

NEWSLETTER

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NEWSLETTER FOR FEBRUARY 26 **VOLUME 16, ISSUE 2**

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COMPLIANCE

FEBRUARY 2026 DUE DATES

GST

DATE	COMPLIANCE DETAIL	APPLICABLE TO
10th	<ul style="list-style-type: none">GSTR-7 (TDS return under GST)	<ul style="list-style-type: none">Person required to deduct TDS under GST
	<ul style="list-style-type: none">GSTR-8 (TCS return under GST)	<ul style="list-style-type: none">Person required to collect TCS under GST
11th	<ul style="list-style-type: none">GSTR-1 (Outward supply return)	<ul style="list-style-type: none">Taxable persons having annual turnover > Rs. 5 crore in FY 2024-25Taxable persons having annual turnover ≤ Rs. 5 crore in FY 2024-25 and not opted for Quarterly Return Monthly Payment (QRMP) Scheme
13th	<ul style="list-style-type: none">GSTR-6 [Return by input service distributor (ISD)]	<ul style="list-style-type: none">Person registered as ISD
	<ul style="list-style-type: none">Invoice Furnishing Facility - IFF (Details of outward supplies of goods or services)	<ul style="list-style-type: none">Taxable persons having annual turnover ≤ Rs. 5 crore in FY 2024-25 and opted for QRMP Scheme
	<ul style="list-style-type: none">GSTR-5 (Return by Non-resident)	<ul style="list-style-type: none">Non-resident taxable person (NRTP)

20th	<ul style="list-style-type: none"> GSTR-3B (Summary return) 	<ul style="list-style-type: none"> a) Taxable persons having annual turnover > Rs. 5 crore in FY 2024-25 b) Taxable persons having annual turnover ≤ Rs. 5 crore in FY 2024-25 and not opted for QRMP scheme
	<ul style="list-style-type: none"> GSTR-5A [Online Information Database Access and Retrieval (OIDAR) services return] 	<ul style="list-style-type: none"> OIDAR services provider
25th	<ul style="list-style-type: none"> Form GST PMT-06 (payment of tax for QRMP filers) 	<ul style="list-style-type: none"> Taxable persons having annual turnover ≤ Rs. 5 crore in FY 2024-25 and opted for QRMP scheme.

INCOME TAX

DATE	COMPLIANCE DETAIL	APPLICABLE TO
7th	<ul style="list-style-type: none"> TDS / TCS deposit 	<ul style="list-style-type: none"> Non-Government Deductors
15th	<ul style="list-style-type: none"> Deposit of PF & ESI contribution 	<ul style="list-style-type: none"> All Deductors
	<ul style="list-style-type: none"> Issue of TDS Certificate (other than salary) 	



BUDGET



Amendments to Income Tax Act, 1961

Effective from 1st March, 2026

Clause	Section	Proposed amendments	Effect
5	139(1) - Explanation	<p>In case of:</p> <p>i) Assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law for the time being in force;</p> <p>(ii) partner of a firm whose accounts are not required to be audited under this Act or under any other law in force</p> <p>The due date of filing ITR is extended from 31st July to 31st August</p>	It is a welcome move as it will stagger the due dates of filing ITR

5	139(5) - revised return	Period for filing revised return extended from 31st December to 31 st March with payment of fees If income < 5L → 1,000/- If income > 5L → 5,000/-	It is a welcome move as any mistake noticed can be corrected till end of the financial year
5	139(8A) - updated return	Even in case of loss returns, the return can be revised provided it reduces the loss claimed	It is a welcome move
6	140B - tax on updated return	If updated return is filed in pursuance of a notice issued under section 148, additional sum of 10% is payable (over and above already payable of 25% to 70%)	It is a welcome move as it will save time and efforts of the assesseees

[Amendments to Income Tax Act, 2025](#)

Effective from tax year 2026-27

Clause	Section		
27	2(40) - definitions	Buy-back of shares by companies will not be treated as dividend	It is a welcome move as buy-back of shares is essentially capital gains/ loss

