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EDITORIAL

Tax the Gain, Reward the Saver, Tame the Speculator

Capital-market taxation in India needs consistency, not another round of tinkering



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The Income-tax Act, 2025 came into force on 1 April 2026 as a rewrite of the law with no change in headline rates, and Budget 2026-27 left the slabs untouched. Yet the debate it has provoked is about something the rewrite did not touch: how India taxes the money that goes into its markets. Long-term capital gains are called too harsh, dividends are taxed twice, and derivatives are taxed as a vice. Each complaint has some merit. Taken together they describe a system that is unsure whom it wants to encourage.

Capital gains: keep a reasonable rate & stop changing it

Long-term gains on listed equity now bear 12.5% above an annual exemption of Rs 1.25 lakh, and short-term gains bear 20%. Critics argue that this discourages long-term investing and slows the mobilisation of household savings into the capital market. The sentiment is understandable, but the rate is not the real problem. A 12.5% levy sits well below the 30% slab at which the same investor is taxed on interest and dividends.

Nor can the old exemption return. Until 2018, long-term gains on listed shares were wholly exempt, and the exemption was too easily abused: investigations into penny-stock accommodation entries showed how unaccounted income could be converted into tax-free long-term gains. A zero rate invites arbitrage, and a concession for one asset class draws money from bonds, mutual funds, unlisted shares, property and gold. India has little room to distinguish sharply between asset classes, which is why a broadly uniform long-term rate of 12.5% is not defensible. **Since Channelisation of resources to capital market is a priority to meet growth objective a Long-Term Capital Gain on listed shares, unlisted shares, mutual funds, debentures and bonds can be reduced to 10 percent or a little lower at 7.5 percent.**

Dividends: the heaviest burden falls on the resident

A company pays tax of about 25% on its profits before it declares a dividend. The shareholder then pays tax again, at slab rates for a resident, and from Tax Year 2026-27 even the limited deduction for interest cost against dividend income is gone. A resident at the top slab bears roughly 36% on the dividend, including surcharge and cess.

A foreign investor pays 20% as a statutory rate, and treaty rates of 5% to 15% are available in most cases. The five jurisdictions of Singapore, Mauritius, the Netherlands, Japan and Cyprus together account for about 64% of cumulative FDI equity inflows. Foreign individuals may well be taxed again at home. But the holding structures through which most of this capital arrives commonly enjoy/benefit from a participation exemption, a one-tier system, a partial exemption or a foreign-dividend exclusion in their own jurisdictions. The result is a combined burden that is a fraction of what the resident bears:

Investor route	Tax on the dividend	Cumulative tax on Rs 100 of profit
Resident individual, top slab (incl. 15% surcharge and 4% cess)	about **35.9%**	about **52.0%**
Non-resident at the statutory rate (before surcharge and cess)	**20%**	about **40.1%**
Treaty investor, 10% all-in, no tax at home	**10%**	about **32.7%**
Treaty investor, 5% (qualifying Mauritius holdings), no tax at home	**5%**	about **28.9%**

Illustrative only. Assumes a domestic company taxed at 25.17%, and ignores taxes on foreign individuals at home, Pillar Two top-up taxes and any denial of treaty benefits under GAAR or the principal purpose test.

A resident saver should not bear a heavier tax burden on the same rupee of dividend than a foreign holder of the same share. A simple parity rule would cap resident dividend tax at the non-resident statutory rate of 20% or give credit for the tax the company has already paid. At the very least, the deduction for interest cost should be restored.

In case the Indian Government restrict dividend taxation to 10 percent, it will bring substantial domestic resources for further investment in manufacturing, trade and services in India.

STT: a sin tax that cannot tell a hedger from a gambler

From 1 April 2026, STT on futures rose from 0.02% to 0.05%, and on options premium from 0.10% to 0.15%, with the exercise rate moving from 0.125% to 0.15%. The Finance Minister has said the aim is to deter speculative "satta" and protect small investors, not to raise revenue. The concern is real. SEBI's study found that about 91% of individual F&O

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Japan Largest FDI source for India in April June quarter

Japan has emerged as the largest source of foreign direct investment (FDI) into India during April-June of the current fiscal year, according to government data. FDI inflows from Japan stood at $5.71 billion in the first quarter of 2026-27 surpassing the $3.74 billion India received from the country during the entire 2025-26 fiscal year. It was drawn at $2.48 billion in 2025-26.

