

A Monthly E-Newsletter

Vol 07 Issue 09
September 2026

The Bottom Line

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KEY METRICS

Indices

BSE SENSEX	76,957	-1.46%	▼
NSE NIFTY50	24,080	-1.24%	▼
NASDAQ Composite	26,371	3.93%	▲
NIKKEI 225	66,312	3.03%	▲

Currency

USD/INR	95.17	0.23%	▲
Euro/INR	110.56	-0.54%	▼
GBP/INR	128.95	-0.27%	▼
JPY/INR	0.60	1.75%	▲

Note: The month-on-month movement as on August 31, 2026, is represented in percentages
Source: NSE.com, BSE.com, NASDAQ.com, NIKKEI.com, Investing.com

DIRECT TAX

Circulars/Notifications

Notifications

FAST DS – An Amnesty Scheme to Regularise Foreign Asset Disclosures

Effective Aug 16, 2026, FAST DS provides eligible taxpayers a one-time opportunity to regularise previously undisclosed or unreported foreign assets and income. The Scheme covers undisclosed foreign assets or income with an aggregate fair market value of up to INR 10 million, subject to 30 per cent tax plus an additional tax equal to the tax payable. It also covers foreign assets acquired from income earned while non-resident, or from income already offered to tax in India, but not reported in the tax return, where the aggregate fair market value does not exceed INR 50 million. Such reporting lapses can be regularised by paying a fixed fee of INR 0.1 million. This one-time window is available till Dec 31, 2026.

Notification No. 114 of 2026, dated August 14, 2026

Judicial Rulings

Expatriate deputation to an Indian subsidiary does not by itself constitute a fixed place PE under the treaty

The Assessee, a Korean tax resident, had a subsidiary in India to which expatriate employees were deputed. The AO treated the Indian subsidiary as a fixed place PE of the Assessee and attributed 25 per cent of profits, principally relying on statements recorded during survey proceedings. The ITAT observed that mere reliance on statements recorded during a survey, without supporting documentary evidence,

could not establish a fixed place PE. The employment agreements evidently showed that the expatriates were subject to the service rules and disciplinary control of the Indian subsidiary, received salary from it on which tax was also deducted in India. Furthermore, the employees were contractually required to work exclusively for the Indian entity. Basis the aforesaid facts and applying Article 5 of the India-Korea DTAA, the ITAT held that the necessary conditions for a fixed place PE were not satisfied and consequently, no profit attribution should take place.

LG Electronics Inc., Korea (ITAT, Delhi)

Trademark fee paid to foreign parent for limited and non-exclusive use is revenue in nature

The Assessee paid fees to its foreign parent for use of the trademark. The AO disallowed the expenditure treating it as capital in nature on the ground that the payment resulted in an enduring benefit and facilitated long-term brand building. The ITAT observed that the trademark continued to be exclusively owned by the foreign parent, and the Assessee was merely granted a limited, non-exclusive and time-bound right to use the trademark under the licensing agreement. The ITAT further noted that the fee was recurring in nature and was linked to 5 per cent of the Assessee's gross profits. Accordingly, the ITAT held that where there is no transfer of ownership or exclusive rights and the right to use the trademark ceases upon termination of the agreement, no capital asset or enduring benefit is acquired by the Assessee. Accordingly, the trademark fee was held to be revenue expenditure.

Deugro Projects (India) Private Limited (ITAT, Mumbai)

FAST DS – An Amnesty Scheme to Regularise Foreign Asset Disclosures

Expatriate deputation to an Indian subsidiary does not by itself constitute a fixed place PE

Each assessment year is an independent unit to opt for DTAA or Income Tax Act

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The Assessee, a Mauritius-based tax resident company, earned STCG and LTCG on equity shares and claimed that the gains were exempt in India under Article 13 of the India-Mauritius DTAA. It had also carried forward STCL from earlier years without setting them off against the current-year gains. In reassessment, the AO proposed to adjust the brought-forward STCL against the current-year capital gains before granting treaty relief. The ITAT held that each assessment year is an independent unit and the Assessee may examine whether the provisions of the Act or the applicable DTAA are more beneficial in the relevant year. It rejected the AO's contention that losses relating to an exempt source could not be carried forward. Accordingly, the brought-forward STCL was not required to be set off against gains not taxable in India under Article 13 and could be carried forward to subsequent years.