5	139(5) - revised return	<p>Period for filing revised return extended from 31st December to 31st March with payment of fees If income < 5L → 1,000/- If income > 5L → 5,000/-</p>	It is a welcome move as any mistake noticed can be corrected till end of the financial year
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31	29 - deductions related to employee welfare	<p>The deduction for employees' share of PF & ESI will be allowed if the same is deposited upto the due date of filing of return (instead of due date as specified in respective acts)</p>	It is a welcome move as the courts have given different verdicts and this amendment will save on time and effort of the assesseees
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34	69 - buy back of shares	<p>The buy-back of shares will be taxed as capital gains For promoters or in case of non-listed companies, holders of shares > 10%, additional tax will be payable</p> <table border="1" data-bbox="395 1379 1110 2051"> <tr> <td data-bbox="395 1379 592 1760">Income</td> <td data-bbox="592 1379 868 1760">If promoter is domestic company</td> <td data-bbox="868 1379 1110 1760">If promoter is other than domestic company</td> </tr> <tr> <td data-bbox="395 1760 592 2051">Short term capital gains</td> <td data-bbox="592 1760 868 2051">2%</td> <td data-bbox="868 1760 1110 2051">10%</td> </tr> </table>	Income	If promoter is domestic company	If promoter is other than domestic company	Short term capital gains	2%	10%	It is a welcome move as buy-back of shares is essentially capital gains/loss
Income	If promoter is domestic company	If promoter is other than domestic company							
Short term capital gains	2%	10%							

		<table border="1"> <tr> <td>Long term capital gains</td> <td>9.50%</td> <td>17.50%</td> </tr> </table>	Long term capital gains	9.50%	17.50%	
Long term capital gains	9.50%	17.50%				
35	70 - transfers not regarded as transfer	Sovereign Gold bonds (SGB) subscribed by an individual and held till maturity will not be treated as transfer on redemption	It is not a welcome move. Anybody buying SGB from secondary market will be taxed which was never the offer by the Govt at the time of issue			
36	93 - deductions	No expenditure allowed against dividend income/ income from mutual funds (taxable under "Income from Other Sources") (earlier, interest expense upto 20% of such income was allowed)	It is not a welcome move. There is always expenditure to earn dividend which is now being disallowed			
46	195 - tax on unexplained income	The rate of tax on unexplained credits, investments, assets or expenditure has been reduced from 60% to 30%	It is a welcome move.			

50	206 - Minimum Alternate Tax (MAT)	It is proposed that MAT is to be made a final tax in the old regime and shall be liable to tax @ 14% instead of the existing 15% Further, set-off of MAT is to be allowed only in the new tax regime for domestic companies. However, the amount of set off shall be restricted to 25% of the tax liability.	It is not a welcome move. Although very few companies are still opting for MAT but such frequent changes are confusing
57	263 - Return of income	In case of: i) Assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law for the time being in force; (ii) partner of a firm whose accounts are not required to be audited under this Act or under any other law in force The due date of filing ITR is extended from 31st July to 31st August	It is a welcome move as it will stagger the due dates of filing ITR
57	263 - revised return	Period extended from 31st December to 31st March with payment of fees If income < 5L → 1,000/- If income > 5L → 5,000/-	It is a welcome move as any mistake noticed can be corrected till end of the financial year
57	263 - updated return	Even in case of loss returns, the return can be revised provided it reduces the loss claimed	It is a welcome move

59	267 - tax on updated return	If updated return is filed in pursuance of a notice issued u/s 280, additional sum of 10% is payable (over and above already payable of 25% to 70%)	It is a welcome move as it will save time and efforts of the assesseees
64	295 - undisclosed income of any other person	To limit the period of block assessment in case of third party where incriminating material has bearing on the undisclosed income of only a single tax year immediately preceding the tax year in which search is initiated or requisition is made.	It is a welcome move
73	394 - Collection of tax at Source (TCS)	Rates revised as given below	It is a welcome move
74	395 - Certificates lower deduction of tax or Nil tax	The application for certificate for TDS at Nil or lower rates may also be filed before the prescribed income-tax authority, subject to such conditions as may be provided by rules, and such authority on electronic verification of the contents of the application, may either issue a certificate for lower or no deduction or, as the case may be, reject such application for non-fulfilment of the prescribed conditions or on account of the application being incomplete.	It is a welcome move as it will reduce human intervention and hence certificates will be issued timely