Indus Bridge Raises ₹2000-Crore Fund for Defence Bets

Défense-focused PE fund Indusbridge ventures has raised ₹2000 crores from investors making it the largest fund raised in this category.

Bond Yields at 3-Year High

The yield on the benchmark 10-year government bond settled at 7.24%, its highest level since December 13, 2023, compared with the previous close of 7.19%.

₹10,000 crore equity support fund for SMEs gets nod

The union cabinet approved a ₹10,000 crore government commitment to an Alternative Investment Fund (AIF) that will make direct equity investments in growth stage small and medium enterprises (SMEs). The SME growth fund will provide long-term risk capital to viable SMEs seeking to expand capacity, adopt advanced technologies, enter overseas markets and scale up operations.

RDI Fund selects 19 fund managers was ₹7,131 crore investment commitment

The Research Development and Innovation Fund (RDIF), a flagship initiative of the Government of India, has announced the selection of the first Cohort of 19 second level fund managers (SLFMs). The empowered group of secretaries in its meeting held on October 08, 2026 has approved 14 alternative investment funds and 5 focused research organizations with a total RDIF commitment of ₹7131 crore the government said in a statement. The names of the SLFMs were not disclosed. The ₹1 Lakh crore research development and innovation (RDI) scheme was launched in November 2025. The 19 institution approved under the first cohort will play a pivotal role in channelling RDIF capital to Eligible Technology Enterprises undertaking research, development and innovation activities at Technology Readiness Level 4 and above.

RBI makes record purchase of $43.3 billion in spot forex markets in August

The Reserve Bank of India made a record net purchase of $43.26 billion in the spot foreign exchange market in August, as it absorbed dollars amid inflows from the FCNR(B) scheme. However, these purchases did not translate into an equivalent increase in foreign currency reserves, as the central bank simultaneously undertook large foreign exchange sell/buy swaps. The transactions pushed its net forward dollar sales position to a record $200.06 billion at the end of August up from $136.77 billion a month earlier.

Monetary Policy Tightens as RBI Increases Repo Rate

The Reserve Bank of India raised its benchmark repo rate by 25 basis points to 5.50% its first increase in nearly four years.

Sun pharma to raise ₹10k-cr Non-Convertible debentures

Sun Pharmaceutical Industries the country's largest drug maker by market value, is raising ₹10,000 crore through two tranches of rupee-denominated bonds, with coupons of 8.05% and 8.20%. One tranche of ₹7000 crores carries a coupon of 8.20%, while a ₹3000 crore tranche carries a coupon of 8.05% and includes a put option in 2028 allowing investors to seek early redemption in accordance with the terms of the issue.

NPS Central Becomes live, unifying pension services,

NPS Central, A digital platform that allows National Pension System (NPS) subscribers to enrol, invest and manage their accounts through a single interface has gone live. Launched on NPS Diwas on 1st October 2026, the platform is jointly developed and managed by the three NPS Central Recording Agencies (CRA).Its brings all 3 agencies onto a common platform, simplifying access to pension services across the NPS ecosystem. Existing subscribers can log into in using their registered mobile number and date of birth, authenticated through a OTP, without needing to remember their Permanent Retirement Account Number (PRAN)

YES Bank AT 1 Bonds INR 8415 crore liability reinstated

The Supreme Court upheld the Bombay High Court's Decision to quash the ₹8,415 Crores write-off of YES Bank's additional tier-1 (AT1) bonds, ruling that the bank administrator lacked the authority to extinguish the instruments under the reconstruction scheme.. The Rs 8,415 crore write-off is equivalent to nearly two and a half years of YES Bank annual net profit, based on its FY 26 earnings of Rs 3,476 Crore. Estimated coupon arrears of ₹5,121 crores remain disputed additional liability.

Aditya Birla Sun Life AMC launches 2 retail funds from GIFT city

Aditya Birla Sun life AMC international ltd the wholly owned GIFT City subsidiary of Aditya Birla Sun Life Amc has lunched 2 fund-of-funds schemes, targeting resident Indian Investors seeking overseas exposure and non-resident Indians (NRIs) and foreign investors looking to participate in India's Growth. The 2 offerings-ABSL emerging market equity fund (outbound) and and ABSL India Growth Fund- mark the subsidiary first retail product launch at Gujarat International Finance Tec-City International Financial Services Centre.

