Just 5 Minutes

TAXCON® INDIA PRIVATE LIMITED

INCOME TAX

1. *MSME Verification Tool*

The Centre for Audit Quality Committee of ICAI has developed an ICAI MSME Verification Tool to assist preparers and auditors in examining the MSME status of suppliers. It is in the form of an executable (.exe) file which can fetch and compile data from the Udyam portal.

2. *Foreign Assets disclosure Scheme*

The Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026 (FAST-DS) is a one-time electronic window open from August 16 to December 31, 2026 for individual taxpayers to regularize past omissions in reporting overseas investments. It divides disclosures into two tracks: a 60% total levy for undisclosed foreign income up to ₹1 Crore, or a ₹1 Lakh compliance fee for clean, explained sources up to ₹5 Crores. Successfully filing grants complete immunity from prosecution under the Black Money Act.

COMPANIES ACT

1. *Date extended for CCFS 2026*

MCA had introduced the Companies Compliance Facilitation Scheme, 2026 (CCFS-2026) providing an opportunity to companies to complete their pending statutory filings. The Scheme was initially operational up to July 15, 2026 and subsequently, extended up to August 31, 2026.

Now, in view of the representations received from various stakeholders, it is further extended up to September 15, 2026. All other terms and conditions of the Scheme shall remain unchanged.

FEMA/ RBI REGULATIONS

1. *Uniform EDF for all exporters*

Effective Oct 01, 2026, a uniform (Export Declaration Form) EDF has been prescribed for filing, for both goods and services exporters, ensuring consistent compliance across sectors, through RBI's PRAVAH portal. The Software or IT and ITeS businesses will also file the EDF instead of the SOFTEX form after October 01, 2026.

EDF submission is integrated with shipping bills for goods, while service exporters may file a consolidated EDF for multiple invoices of similar nature.

LABOUR LAWS

1. Karnataka S & E Amendment Act

Karnataka Shops and Commercial Establishments Amendment Act has received the Governor's assent on September 03, 2026 and has come into force with immediate effect. The key highlights of amendment are as below:-

Establishments employing 10 or more workers and already registered under the Occupational Safety, Health and Working Conditions Code, 2020 are now exempted from the provisions of the Act

The period prescribed under the Act for the Inspector to communicate to the employer his decision to refuse registration of the establishment, along with reasons, has been reduced from 30 days to 7 days.

The following conditions for allowing a woman employee to work during night have been omitted:

- Obtaining bio-data of each driver and conducting pre-employment screening of the antecedents of all drivers employed on their own;
- deciding the schedule of route of pick-up and drop, as well as allowing change of drivers/routes/shifts in case of exigencies with the prior knowledge of supervisory officers/employees;
- non-disclosure of telephone number, particularly mobile phone numbers, e-mail ID and address of the women employees to unauthorised persons;
- making careful selection of routes in such a way that no women employee is picked up first and dropped last;
- provision of security guards at workplace and night shift vehicles when women employees are picked up first or dropped last
- random checking of vehicles on various routes;
- having a control room/travel desk for monitoring movement of vehicles;
- development and adoption of a mobile app, through which women employees can make contact at the time of emergency by giving signal

CASE LAWS - INCOME TAX

1. *Ernst & Young U.S LLP v. CIT (Intl Tax)-1*

It has been held that cost-to-cost reimbursement for seconded employees is taxable as FTS; absence of markup does not by itself negate the "make available" test where technical knowledge, skill or know-how stands transferred to the Indian recipient.

2. *VTS TF Air Systems (P.) Ltd. v. ITO*

It has been held that Outstanding trade receivables from associated enterprises constituted an international transaction and were closely linked to main international transaction of 'sale of finished goods'; however, once working capital adjustment was granted under TNMM benchmarking, impact of delayed receivables was subsumed in profitability analysis and no separate adjustment for notional interest was warranted.

3. *Kamal Ramprasad Gupta v. DCIT*

It has been held that where assessee filed a revised return reclassifying F&O loss from speculative to non-speculative business loss, without disclosing any fresh or additional loss, but Assessing Officer disregarded revised computation and relied on original return, since revised return merely corrected character of loss and consequential set-off/carry-forward, it could not be ignored merely due to different treatment of disclosed loss, matter was remanded for fresh adjudication.

CASE LAWS - INCOME TAX

4. *Manohar Ramabtar Jhunjhunwala v. Principal CIT*

It has been held that where assessee proved that tax was deducted at source from his salary, department must grant credit for such TDS and could not recover demand from deductee merely because deductor failed to deposit tax to Central Government.

5. *JCIT v. AON Services India (P.) Ltd.*

It has been held that where assessee did not derive any exempt income in relevant previous year, disallowance under section 14A read with Rule 8D for expenditure in relation to income not includible in total income was unsustainable.

6. *Seil Energy India Ltd. v. DCIT - [2026]*

It has been held that where assessee availed specialized technical and intra-group services from AE and furnished evidence of need, rendition and receipt of services, cost allocation workings and AE's Indian return disclosing corresponding technical-services income, and services were not shareholder activities, transfer-pricing adjustment determining ALP at Nil was to be deleted.

CASE LAWS – INDIRECT TAX

1. Luxmi Traders (Punjab and Haryana HC), *KLM Power and Infrastructure Co*.(Rajasthan HC)*

It has been held by the High Court of Rajasthan that where order was uploaded only on GST portal without any manual service or personal hearing, and assessee became aware of recovery only after bank placed lien, limitation did not begin from portal upload without acknowledgement, so delay in filing appeal was condonable as reasons were beyond assessee's control, and Appellate Authority was to hear appeal on merits.

Greenhouse gas Emission Intensity (GEI) reduction targets for two years, beginning 2025-26

India's Ministry of Environment, Forest and Climate Change recently came out with a draft notification setting greenhouse gas emission intensity (GEI) reduction targets for two years, beginning 2025-26, covering 282 obligated entities in various sectors such as aluminium, cement, pulp & paper and chlor-alkali. GEI means Greenhouse Gases Emission Intensity in tCO2e/equivalent output or product.

Key Highlights of the Rules

GEI Targets Calculation: As per Bureau of Energy Efficiency's methodology, specific to each obligated entity as listed in the Schedule.

Compliance Requirements for Obligated Entities: They must meet GEI targets annually as per the Carbon Credit Trading Scheme, 2023.

May also purchase carbon credit certificates from the Indian Carbon Market (ICM) to offset shortfalls.

Environmental Compensation: To be imposed by the Central Pollution Control Board (CPCB), equal to twice of the average price at which carbon credit certificate is traded in the compliance year, payable within 90 days.

Legal Backing: Non-compliance or rule violations is addressed under the Environmental Protection Act, 1986.

Objections or suggestions to the draft notification, if any, may be addressed to the Joint Secretary, Ministry of Environment,

Forest and Climate Change, Indira Paryavaran Bhawan, Jor Bagh Road, New Delhi - 110003, and may be sent to e-mail id: ccts.hsm-moefcc@gov.in

It may be noted that the said notification shall be taken into consideration on or after the expiry of a period of sixty (60) days from the date of publication of the draft in the official Gazette.

Fortnightly Update No : 463rd