78	402 - Interpretation	It is proposed to include supply of manpower under the ambit of "work" for the applicability of TDS	It is a welcome move as it clarifies that payments for manpower supply will be subject to contractor TDS and not treated as professional or technical services.
83	427	Where any person who is required to furnish a statement of financial transaction (SFT) or reportable account, fails to furnish such statement within the time prescribed, he shall be liable to pay by way of fee, a sum of ₹ 200/- for every day for which such failure continues and such fee shall not exceed a sum of ₹ 1,00,000/-	It is a welcome move
83	428	Where any person fails to get his accounts audited for any tax year or years and furnish the report of such audit, he shall be liable to pay by way of fee— (i) a sum of ₹ 75,000/- for a delay up to 1 month for which such failure continues; and (ii) a sum of ₹ 1,50,000/- thereafter	It is a welcome move as the penalty proceedings are saved and assessee's are aware of the effect of late filing

83	428 - fee for default in furnishing ITR	<p>fails to furnish a transfer pricing (TP) report from an accountant, he shall be liable to pay by way of fee—</p> <p>(i) a sum of ₹ 50,000/- for a delay up to 1 month for which such failure continues; and</p> <p>(ii) a sum of ₹ 1,00,000/- thereafter</p>	It is a welcome move as the penalty proceedings are saved and assessee's are aware of the effect of late filing		
89	454 - penalty for failure to furnish SFT	The maximum penalty for failure to furnish SFT after notice is issued is capped at ₹ 1,00,000/-	It is a welcome move		
114 - 128	New chapter - Foreign Assets of Small Taxpayers Disclosure Scheme, 2026	<table border="1"> <tr> <td data-bbox="467 965 624 2007">Who can opt for the Scheme?</td> <td data-bbox="639 965 1177 2007"> <p>An eligible assessee includes:</p> <ul style="list-style-type: none"> • A person currently resident in India, or • A non-resident / not ordinarily resident (NOR) who was resident in India <p>The Scheme applies where the taxpayer has</p> <ul style="list-style-type: none"> • Not filed a return of income for the relevant year, or • Filed a return but failed to disclose foreign income or assets, or </td> </tr> </table>	Who can opt for the Scheme?	<p>An eligible assessee includes:</p> <ul style="list-style-type: none"> • A person currently resident in India, or • A non-resident / not ordinarily resident (NOR) who was resident in India <p>The Scheme applies where the taxpayer has</p> <ul style="list-style-type: none"> • Not filed a return of income for the relevant year, or • Filed a return but failed to disclose foreign income or assets, or 	It is a welcome move as the minor mistakes can be rectified now
Who can opt for the Scheme?	<p>An eligible assessee includes:</p> <ul style="list-style-type: none"> • A person currently resident in India, or • A non-resident / not ordinarily resident (NOR) who was resident in India <p>The Scheme applies where the taxpayer has</p> <ul style="list-style-type: none"> • Not filed a return of income for the relevant year, or • Filed a return but failed to disclose foreign income or assets, or 				

- Been subjected to reassessment proceedings u/s 147 of the Income Tax Act, 1961

What can be declared?

1. Undisclosed Foreign Asset (UFA) / Undisclosed Foreign Income (UFI)

- Foreign asset held in own name or as beneficial owner, with unexplained source; or
- Foreign income chargeable to tax in India but not offered to tax

Condition: Aggregate value of such asset(s) and/ or income does not exceed ₹ 1 crore.

2. Foreign assets acquired from income accruing or arising outside India, by a taxpayer, during the period in which such taxpayer was a non-resident

- Assets acquired can be declared

Condition: Fair market value of the asset does not exceed ₹ 5 crore as on 31 March 2026.