Small Loans dominate 97% of financial market

Non-Banking finance companies(NBFC) accounted for nearly half of new-to-credit loans below Rs 2 Lakh by volume, even as their retail delinquency rate remained at 1.1%, below 1.3% for the aggregate industry. About 82% of loans originated in India were below Rs 2 Lakh by number as of June 2026. NBFC

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accounted for 47% of such originations, compared with 17% for banks and 36% for other lenders. Nearly 97% of loans originated in India were below Rs 10 Lakh by number, highlighting the importance of small ticket credit in retail lending market.

Gift City Treasury Centre attractive proposition of IFSC

The framework introduced by IFSCA allows registered finance companies and finance units in the IFSCA to provide treasury services to group entities, in including intra group financing and liquidity management. This enables companies to consolidate treasury operations in Gift City rather than manage funding and cash balances separately across multiple jurisdictions.

Intermediary Banks prohibited to convert Forex

Foreign Exchange Dealers' Association of India(FEDAI) advised all member banks that with a view to "ensure clarity and consistency" an intermediary bank should not convert a foreign currency inward remittance into INR solely for the purpose of onward credit to a beneficiary's account maintained with another bank, unless specifically instructed by the remitter or the beneficiary.

RBI Tightens Foreign Exchange Derivative Rules

RBI has prohibited Authorised Dealers from allowing users to rebook cancelled INR-linked foreign exchange derivative contracts, while permitting rollovers on maturity. It has also reduced the threshold for taking positions without establishing underlying exposure from USD 100 million to USD 5 million, across the applicable OTC and exchange-traded facilities.

INR-Linked Non-Deliverable Derivatives permitted only for hedging and FERR obligation of 20% cash deposit with RBI

RBI has restricted INR-linked Non-Deliverable Derivative Contracts (NDDCs) offered to non-residents exclusively to hedging purposes. Earlier, eligible Authorised Dealer Category-I banks with operating IFSC Banking Units and Standalone Primary Dealers authorised as Authorised Dealer Category-III could offer these contracts without purpose restrictions. RBI has also introduced a Foreign Exchange Risk Reserve (FERR) for qualifying INR-linked derivatives undertaken by Authorised Dealers to hedge currency risks on their own assets and liabilities. The reserve is 20% of the INR equivalent of the contract's notional amount, maintained in cash with RBI daily until termination.

FEMA

EDF Reporting Mandated

The RBI's new foreign exchange reporting framework will help policymakers track the growing pool of India's non-software services exports, but individual and small ticket service providers who have never had to file such paperwork are up in arms. The new RBI FEMA regulations require all services exporters to file an Export Declaration Form (EDF) with their bank (or STPI for software) within 30 days from the end of the invoice month .The framework is effective from 1st Oct 2026.

CAPITAL MARKET

SEBI Restores old settlement price formula for expiry-day derivatives

In a significant change aimed at addressing concerns over sharp price swings during the closing auction session (CAS), the Securities and Exchange Board of India (SEBI) decided to restore the earlier method of determining settlement prices for index and stock derivatives on expiry days. Under the new rules, settlement prices of index and stock derivatives on expiry days will once again be determined using the volume weighted average price (VWAP) of constituent securities or the underlying stock during the last 30 mins of the continuous trading session in the cash market. This marks a return to the pre-CAS methodology and is expected to reduce the impact of sharp price fluctuations during the closing auction on derivative settlements.

SEBI plans to ease SME IPO Rules

The securities and exchange board of India(SEBI) has proposed lowering the minimum application amount of SME IPO to Rs 1 lakh from Rs 2 lakh. Under the proposed framework, companies with post-issue market capitalisation of up to Rs 1000 crores would be required to list on SME platform

SEBI extends relief on IPO size tweaks till march

The securities and exchange board of India has extended until march 31, 2027, its relaxation allowing companies to increase or reduce the size the of the fresh issue components of their initial public offering(IPOs) by up to 50% without filling fresh draft offer documents

RBI approves merger of Emirates NBD branches with RBL bank

The Reserve Bank said it has sanctioned the scheme of amalgamation of Indian branches of Emirates NBD bank (P.J.S.C) with RBL bank. The effective date of the amalgamation will be December 01, 2026, the RBI said. All the Indian branches of Emirates NBD bank P.J.S.C. will function as branches of RBL bank with effect from December 01,2026. In May, the finance ministry had granted approval to Emirates NBD Bank for the acquisition of up to a 74% stake in RBL Bank.- L/f

NCDEX marks its arrival into equity segment by launching two indices NDEX, FINDEX

NCDEX formerly the National Commodity and Derivatives Exchange launched two indices NDEX and FINDEX marking its entry into the equity and equity derivatives markets.

