate (ED)

The Enforcement Directorate holds specialized, far-reaching authority to investigate and prosecute money laundering offenses across India.

- **Summons and Statements:** Under Section 50, ED officers can summon any person. Statements made to the ED are admissible as evidence in court, unlike standard statements made to regular police officers.
- **Search and Seizure:** Officers can search premises, break open lockers, and seize records or assets without a prior court warrant if they have "reason to believe" money laundering occurred.
- **Arrest Authority:** The ED can arrest an individual without a warrant if there is material evidence of guilt. They must inform the person of the grounds for arrest immediately.
- **Burden of Proof:** Once the ED establishes that an individual possesses laundered property, Section 24 shifts the burden of proof entirely onto the accused to prove the assets are legitimate.

Serious flaws in PMLA

Need to establish the Crime first: Property derived or obtained, directly or indirectly, as a result of criminal activity relating to a scheduled offence is the core basis of attracting PMLA. It is very important that the ED must at least prima facie first establish that there is a heinous crime committed by an accused or by any other person clearly connected with the accused or with the proceeds actually generated as a result of a heinous crime.

Arrest to Bar: No person should be arrested by the ED under PMLA, until the heinous crime is established against a person in terms of proceedings in the respective laws scheduled as offence. There are adequate arrest powers of the accused as well as accomplice and abettors, in all such cases of heinous crimes to arrest the accused in terms of law-by-law enforcement agencies.

Heinous crime: The list of scheduled offences is very large, and the Government may consider concentrating only on Crimes impacting national Security or the basic constitutional framework or is likely to very substantially damage the economy of the nation. The scheduled offence list should exclude cases arising from genuine business failure or default to repay the borrowings or unproven allegations of fraud or those cases where there is no major threat to Indian sovereign or the economy.

The crimes where the test of wider public interest of large magnitude, where National economic or sovereign interest may be impacted should only attract PMLA provisions and each offence currently listed must be re-examined by ED and Government before initiating any action under PMLA.

Terrorism, Narcotics, illegal Arms dealing, and conspiracy against the nation or its economic fabric itself should be the focus area of ED. The crimes having independent mechanism of eradication or prevention should not be having focus of PMLA to do proper justice to the real cause. Bail is the Rule must be followed except in these cases. No attachment of properties can be permitted as in any other case in terms of PMLA. The authorities can track conversion or diversion or transfer of tainted property in all other cases.

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