New TCS rates

Sl	Nature of Receipt	Rate of TCS (OLD)	Rate of TCS (NEW) FROM 01.04.2026
1	Sale of alcoholic liquor for human consumption	1%	2%
2	Sale of tendu leaves	5%	2%
3	Sale of timber or other forest produce	2%	2%
4	Sale of scrap	1%	2%
5	Sale of minerals being coal or lignite or iron ore	1%	2%
6	Sale consideration > 10L in case of motor vehicle	1%	1%
7	Remittances made under the RBI's LRS for the purposes of education or medical treatment > 10L	5%	2%
8	Remittances made under the RBI's LRS for the purposes other than education or medical treatment > 10L	20%	20%
9	Use of parking lot/ toll plaza/ mine or quarry	2%	2%

Effective from 1st October, 2026

75	397 - Compliance and reporting	A resident individual or HUF purchasing any immovable property from any non-resident shall not be required to obtain TAN	It is a welcome move
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Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015

Effective from 01.10.2024

144	49 & 50	No penalty shall be levied in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed ₹ 20,00,000/-	It is a welcome move
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Integrated Goods and Services Tax

141	13(8)(b) - place of supply	The place of supply for "intermediary services" shall be determined as per the provisions of section 13(2) of the said Act, which is the location of the recipient of such services	It is a welcome move as it provides relief to intermediary service providers
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NEWS & UPDATES

- [Advisory on RSP- Based Valuation of Notified Tobacco Goods under GST, Dated 23.01.2026](#)

Impacted section/Rules:

Notification Nos. 19/2025–Central Tax and 20/2025–Central Tax

Summary:

With effect from 1 February 2026, GST valuation for specified tobacco and tobacco-related products has been shifted from transaction value to Retail Sale Price (RSP) basis vide Notifications 19/2025-CT and 20/2025-CT.

For notified HSNs, GST is required to be computed on the RSP printed on the package, irrespective of the actual sale price or discounts. Tax is calculated using the statutory RSP formula, treating RSP as tax inclusive.

The said notifications cover the following HSN codes and descriptions:

S. No	Chapter /Heading /Sub-heading	Description of Goods
1.	2106 90 20	Pan masala
2.	2401	Unmanufactured tobacco; tobacco refuse (other than tobacco leaves)

3.	2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
4.	2403	Other manufactured tobacco and manufactured tobacco substitutes; "homogenised" or "reconstituted" tobacco; tobacco extracts and essences (other than biris)
5.	2404 11 00	Products containing tobacco or reconstituted tobacco intended for inhalation without combustion
6.	2404 19 00	Products containing tobacco or nicotine substitutes intended for inhalation without combustion

Since existing e-Invoice, e-Way Bill and GSTR-1 systems are designed on a transaction-value model, reporting RSP-based taxable value may trigger system validation errors. To address this, GSTN has advised a special reporting mechanism.

Taxpayers should:

- Report the actual net sale value (commercial consideration) in the taxable value field.
- Report tax strictly as computed on RSP basis.
- Report total invoice value as net sale value plus RSP-based tax.

This reporting method is a trade facilitation measure, applicable only to notified tobacco goods, and does not dilute the statutory requirement to pay tax on RSP-based valuation. Taxpayers must exercise due care in classification and computation to avoid disputes.

GSTN issues advisory on Interest collection and related enhancement in GSTR 3B (Summary Return), Dated 30.01.2026

Summary:

GSTN has issued an advisory dated 30 January 2026 informing taxpayers of certain system-level enhancements introduced in

GSTR-3B from the January 2026 tax period onwards, primarily relating to interest computation and reporting of tax liability.

- **Auto-population of Tax Liability Break-up Table:**

From January 2026 onwards, the GST portal will auto-populate the Tax Liability Break-up Table in GSTR-3B for supplies pertaining to previous tax periods, where such supplies are reported in the current period through GSTR-1 / GSTR-1A / IFF and the corresponding tax is paid in the current GSTR-3B.

This auto-populated break-up can be viewed under:

GSTR-3B Dashboard → Table 6.1 → Tax Liability Break-up.

- **Flexibility in Cross-Utilisation of ITC in Table 6.1:**

Once the available IGST ITC is fully exhausted, the system will now allow payment of IGST liability using CGST and SGST ITC in any sequence, providing greater flexibility in utilisation of credits.

- **Levy of Interest through GSTR-10 (Final Return):**

In cases where the registration has been cancelled and the last applicable GSTR-3B is filed belatedly, the interest on such delayed filing shall be levied and collected through the Final Return (GSTR-10).