SEBI eases margin burden for traders using early pay-in

Regulator SEBI has allowed clients to use the value of shares delivered through early pay-in (EPI) towards margin requirements on subsequent buy and sell positions in the cash market easing margin requirements for trades undertaken on the same day. Under the framework clearing corporations will not collect margins from trading or clearing members on a client's subsequent buy or sell positions, up to the value of securities for which the early pay-in request had been accepted. The facility will apply where a client has a net sell obligation in a settlement.

CAPITAL MARKET

SEBI eases KYC norms for FPIs

Category I FPIs operating in non-high-risk jurisdictions will now be required to undergo KYC reviews once every eight years, compared with the earlier three-year cycle. Those operating in high-risk jurisdictions will be subject to reviews every two years. Category two FPIs operating in high-risk jurisdictions will also undergo KYC reviews every two years.

No legal mandate AIF, FPI beneficiary public disclosures

The Supreme Court refused to direct the Securities and Exchange board of India (SEBI) to mandate public disclosures of ultimate beneficial owners (UBOs) details as well as portfolio holdings of alternative investment funds (AIFs) and foreign portfolio investors (FPIs) saying it could not issue directions in the absence of a legal framework mandating such disclosures

Merchant Banker Appointment Relaxed for Certain Private Debt Placements

SEBI has permitted eligible listed issuers to undertake specified private placements of debt securities or non-convertible redeemable preference shares without appointing a merchant banker. The exemption is subject to conditions, including regulation by an Indian financial-sector regulator, at least one year of listing, no specified defaults during the preceding three financial years and the current year, and a minimum credit rating of AA-. The securities must generally be senior and secured by a first or pari passu charge, with specified exceptions for public-sector issuers. The circular took effect on October 7, 2026. .

Direct Tax mop-up rises 13% , STT surges 52%

The government has collected Rs 46,840 crore in STT till October 14 up 51.6% from the same period a year ago. In the budget, the government had projected STT collections to rise 15.8% year-on-year to Rs 73,700 crore

INDUSTRY UPDATE

RE Power generation surpasses 100 BUs in a quarter

Solar accounted for 10% of the total electricity generation in Q2 FY 27 for the first time and reached a new daily record of 705 million units (MU) on September 30. Non-fossil sources, including renewables, hydropower, and nuclear, accounted for around 33 percent of the total generation in Q2 FY27.

IMPORT EXPORT

Government revises rules for return of goods from domestic tariff area to SEZ units

As per the amendment in SEZ Rules 2006 Goods supplied by a Unit into Domestic Tariff Area on payment of duty may be brought back to the unit where a Domestic Tariff Area buyer fails to take delivery of the goods due to change in fashion, change in market conditions, or default in conditions of agreement relating to the sale.



Government to bear certification cost for small exporters

The government will bear virtually the entire cost of export certification for micro and small enterprises under the Export Promotion Mission (EPM) including expenses related to the European Union 's carbon and deforestation regulations

Free Trade Agreements Expected to Boost India's GDP by $170 Billion by 2035

India's expanding network of free trade agreements (FTAs) could add $140 -170 billion to its gross domestic product (GDP) by 2035. Trade volumes could rise around 10% by 2035 on implementation of FTAs. Tariff on India goods sold to the US has risen to 11.6% from 2.4% in 2024. India's Growth rate for 2026 and 2027 projected at 6.9% and 7.4% respectively

India–New Zealand FTA Comes into Force

The India-New Zealand free trade agreement (FTA) came into force on 18th October. The pact also provides for New Zealand to facilitate $20 Billion investment in India and expands opportunities for services, professionals, students and agricultural cooperation. The agreement aims to increase bilateral trade in goods and services from about $2.4 billion to around New Zealand $7 billion(Rs 35,000 Crore) by 2030.