Wexford Spectrum Investors Mauritius Ltd. (ITAT, Mumbai)

INDIRECT TAX

Notifications / Circulars

Judicial Rulings

ITC on telecommunication towers

The Apex Court dismissed the review petitions filed by the Department, finding no error apparent on the face of the earlier Order of the High Court which had held that telecommunication towers are movable property and therefore fall outside the bar on ITC relating to construction of immovable property.

Bharti Airtel Ltd (Supreme Court of India)

Valuation of corporate guarantee given to a related party

As per GST Rules, the value of the supply of services by way of furnishing a corporate guarantee to any banking company is deemed to be 1% of the amount guaranteed or the actual consideration, whichever is higher. While the validity of the said Rule was upheld, the expression "whichever is higher" was not considered by the Court and the guarantor was directed to discharge the tax liability based on the actual consideration.

Torrent Power Ltd (Gujarat High Court)

Movement of goods without an E-way Bill

E-way Bill is generated online and carrying it during transportation is mandatory. Its absence is substantive non-compliance rather than a technical lapse. The invoice was prepared manually which leaves room for manipulation of records post movement of goods and establishes an intention to evade tax.

Islam Trading Co (GSTAT, Lucknow)

Mere availment of ineligible ITC is not suppression of facts

The Tribunal held that mere availment of ineligible self-assessed ITC does not amount to suppression of facts where there is no evidence of fraud or wilful misstatement. Further, failure to reply to an audit enquiry also does not amount to suppression when the underlying reconciliation was already disclosed in the annual return filings.

Santhome Latex Enterprises (GSTAT, Thiruvananthapuram)

Reversal of credit on sale of duty credit scrips

The amendment excluding duty credit scrips from value of exempt supplies operates only from July 05, 2022 and cannot be applied to earlier years. However, a demand for those years cannot be raised under Section 74 where returns were filed regularly and no material evidence of wilful suppression was brought on record.

Power Tech Global Pvt Ltd (GSTAT, Kolkata)

Shortfall in pre-deposit at the time of filing appeal

An appeal cannot be dismissed only because the pre-deposit was short when the appeal was filed, if the shortfall was made good within the grace period and before the Order was passed. The Appellate Authority ought to have issued a defect memo allowing the taxpayer to cure the defect.

Green Woods (Bombay High Court)

Apex upholds ITC on telecommunication towers

Valuation of corporate guarantee given to a related party to be based on consideration

Mere availment of ineligible ITC is not suppression of facts

Charge mechanism for insolvency professionals

Services rendered by an advocate acting as an insolvency professional are classified as insolvency and receivership services and not as legal services. Such services are taxable under forward charge, requiring the professional to obtain registration and issue tax compliant invoices, while legal services rendered in the capacity of an advocate, continue to be taxable under reverse charge.

Kanwal Chaudhary (Delhi High Court)



CORPORATE & ALLIED LAWS

Circulars / Notifications

MCA further extends CCFS, 2026

CCFS, 2026 has been further extended up to September 15, 2026. The Scheme was originally introduced to provide companies with an opportunity to regularise pending statutory filings and avail the specified compliance benefits. This extension provides additional time to eligible companies to complete pending statutory filings under the Scheme. All other terms and conditions of CCFS-2026 remain unchanged.

MCA General Circular No. 04/2026 dated August 31, 2026

Amendments to Ind AS notified

MCA, in consultation with the NFRA, has notified the Companies (Indian Accounting Standards) Amendment Rules, 2026. The amendments modify Ind AS 101, Ind AS 107, Ind AS 109, Ind AS 110 and Ind

AS 7. The amendments introduce changes relating to the classification and measurement of financial instruments, hedge accounting, contracts linked to nature-dependent electricity, settlement of financial liabilities through electronic payment systems, disclosure requirements and certain cash flow reporting matters. The amendments largely apply to annual reporting periods beginning on or after 1 April 2026.