Note:

All auto-populated values on the portal are suggestive in nature. Taxpayers remain responsible for ensuring correctness of tax and interest paid in accordance with the CGST Act, 2017 and Rules made thereunder

Key highlights of GST Budget 2026; majorly to give effect proposed changes as recommended in 56th GST Council Meeting, Dated 01.02.2026

The Union Minister for Finance and Corporate Affairs Smt. Nirmala Sitharaman presented the Union Budget 2025-26 in Parliament, today i.e. February 01, 2026. Majorly the changes were earlier recommended by the GST Council in its 56th GST Council Meeting held in September 2025. The key highlights of the proposed changes under GST Law are as follows:

The Key Highlights of the Budget relates to:

A. Amendment to Section 15(3) : Valuation of Supply – Post-Sale Discounts

Section 15(3)(b) is proposed to be substituted to allow exclusion of post-supply discounts from the value of supply without requiring any prior agreement, subject to:

- Issuance of a credit note by the supplier, and
- Proportionate reversal of ITC by the recipient, in accordance with section 34.

Comments – A significant proposed amendment clarifies the treatment of discounts for valuation purposes. Previously, the conditions for excluding discounts from the value of supply after it was effected were subject to interpretation. The proposed amendment in revised clause (b) of sub-section (3) of section 15 specifies that post-supply discounts will only be excluded if a credit note has been issued by the supplier, AND the recipient of the supply has reversed the input tax credit (ITC) attributable to such discount, in accordance with section 34.

In simple words

Post-sale discounts will reduce the taxable value only when the supplier issues a credit note and the recipient reverses the related ITC—no prior agreement is required.

Practical impact of the amendment: -

1. Greater clarity in law
2. Removes ambiguity around post-sale discounts
3. Allows flexibility in commercial practices
4. Prevents revenue loss by ensuring ITC reversal
5. Reduces litigation

Simple illustration

- Supplier sells goods for ₹1,00,000 + GST
- Later gives a ₹10,000 post-sale discount
- Supplier issues a credit note
- Recipient reverses ITC on ₹10,000
- ₹10,000 is excluded from the value of supply for GST purposes.

B. Amendment to Section 34 of the CGST Act – Credit Notes

Section 34(1) is proposed to expressly include post-sale discounts referred to in section 15(3)(b) as a ground for issuance of credit notes.

Specifically, sub-section (1) of section 34 now proposed to explicitly includes cases “where a discount referred to in clause (b) of sub-section (3) of section 15 is given.” This proposed modification directly addresses the issuance of credit notes in scenarios involving discounts.

In simple words

The amendment clearly allows suppliers to issue credit notes specifically for post-sale discounts covered under Section 15(3)(b), ensuring proper GST adjustment.

Practical impact: -

1. Suppliers can confidently issue credit notes for post-sale discounts
2. Taxable value and GST can be reduced lawfully
3. Recipient is required to reverse proportionate ITC
4. Aligns business practices with GST compliance
5. Reduces disputes and litigation

C. Amendment to Section 54 of the CGST Act – Refund Provisions

(a) Section 54(6): Provisional Refund for Inverted Duty Structure – The scope of 90% provisional refund is proposed to be extended to unutilised ITC arising from inverted duty structure under section 54(3)(ii).

The phrase “or of unutilized input tax credit allowed under clause (ii) of the first proviso to sub-section (3)” has been proposed to be inserted after “supply of goods or services or both.” This change explicitly allows for refunds of unutilised Input Tax Credit (ITC) under specific conditions, providing relief to taxpayers who might have accumulated ITC without immediate output tax liability.

Practical impact on taxpayers: -

1. Faster cash flow
2. Reduced refund delays
3. Legal clarity for inverted duty refunds
4. Relief for sectors with high input GST rates (manufacturing, textiles, fertilizers, etc.)

(b) Section 54(14): Removal of Threshold for Export Refunds – Refund restrictions under section 54(14) is proposed to not apply where refund is claimed on account of exports made with payment of tax.