DIRECT TAX

SC declines to interfere with HC ruling on taxation of AIFs

The Supreme Court declined to interfere with a Delhi High Court (HC) judgement that had read down a 2014 Central Board of Direct Taxes (CBDT) circular prescribing taxation of Category-III Alternative Investment Funds (AIFs) at the maximum marginal rate. A Bench of Justice JB Pardiwala and Justice K Vinod Chandran dismissed the challenge to the Delhi HC ruling, which had provided relief to Equity Intelligence AIF Trust. The dispute arose form CBDT Circular No. 13/ 2014, which dealt with the tax treatment of Category-III AIFs constituted as trusts. The Delhi HC had held that the circular could not be applied in a manner that required such an AIF to specify its beneficiaries in the trust deed before its registration and commencement of investments. The HC had relied on the legal principle lex non cogit as impossibilia: that the law does not require a person to do something that is impossible to perform.

Some AIFs in GIFT City get tax notices despite exemption

Domestic category III AIFs pay a surcharge of 10-15 per cent on dividend income and 10-37 per cent on interest income, while there is no such surcharge applicable on specified funds category III AIFs located at GIFT City. They are liable to pay only a flat 10 per cent tax on income from securities such as received, according to three dividends and interest the flat 10 per cent rate on interest and dividend income from securities for these funds as introduced by the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020, effective from FY21or the 2021- 22 assessment year.

DIRECT TAX

FAST DS Scheme - taxpayers can disclose undeclared Foreign assets

FAST DS launched on August 16 2026 allows eligible taxpayers to disclose previously unreported foreign assets and income by paying a tax rate of 30% of the fair market value along with a penalty equal to the tax amount. The scheme is designed as a fully online trust based and self declaration process. Automatic exchange of information AEOI framework commonly associated with the common Reporting Standard CRS and the FATCA the facility currently provides information for three years 2022to 2024

India–Mauritius DTAA Amended: Introduction of Principal Purpose Test

The Government has notified amendments to the India–Mauritius DTAA, introducing Article 27B (Entitlement to Benefits). Under the Principal Purpose Test (PPT), treaty benefits may be denied where obtaining such benefits was one of the principal purposes of an arrangement or transaction, unless granting the benefit is consistent with the object and purpose of the treaty. The amendment strengthens safeguards against treaty shopping and tax avoidance. It takes effect from 10 August 2026.

[Old Act reference: Section 90(1), 90(2) and 90(2A) (DTAA framework and GAAR override); Sections 95–102 (GAAR).]

TDS Exemption on Interest from Maharajah INR Bonds

CBDT has exempted interest payments made by the New Development Bank (NDB) on Maharajah INR Bonds from TDS for eligible resident and Foreign Institutional Investor (FII) bondholders, covering Tax Year 2026–27 onwards. The exemption is subject to NDB furnishing prescribed information under the Income-tax Act and Rules. This provides withholding-tax relief but does not automatically exempt the interest income from taxation.

[Old Act reference: Sections 194A (interest paid to residents) and 195 (payments to non-residents), as the corresponding TDS provisions.]

DIRECT TAX CASE LAWS

Reopening of Assessment – Subsequent Investigation Report Constitutes Tangible Material; Not a Mere Change of Opinion

The assessee received advances of approximately 37.64 crore from share sale transactions and claimed exemption under Section 54F. After the original assessment under Section 143(3), an Investigation Unit report flagged prima facie overvaluation of shares, leading the AO to reopen the assessment under Section 148. The Court held that the subsequent Investigation Unit report constituted tangible material having a rational nexus and live link with the AO's belief that income had escaped assessment. Change of opinion requires conscious application of mind during the original assessment. Accordingly, the reopening notice was held valid. **Held in favour of the Revenue.**

[Chetan Sabharwal v. Assistant Commissioner of Income-tax SC]

Section 56(2)(x) Not Applicable to Land Held as Stock-in-Trade; Reassessment Without Fresh Material Invalid

The assessee-company, engaged in real estate development, purchased land during AY 2021-22 in the ordinary course of business and disclosed it as stock-in-trade. The AO initiated reassessment under Section 148A on the basis of previously examined material, alleging understatement of consideration.The High Court held that Section 56(2)(x) was not applicable as the land was held as stock-in-trade and not as a capital asset. Reassessment was also invalid in the absence of fresh tangible material. The Supreme Court dismissed the Revenue's SLP. **Held in favour of the assessee. (***Income-tax Officer v. Goral Infrastructure (P.) Ltd, SC)*

Section 148A Notice Invalid Where Supporting Information Is Furnished Beyond the Prescribed Limitation Period