MCA Notification No. G.S.R. 725(E) dated August 12, 2026

FAQs on registration of Foreign Companies / Subsidiary of Foreign Body Corporate

Detailed set of FAQs have been released on the following:

- Reporting Form related compliances.
- FC-1 – Permissible Activity

MCA further extends CCFS, 2026

Amendments to Ind AS notified

- FC-1 - Validity Period
- Name Reservation – Rule 8 and Rule 8A of Companies (Incorporation) Rules, 2014
- Documents required for registration of foreign companies.
- Subscriber Sheet – Notarisation / Apostille / Consularization
- Authority related and general queries

Ministry of Corporate Affairs dated August 24, 2026



CFO WATCH

Revised Pillar 3 norms strengthen disclosure governance

RBI has revised Pillar 3 framework on prudential norms on capital adequacy. The key changes include replacement of the existing disclosure architecture with Basel-aligned templates, clarification of applicability at consolidated and standalone levels, enhanced Board-approved disclosure policies, stronger internal review and control requirements, and mandatory management attestation. The amendments also prescribe overarching disclosure principles, a dedicated regulatory disclosure section on banks' websites, defined publication timelines and greater standardisation. The revised framework will be implemented progressively from 1 April 2027, covering quarterly, half-yearly and annual disclosures.

Guidance issued on technology adoption and governance in statutory audits

NFRA has issued guidance setting out key principles for the responsible

use of technology, including AI, GenAI, machine learning and automated audit tools, in statutory audits. The guidance reinforces that technology does not alter auditors' responsibilities for audit quality, professional skepticism, evidence evaluation and audit conclusions. It emphasizes validation and risk-based governance of audit tools, documentation and explainability of technology-generated outputs, data protection and cybersecurity, transparency in technology use, and ongoing monitoring after deployment.

Regulatory and dispute-resolution framework for MSMEs strengthened

The MSME Development (Amendment) Act, 2026 strengthens the regulatory and dispute-resolution framework for MSMEs. Key changes include statutory recognition of revised MSME classification criteria and Udyam Registration, introduction of online dispute resolution, defined timelines for mediation and arbitration and stronger recovery

Revised Pillar 3 norms strengthen disclosure governance

Guidance issued on technology adoption and governance in statutory audits

Regulatory and dispute-resolution framework for MSMEs strengthened

mechanisms. The Act also mandates use of Trade Receivables Discounting System by Central Public Sector Enterprises for invoice settlements and introduces graded penalties for non-compliance. The effective date is yet to be notified.



MERGERS & ACQUISITIONS

M&A Emerges as a Key Growth Engine for India

Mergers and acquisitions are no longer just a way for Indian companies to expand, they are now a core part of their growth strategy. According to a recent Crisil Ratings analysis, annual M&A deal volumes have more than doubled since FY2017, as companies look to enter new markets, build scale and acquire capabilities that could take years to develop organically. The analysis covered around 600 M&A deals valued at over ₹5 Bn across 20 sectors.

The shift is being supported by healthier corporate balance sheets. Median net debt-to-EBITDA for Crisil-rated companies has fallen to around

1.3x in FY2026 from 2.4x in FY2017, giving companies greater flexibility to pursue acquisitions without significantly stretching their finances. At the same time, debt accounted for only 29 per cent of M&A funding during FY2024–26, compared with 46 per cent during FY2009–11, pointing towards more prudent deal financing.

The reasons for pursuing M&A are also changing. Consolidation accounted for 36 per cent of strategic rationale, followed by capability acquisition at 18 per cent, market expansion at 17 per cent, and vertical integration at 13 per cent.

Importantly, Crisil's review of 100 large debt-funded acquisitions found that nearly two-thirds broadly

met expectations. Successful transactions delivered 20–80 per cent scale expansion within one to two years, while around 60 per cent of acquirers deleveraged on or ahead of plan within two years.

M&A is becoming an increasingly important part of India growth strategy. With stronger balance sheets, more disciplined funding and a clear focus on consolidation, capabilities and market expansion, companies are using acquisitions to build scale and strengthen their competitive position. However, the long-term success of these deals will depend on how effectively they are integrated and executed.



CYBER & DIGITAL BRIEF

Ai is a Powerful Tool, but Responsible Usage is the Key

AI has rapidly become a part of our everyday work life. From drafting emails and preparing presentations to analysing data and summarising documents, AI tools are helping employees become more productive than ever before. However, while AI offers significant benefits, its misuse or unregulated usage can also introduce serious cyber security risks. Recent industry studies indicate that many security incidents involving AI are not caused by hackers, but by a lack of awareness among users.

One of the biggest risks is data leakage. In an effort to save time, employees may unknowingly paste confidential client information, financial data, source code, contracts, or business strategies into public AI tools. Once shared, organisations may lose visibility and control over how that data is stored or used. Several studies have highlighted that sensitive business information is frequently being uploaded into AI platforms without users realising the security implications.