After the amendments proposed in Budget 2026, Section 54(14) now reads in effect as “No refund shall be paid under sub-section (5) or sub-section (6) if the amount of refund claimed is less than ₹1,000, *other than cases where refund of tax is claimed on account of goods exported out of India with payment of tax.*”

Currently, The ₹1,000 minimum threshold for refund continues to apply as a general rule. Refunds below ₹1,000 under Section 54(5) (final refund), and Section 54(6) (provisional refund) not be granted. After, the proposed amendment to Section 54 introduces an exception within sub-section (14). It now states that the threshold does not apply where goods are exported out of India, and export is made with payment of IGST. However, Section 54(14) restrictions CONTINUES to apply in other situations as it is. *eg. Inverted Duty Structure (IDS) Refunds, Refunds Due to Excess Balance in Electronic Cash Ledger, Refunds of Excess Payment of Tax.*

This clarifies that certain refund rules do not apply to scenarios involving export with payment of tax, streamlining the refund process for exporters and preventing potential confusion or dual claims. This means Section 54(14) will no longer bar export refunds, irrespective of amount.

In simple words: -

If goods are exported out of India with payment of IGST, the ₹1,000 minimum limit will not apply. So, even if the refund is ₹100, ₹500, or ₹900 and the refund must be paid.

D. Amendment to Section 101A of the CGST Act – Interim Appellate Mechanism for Advance Rulings – Proposed Insertion of sub-section (1A) empowers the Government to:

- Authorize an existing Authority or Tribunal to hear appeals under section 101B,
- Until the National Appellate Authority for Advance Ruling (NAA) is constituted.

In simple words

Since the National Appellate Authority is not yet formed, the Government can temporarily authorise another existing authority or tribunal to hear advance ruling appeals.

E. Amendment to Section 13(8)(b) of the IGST Act – Intermediary Services –

Clause (b) of section 13(8), which deemed the place of supply of intermediary services as the location of the supplier, has been proposed to be omitted.

In the Integrated Goods and Services Tax Act, 2017, a notable change has been proposed to be made in Section 13, which pertains to the place of supply of services. Specifically, clause (b) of sub-section (8) of Section 13 has been omitted. This particular clause generally dealt with the place of supply in certain scenarios involving intermediary services, among others. The omission of this clause is significant as it simplifies the determination of the place of supply for certain services, potentially reducing litigation and providing more clarity for businesses engaged in international service transactions.

In very simple words

Earlier, intermediary services were treated as supplied in India even for foreign clients. Now, that rule is removed, so such services can be treated as exports if the client is outside India.

Why is this amendment important?

1. Aligns Indian GST with international practices
2. Removes unfair tax burden on exporters
3. Reduces litigation
4. Promotes service exports
5. Brings clarity in place of supply rules

Practical impact of the amendment

- Intermediary is in India
- Recipient is outside India
- Payment is received in foreign currency
- Other export conditions are satisfied
 - Service can now qualify as export of services
 - No GST payable
 - Eligible for refund of ITC



Direct tax



Supreme Court's decision in case of Tiger Global International – Tax Residency Certificate is necessary but not sufficient evidence to claim benefits under the Double Taxation Avoidance Agreements (DTAAs) – Importance of substance over form in cases of cross-border tax planning

In a landmark decision with far-reaching implications for foreign investors and cross-border tax planning, the Supreme Court of India has held that the capital gains arising to Tiger Global's Mauritius-based investment entities from the sale of shares in Flipkart's Singapore holding company are taxable in India, rejecting their claim for exemption under the India–Mauritius DTAA. The judgment restores the order of the Authority for Advance Rulings (AAR) and overturns the Delhi High Court's earlier pro-taxpayer ruling

Background

Tiger Global International II, III, and IV Holdings—Mauritius-incorporated entities—had acquired shares of Flipkart Pvt. Ltd., Singapore between 2011 and 2015. In 2018, as part of Walmart's majority acquisition of Flipkart, these entities sold their shares to a Luxembourg buyer, generating significant capital gains. Since the shares of the Singapore company derived substantial value from Indian assets, the gains fell within India's indirect transfer taxation provisions.

To avoid tax withholding, the assessee invoked Article 13 of the India–Mauritius DTAA, relying mainly on the grandfathering clause [Article 13(3A)], which protects gains from shares acquired before 1 April 2017 from the source-based capital gains taxation introduced through the 2016 Protocol.

The AAR, however, refused to issue a ruling, holding that the entire structure constituted a prima facie tax-avoidance arrangement, triggering the bar in Section 245R(2)(iii) of the Income-tax Act. The High Court disagreed, finding the entities eligible for benefits under the DTAA.