The AO issued a notice under Section 148A for AY 2020-21 without providing the information suggesting escapement of income. The supporting information was furnished only after expiry of the limitation period prescribed under Section 149(2)(b).The Court held that the information forming the basis of alleged escapement must accompany the show-cause notice within the prescribed limitation period. Subsequent furnishing of information cannot cure the defect. Accordingly, the Section 148A notice and consequential proceedings were quashed. Held in favour of the assessee. *Grasim Industries Ltd.v. DCIT, Central Bombay HC*

Penalty Under Section 270A Invalid When Quantum Appeal Is Pending Before the Tribunal

Penalty order under Section 270A passed while the assessee's appeal against the assessment order was pending before the Tribunal was held to be contrary to Section 275(1)(a). Accordingly, the penalty order was quashed and set aside. In favour of assessee. *(BT Global Communications India (P.) Ltd v. Assessment Unit National Faceless Assessment Centre, Delhi HC)*

GST

New GST Rules for E-Commerce: Simplified Registration and Revised Delivery Taxation

Small suppliers selling goods through e-commerce platforms in multiple States and Union Territories (Uts), where they do not have a physical presence, can declare the platform's warehouse in a State or UT as their Principal Place of Business from 1 November, subject to prescribed conditions, including the applicable ITC limit of 2.5 lakh per month.Further, following the GST Council's decision at its 57th meeting, a uniform GST rate of 5% without input tax credit will apply to specified e-commerce delivery services, irrespective of how the platform arranges the delivery. Where the delivery person is below the GST registration threshold, the platform will pay the tax. The Council has also ended an exemption for goods transport agencies.

GST Demand and Adjudication Proceedings: New Procedural Guidelines

CBIC has issued guidelines for demand, adjudication and appeal proceedings under Section 168(1) of the CGST Act. The circular encourages pre-notice communication through Form GST DRC-01A, wherever feasible, and requires show-cause notices to clearly set out material facts, supporting evidence, legal grounds and quantified demands. It also clarifies that provisions relating to fraud, wilful misstatement or suppression cannot be invoked mechanically merely because tax remains unpaid or discrepancies are identified during scrutiny. Evidence supporting the allegation and intent to evade tax must be disclosed.

Revised GST rules on e-commerce deliveries to take effect on November

Following the GST Council's decision at its 57th meeting to bring a single tax on e-commerce deliveries. Every delivery of goods ordered online will be taxed at 5% without input tax credit, however, the platform arranges it. Where the delivery person is below the GST registration threshold, the platform will pay the tax The Council also ended an exemption for goods transport agencies.

GST Demand and Adjudication Proceedings: New Procedural Guidelines

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GST Enforcement: Interim Relief from Arrests and Low-Value Tax Notices

CBIC has directed its Central GST field formations

- not to carry out further arrests under GST,
- Show-cause notices under Sections 73, 74 and 74A should not be issued where the aggregate amount involved is below ₹10,000, including CGST, SGST, IGST and compensation cess .
- Conveyances can generally be intercepted only on specific intelligence authorised by an officer of at least Joint Commissioner rank, with reasons recorded in writing.
- Detention and seizure are subject to prescribed jurisdictional conditions, with an exception where neither an e-way bill nor a document showing the origin or destination of goods is produced.

The instruction operates as an interim measure until the relevant legislative amendments take effect.'

GST Clarifications on R&D Grants, Shipping, Vehicle Leasing and Financial Services

CBIC has clarified six service-related issues following the 57th GST Council meeting:

- **R&D grants:** A certificate from the head of an eligible institution confirming that the activity is research and development, rather than consultancy, may support the exemption claim.
- **Foreign shipping companies:** Specified import of services without consideration by an Indian establishment from a related person or overseas establishment is exempt from 1 November 2026. Past payments from 1 July 2017 to 31 October 2026 are regularised on an "as is where is" basis.
- **Vehicle leasing:** Registration charges, road tax, insurance, FASTag and other incidental amounts recovered by a lessor form part of the composite leasing supply.
- **TRAI:** TRAI is not treated as the Government for the relevant GST exemption.
- **Banking:** Notional interest under the Fund Transfer Pricing mechanism is covered within the definition of interest for the relevant exemption.
- **NBFC co-lending:** Lending services provided by NBFCs to banks under co-lending arrangements are taxable.

Post-Supply Discount Rules and 90% Provisional GST Refunds from November 1

The Finance Ministry has notified November 1 as the effective date for changes relating to post-supply discounts, provisional refunds under the inverted duty structure (IDS) and removal of the ₹1,000 minimum refund threshold for exports made with payment of tax.