Another growing concern is Shadow AI, which refers to the use of AI tools that have not been approved by the organisation. Employees often adopt free or publicly available AI applications to improve efficiency without understanding the associated compliance, privacy, and cyber security risks. Such tools may bypass corporate security controls, creating risks related to data exposure, intellectual property leakage, and lack of accountability.

AI can also contribute to poor decision-making when users blindly trust AI-generated content. While AI can be helpful, it can occasionally generate inaccurate, outdated, or misleading information. Relying on AI outputs without validation may result in business errors, compliance issues, or incorrect recommendations being shared with clients or management.

Cyber criminals are also leveraging AI to create highly convincing phishing emails, fake websites, impersonation attempts, and social engineering attacks. These AI-generated attacks often appear professional and personalised, making them more difficult to identify than traditional scams.

How Can We Use AI Responsibly?

A few simple precautions can significantly reduce risk:

- Never upload confidential, client, financial, or personal data into public AI tools.
- Use only organisation-approved AI platforms.
- Verify AI-generated outputs before using them for business decisions.
- Be cautious of AI-generated emails, messages, or links requesting sensitive information.
- Follow company policies on AI usage and data protection.
- Report any suspected misuse of AI tools or unusual activity immediately.

AI is not a cyber security threat by itself. The real risk lies in how it is used. When combined with awareness, governance, and responsible practices, AI can be a powerful business enabler. As organisations continue adopting AI, cyber resilience will depend not only on technology but on informed and responsible use by every employee. Staying aware today will help us harness the benefits of AI while safeguarding our clients, data, and reputation.

IN THE NEWS

Membrane Group–Kurita Strategic Transaction

August 26, 2026

Baker Tilly ASA India acted as the exclusive financial advisor to Membrane Group India on its transaction with Japan-based Kurita Water Industries. The transaction included the formation of a joint venture in India and Kurita's acquisition of a minority stake in Membrane Group, bringing together complementary capabilities in advanced water and wastewater treatment solutions.

Knowledge Sharing Session on Tax & Financial Reporting

August 27, 2026

Baker Tilly ASA India hosted a Knowledge Sharing Session in Bengaluru, where D Ramprasad, Vinay K S and Ashwath Pai, ASA shared perspectives on recent developments in Indian Transfer Pricing regulations, the Income Tax Act 2025 and Union Budget 2026, and the implications of Ind AS 118.

The India Control Tower: What Global HQ Needs to Know

August 26, 2026

Baker Tilly ASA India hosted a webinar featuring Subroto Bose, Baker Tilly ASA India; Dr. Deepak Sharma, Managing Director, SIG Global Services Private Limited; Deepika Arora, Country Manager, Rusta; and Sanjeev Agarwal, Head of Tax, Luxury Car Manufacturer, India. The discussion explored strengthening oversight of India operations, aligning local and global reporting, and navigating regulatory and governance risks.

BBG Delhi Panel on Human-in-the-Loop AI

August 24, 2026

Gaurav Bhatia, ASA, was invited by the BBG Delhi to moderate a panel discussion on "India at the Forefront: Human-in-the-Loop AI Augmenting Global Capability Growth." The discussion explored responsible AI adoption, governance, talent, and India's growing role in the global capability ecosystem.

Channel Drive Feature on the India–US Business Corridor

August 18, 2026

Rajiv Arya, Baker Tilly ASA India, was featured in Channel Drive, sharing perspectives on the evolving India–US business corridor, the growing importance of "Make in America" alongside "Make in India," GCC growth, digital transformation, and the impact of AI on finance and advisory.

ASSOCHAM National Council on Corporate Affairs & Governance

August 10, 2026

Parveen Kumar, ASA, has joined the ASSOCHAM National Council for Corporate Affairs, Company Law and Corporate Governance. The Council's agenda includes engagement with regulators, representing industry perspectives on key matters, and facilitating knowledge sharing among professionals on evolving corporate and governance issues.

The Bangalore Baithak: Supporting Borderless Growth

July 31, 2026

Ashwath Pai, ASA, and Shraddha

Bagadi, Baker Tilly ASA India, were invited as speakers at The Bangalore Baithak, organised by PayGlocal for The Borderless Collective. They shared practical perspectives on Tax and FEMA Compliance for Exporters, highlighting key regulatory and compliance considerations for businesses expanding into global markets.