Key Findings by the Supreme Court

The Supreme Court undertook a detailed examination of the operational, financial, and management arrangements surrounding the Mauritius entities. It concluded that although the assessee held Tax Residency Certificates (TRCs) and maintained formal presence in Mauritius, the effective control and strategic decision-making lay not in Mauritius but with Tiger Global Management LLC (USA). Crucial functions such as investment approvals, banking authority, and operational oversight were controlled by the U.S. entity, particularly by Mr. Charles Coleman.

Against this backdrop, the Court held that the structure lacked commercial substance, and that the Mauritius companies operated as conduits. While the DTAA aims to prevent double taxation, it cannot be used as a vehicle for double non-taxation or DTAA abuse. The Court emphasised that DTAA benefits can only be claimed where the underlying arrangements are legitimate, and not where entities are crafted solely to obtain favourable tax outcomes.

A major point of divergence from the Delhi High Court was the treatment of the grandfathering provision under Article 13(3A). The Supreme Court held that grandfathering applies only to genuine structures and cannot override findings of impermissible avoidance under Indian domestic law. Once the General Anti-Avoidance Rule (GAAR) framework is invoked, grandfathering protections cannot shield a tax-avoidance device.

AAR's Rejection Upheld

Significantly, the Court affirmed that the AAR was correct in refusing to entertain the applications at the threshold. If a transaction is prima facie designed for tax avoidance, the AAR is statutorily barred from rendering a ruling. The Supreme Court clarified that the AAR is not obliged to adjudicate technical DTAA issues when the foundational structure itself is legally suspect.

Conclusion

The ruling reinforces several key principles:

- **Substance supersedes Form.** Mere legal incorporation and compliance are insufficient if strategic control exists elsewhere
- **DTAA benefits are not automatic:** Tax Residency Certificates, while relevant, do not preclude deeper examination under GAAR
- **Grandfathering is not absolute:** pre-2017 acquisitions are protected only if the underlying structures are not designed for avoidance
- **GAAR and DTAA operate harmoniously:** treaty rights cannot override domestic anti-abuse rules.

By holding that Tiger Global's gains are taxable in India and that the structure constituted an impermissible tax-avoidance arrangement, the Supreme Court has sent a clear message that substance-light DTAA structures will not withstand scrutiny. The decision underscores India's commitment to curbing treaty shopping and preserving the integrity of international tax frameworks, while reaffirming the primacy of commercial substance over legal form.



Corporate Law & Regulatory



M MINISTRY OF
C CORPORATE
A AFFAIRS
GOVERNMENT OF INDIA

Ministry of Corporate Affairs (MCA) replaces annual Know-Your-Customer (KYC) requirements under the Companies Act, 2013 with abridged KYC requirements once in 3 years

The annual KYC requirement for directors in companies under rule 12A of the Companies (Appointment & Qualification of Directors) Rules, 2014 has been reviewed pursuant to examination in the MCA, recommendation made by the High Level Committee on Non-Financial Regulatory Reforms (HLC-NFRR) and suggestions received from stakeholders. The relevant rule in this regard has been amended by the MCA in consultation with concerned ministries / departments.

Pursuant to the amendment in the rules notified on 31 December 2025 (to be effective from 31 March 2026), annual KYC filing requirement has been replaced with a simpler KYC intimation once in every 3 years. The revised simpler KYC Form can be used for various purposes viz (i) KYC compliance, (ii) updation of mobile number, (iii) updation of email address, (iv) updation of residential address and (v) re-activation of Director Identification Number (DIN). The verification (through digital signature) by DIN holder/director and certification (through digital signature) by the professional during KYC filing process would be required only if the KYC Form is submitted for updation of mobile number or email address or residential addresses.

This amendment is aimed at providing significant ease of compliance to directors in all companies. All directors who have completed their KYC till date are covered under the new provisions and accordingly their next KYC filing would be due by 30 June 2028. The directors who have not submitted their KYC Form so far may continue to get their DINs re-activated as per existing provisions till 31 March 2026.

This update aims to ensure periodic verification and accuracy of directors' personal details in the MCA records, thereby strengthening corporate compliance and transparency.



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