- **Post-supply discounts:** The requirement of a prior agreement between the supplier and recipient has been removed. Discounts can be excluded from the value of supply through a credit note, subject to reversal of the corresponding input tax credit by the recipient under Section 34 of the CGST Act, 2017.
- **Inverted duty structure refunds:** Eligible taxpayers can receive 90% of the claimed refund provisionally, subject to prescribed conditions and risk-based verification. The balance will be settled after final scrutiny.
- **Export refunds:** The minimum 1,000 refund threshold for exports made with payment of tax has been removed.

GST Export Proceeds: SNRR Accounts, Nostro Accounts and Set-Off Recognised.

CBIC has clarified that payments for exports of services received in convertible foreign exchange or through repatriable Indian rupee accounts, including Special Non-Resident Rupee (SNRR) and INR Nostro accounts, satisfy the payment condition under Section 2(6)(iv) of the IGST Act.Payments received by stockbrokers from overseas clients, including FPIs, NRIs and OCIs, through SNRR or NRE accounts are also recognised. NRO receipts must be routed through repatriable INR accounts. Set-off of export receivables against import payables is also recognised, subject to RBI directions.

GST CASE LAW

GSTAT: DRC-01 summary cannot replace a proper show-cause notice

The GSTAT held that Form GST DRC-01, which is only a summary of the proposed demand, cannot replace the statutory show-cause notice explaining the allegations and their legal basis. The Tribunal also noted that the taxpayer was not given a proper opportunity of personal hearing. It set aside the demand and the appellate order.Outcome: Demand of ₹2,19,630 (CGST and SGST) set aside, along with interest and penalty. The appeal was allowed. *[Fortinet Technologies India Pvt. Ltd. v. Commissioner of Commercial Taxes, Karnataka]*

Retrospective GST registration cancellation does not automatically bar departmental audit

The Delhi High Court held that retrospective cancellation does not automatically take away the department's power to audit records relating to a registration that had existed during the relevant period. GST audit examines past transactions, returns and records. Subsequent retrospective cancellation does not erase the historical fact that registration existed and that transactions were undertaken under it. *[Oyster Steel and Iron Pvt. Ltd. v. Assistant Commissioner, Circle VII Delhi HC]*

OTHER LAWS

PMLA court allows monetization of ₹3464 cr NSEL assets

A special Prevention of Money Laundering Act (PMLA) court in Mumbai has approved the monetization of assets worth ₹3464 crore attached by the Enforcement Directorate in the National Spot Exchange Ltd (NSEL) case to facilitate ₹1950 crore settlement for 5682 specified creditors.

Strengthening Insolvency Resolution Framework for Real Estate Projects

The amendments introduce

- project-wise financial management through separate bank accounts for each real estate project
- resolution professionals to present project-wise financial information before CoC
- permit the CoC, with at least 66% voting share, to recommend exclusion of specific projects from the insolvency resolution process, subject to approval by the Adjudicating Authority.
- independent technical and cost-to-complete assessments will be required before inviting expressions of interest.
- The Information Memorandum must contain comprehensive project-wise disclosures covering construction progress, inventory, approvals, encumbrances, litigation and allottee claims
- strengthens homebuyers' participation through authorised representatives, introduce project-specific completion timelines in resolution plans and facilitate faster handover of possession to eligible homebuyers.

Karnataka High Court strikes down law increasing SC/ ST quota

In a major blow to the state government the Karnataka High Court struck down an attempt to increase reservation for Scheduled castes (SCs) and Scheduled Tribes (STs) beyond the 50% ceiling holding that the enhancement was "constitutionally impermissible.

AUDIT AND ACCOUNTS

Standardised Audit Reporting Introduced for Multi-State Cooperative Societies

The Ministry of Cooperation notified the Multi-State Co-operative Societies (Auditor's Report) Order, 2026 (MSCARO 2026) under Section 73(6) of the Multi-State Co-operative Societies Act, 2002. Modelled on CARO, it introduces additional audit reporting requirements covering loans and advances, NPAs, deposits, investments, board governance, related-party transactions, cybersecurity and applicable anti-money laundering compliance.

Auditors will need to report on specified financial, governance and compliance matters beyond the usual audit reporting requirements. Cooperative societies may need stronger internal controls and better-maintained supporting records .ICAI is also developing a Guidance Note to assist auditors in implementing the framework.