Finance Leadership Retreat 2026

July 26, 2026

Baker Tilly ASA India partnered with the Finance Leadership Retreat 2026 in Goa, bringing together finance leaders and industry professionals. Vinay K S, Rachit Shukla, and Darpit Kanadia were invited to share their expertise, with Darpit also joining a panel discussion on how AI is reshaping leadership, capital allocation, risk, and the evolving role of the CFO.

Panel on the Future of Talent and Leadership

August 03, 2026

Gaurav Kaushal, Baker Tilly ASA India, was invited as the Guest of Honor at the Pune Institute of Business Management, where he joined a panel discussion on the future of talent and leadership, sharing perspectives on evolving workplace expectations, the impact of AI, and the leadership capabilities needed for a changing business environment.

GLOSSARY

AI

Artificial Intelligence

AO

Assessing Officer

ASSOCHAM

Associated Chambers of Commerce & Industries of India

BBG

British Business Group

CCFS

Companies Compliance Facilitation Scheme

CFO

Chief Financial Officer

DTAA

Double Taxation Avoidance Agreement

EBITDA

Earnings before Interest, Tax, Depreciation, Amortisation

FAQ

Frequently Asked Question

FAST DS

Foreign Assets of Small Taxpayers Disclosure Scheme, 2026

FEMA

Foreign Exchange Management Act, 1999

FY

Financial Year

GCC

Global Capability Centre

GenAI

Generative AI

GST

Goods & Services Tax

GSTAT

GST Appellate Tribunal

GSTAT

GST Appellate Tribunal

HQ

Head Quarters

Ind AS

Indian Accounting Standard

INR

Indian Rupee

IT

Information Technology

ITAT

Income Tax Appellate Tribunal

ITC

Input Tax Credit

LTCG

Long Term Capital Gain

M&A

Mergers & Acquisitions

MCA

Ministry of Corporate Affairs

MSME

Micro, Small, Medium Enterprise

NFRA

National Financial Reporting Authority

PE

Private Equity

RBI

Reserve Bank of India

STCG

Short Term Capital Gain

STCL

Short Term Capital Loss

US

United States of America

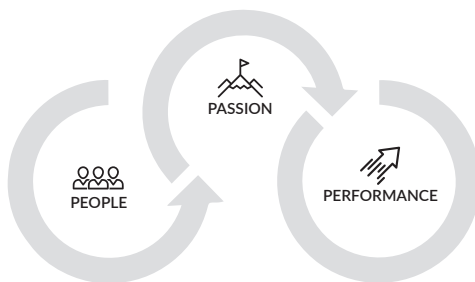
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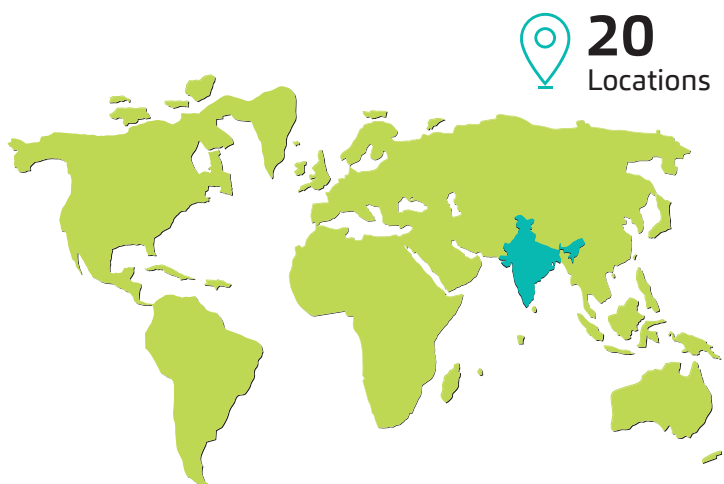
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Well structured teams with domain specialization are guided by leaders who possess expertise and experience and are present PAN India to ensure excellent client service.

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Directors

10000+
Clients

1600+
In-house
Professionals

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50,000
Staff



750
Offices



147
Territories



\$6.8bn
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Bhopal, Bhubaneswar, Chandigarh
Coimbatore, Cuttack, Guwahati
Indore, Jaipur, Kolkata, Lucknow and
Visakhapatnam

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