Fair Value Option Clarified for Investments in Associates and Joint Ventures

ICAI issued an Exposure Draft proposing amendment to Ind AS 28 to clarify which entities can measure investments in associates and joint ventures at Fair Value through Profit or Loss (FVTPL) instead of using the equity method. The clarification covers entities whose main business is investing in specified asset types and investments held indirectly through such entities.

Eligible entities may use FVTPL, resulting in fair value changes being recognised in profit or loss instead of their share of the investee's results under the equity method.

Comments are invited up to 14 November 2026.

NFRA Highlights Gaps in Auditor–Audit Committee Communication

NFRA highlighted gaps in the implementation of SA 260, covering communication between statutory auditors and those charged with governance. The concerns relate to delayed communication of significant audit matters, inadequate documentation and ineffective communication with audit committees.

NFRA Publishes 35 Questions on Going-Concern Assessment

NFRA published the sixth edition of its Auditor–Audit Committee Interaction Series, containing 35 questions on going-concern assessment under SA 570 (Revised). The questions cover cash-flow projections, funding arrangements, loan covenant breaches, promoter support, group entities and regulatory risks.

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AUDIT AND ACCOUNTS

Auditor Penalised for Unmodified Opinion Despite Audit Irregularities

ICAI's Disciplinary Committee, through an order, reprimanded an auditor, imposed a fine of ₹50,000 and removed his name from the Register of Members for one month. The case involved an unmodified audit opinion despite irregularities relating to NPA classification, interest recognition on overdue loans, related-party loans and reported frauds. An independence issue involving an outstanding loan taken by the auditor's son was also considered.

Audit Appointment and Independence Lapses Attract Disciplinary Action

ICAI's Disciplinary Committee imposed a fine of ₹2 lakh and reprimanded an auditor by an order. The case involved acceptance and signing of audit reports without completing appointment formalities, inadequate communication with the previous auditor and deficiencies in independence and audit evidence.

Inconsistent NBFC Audit Reports Lead to Disciplinary Action

ICAI's Disciplinary Committee ordered removal of an auditor from membership for one month and imposed a fine of ₹1 lakh by an order .The case involved inconsistent sets of audited financial statements, contradictory reporting on NBFC registration requirements and omission of a subsidiary from related-party disclosures under AS 18.

OTHER IMPORTANT CASE LAWS

Company Can Face Criminal Prosecution Even Without Identifying the Individual Responsible for the Offence

The SC held that identifying a specific natural person responsible for an offence is not a prerequisite for initiating criminal prosecution against a corporate entity, particularly at the threshold stage, where the alleged offence involves mens rea. The Court clarified that a company possesses a distinct legal personality and can be prosecuted independently, provided the statutory ingredients of the alleged offence are prima facie established. The ruling is significant in reinforcing the principle that corporate entities cannot escape criminal accountability merely because the individual responsible for the alleged wrongdoing has not yet been identified. *Sanofi India Ltd. v. CBI, Criminal Appeal No. 4250 of 2026,SC*

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EDITORIAL Tax the Gain, Reward the Saver...

traders lost money in FY25, with aggregate net losses of about Rs 1.05 lakh crore.

A better design would keep a high rate for pure speculation and charge a concessional rate, at or below the pre-April 2026 levels, on derivative positions that perfectly hedge actual cash-delivery holdings. This is workable if the hedge is verifiable:

- the hedge is linked at PAN level to demat holdings and flagged when the order is placed;
- the position is capped at the value of the holding, beta-adjusted for index hedges;
- the scheme carries a review date so that gaming can be detected and corrected.

The way forward

- **Capital gains:** keep a reasonable, stable rate on LTCG and STCG for a stated period, with no return to blanket exemption, and index the annual exemption threshold.
- **Dividends:** adopt a parity principle so that a resident never pays more than a non-resident on the same dividend and restore the interest deduction.
- **Derivatives:** keep deterrent STT for speculation and grant a concessional STT for verifiable hedges of cash holdings.

There are fair objections. Dividend relief costs revenue. Treaty rates are reciprocal bargains, and portfolio capital is mobile in a way that a household is not. A hedge concession can be gamed without good safeguards. These are reasons to design carefully, not reasons to leave the present asymmetries in place. A capital-market tax code should reward patience, treat like income alike, and aim at speculation without penalising prudence.



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