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A Monthly E-Newsletter

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October 2026

The Bottom Line

WHAT'S INSIDE

Direct Taxes 2
Indirect Taxes 3
Corporate & Allied Laws 4
CFO Watch 5
Mergers & Acquisitions 6
Cyber & Digital Brief 7
In the News 8
Glossary 9
About Us 10

KEY METRICS

Indices

BSE SENSEX	72,480	-5.82% ▼
NSE NIFTY50	22,620	-6.06% ▼
NASDAQ Composite	26,861	1.86% ▲
NIKKEI 225	66,754	0.67% ▲

Currency

USD/INR	95.99	-0.86% ▼
Euro/INR	108.75	1.64% ▲
GBP/INR	127.34	1.25% ▲
JPY/INR	0.61	-2.27% ▼

Note: The month-on-month movement as on September 30, 2026, is represented in percentages
Source: NSE.com, BSE.com, NASDAQ.com, NIKKEI.com, Investing.com

DIRECT TAX

Circulars/Notifications

Notifications

Extension of deadlines for filing Tax Audit Report and ITR

For AY 2026–27, the due date for filing the ITR has been extended from October 31 to November 21, 2026 for assessees to whom transfer pricing provisions do not apply, including companies and other assessees required to undergo an audit under any law. Consequently, the due date for furnishing the Tax Audit Report for AY 2026–27 has been extended from September 30 to October 21, 2026.

Circular No. 07/2026 dated September 28, 2026

Judicial Rulings

Supervisory PE: Duration test applies project-wise, not employee-wise

The Assessee, a Japanese company, provided supervision and technical services to Indian entities, some of which involved the presence of Japanese expatriates in India. Relying solely on the presence of these employees, the AO held that the Assessee had a Supervisory PE in India and attributed FTS and offshore-supply profits to it. The ITAT reversed this finding, holding that under the India-Japan DTAA, a Supervisory PE arises only where supervisory activities are carried on in connection with a building site, construction, installation or assembly project for more than six months. The duration test is applied project-wise, not by aggregating employee-days, and overlapping days cannot be counted more than once. Since the relevant projects did not exceed six months, and the activities for one customer were not linked to any qualifying project, no Supervisory PE was constituted. The ITAT further held that offshore-supply profits were not taxable in India, as the contracts were concluded outside India, title and consideration passed outside India, the buyers imported the goods on a principal-to-principal basis, and no supply operations were undertaken in India.

Toyota Tsusho Corporation (ITAT, Delhi)

Managerial and technical services rendered remotely from China do not constitute FTS

The Assessee, a tax resident of China, provided management and technical services to its Indian group company under a service agreement. The services were rendered from China, including through electronic communications and video conferencing, and the Assessee had no PE in India. The AO treated the service fee as FTS on the ground that the services were utilised in India. The ITAT observed that Article 12(4) of the India-China DTAA covers managerial, technical or consultancy services provided by a resident of one contracting state in the other contracting state. Since the services were rendered from outside India and no part of them was physically performed in India, the treaty condition was not satisfied. Relying on the Bombay High Court decision in the Assessee's own case, the ITAT held that virtual delivery through emails, conference calls or video conferencing does not amount to physical rendition of services in India.

Benteler Automotive (China) Investment Limited (ITAT, Delhi)

Extension of deadlines for filing Tax Audit Report and ITR

Duration test applies project-wise in Supervisory PE

Managerial and technical services rendered remotely from China do not constitute FTS

Indian affiliate's liaison and support activities do not constitute a DAPE

The Assessee, a Swiss company earning commission from hotel partners, operated in India through an affiliate that provided liaison, account management and administrative support. Relying on responses from certain Indian lodging suppliers and on LinkedIn, the AO treated the affiliate as a DAPE, alleging that its employees negotiated and concluded hotel contracts on behalf of the Assessee. On examining the intercompany agreement, delegation matrix, correspondence and executed contracts, the ITAT observed that the affiliate's role was limited to communicating pre-approved terms and providing support, while key commercial decisions and approvals were taken by personnel outside India. The correspondence did not establish that the affiliate had actual authority to negotiate and conclude contracts, or that such authority was habitually exercised. Accordingly, the ITAT deleted the DAPE finding.

Expedia Lodging Partner Services Sarl (ITAT, Delhi)

INDIRECT TAX

Notifications / Circulars

Appeals can now be filed against NIL demand Orders

The GST portal earlier blocked appeals where the demand Order showed a NIL or zero amount, even though the liability was disputed and the tax had already been paid. This restriction has been removed, and an appeal in Form GST APL-01 can now be filed against such Orders.

Advisory dated September 07, 2026

Judicial Rulings

Validity of arrest and summons powers

The Supreme Court reiterated that a penalty and prosecution mechanism to check tax evasion is a permissible exercise of legislative power and accordingly rejected the petition challenging the provisions that allow arrest and summons under GST law.

Vikas Jindal (Supreme Court of India)

ITC cannot be denied for a supplier's default

A bona fide recipient holding valid tax invoices and having received the goods cannot be denied ITC merely because the supplier failed to pay tax or file returns. The Department must first proceed against the defaulting supplier.

Cart Infralog Ltd (Calcutta High Court)

Refund to SEZ units

The refund rules do not restrict claims for refund of unutilised ITC to suppliers of SEZ units. An SEZ unit is itself entitled to claim such a refund.

McKinsey Global Services India Pvt Ltd (Madras High Court)

Interest on tax lying in the Electronic Cash Ledger

A mere deposit of tax in the Electronic Cash Ledger does not discharge the liability. Tax is paid only when it is debited on filing the return, so interest is payable for the period between deposit and debit.

Sri Uma Manpower Suppliers (Telangana High Court)

Supreme Court upholds arrest and summons powers under GST

Self-invoice value deemed to be open market value

ITC cannot be denied for a supplier's default

Denial of ITC on GSTR-2A mismatch

A difference between GSTR-3B and GSTR-2A may justify verification but cannot, by itself, prove that ITC has been wrongly availed. Further, a demand cannot be confirmed under tax heads that were never proposed in the SCN.

Peekay Industries (GSTAT, Bangalore)

Valuation of services imported from a related party

Where a recipient eligible for full ITC pays GST under reverse charge on services received from a related foreign entity, the value in its self-invoice is deemed to be the open market value.

Wood India Engineering & Projects Pvt Ltd (West Bengal AAR)

CORPORATE & ALLIED LAWS

Circulars / Notifications

RBI amends FEMA framework relating to export and import of goods and services

RBI has amended the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, effective October 1, 2026 reducing the period for realisation and repatriation of the full export value of goods and services to nine months from the date of shipment in case of goods and the date of invoice in case of services. The timelines remain the same where goods are exported to a warehouse outside India. However, where the invoice is raised and/ or settled in INR, the permissible period shall be twelve months.

RBI Notification No. FEMA 23(R)/ (1)/2026-RB dated September 22, 2026

IBBI amends Liquidation Process Regulations relating to stakeholder lists

IBBI has amended the Liquidation Process Regulations relating to the list of stakeholders. Under the amended provision, a liquidator may modify the list of stakeholders where additional information warrants such modification and must intimate the Adjudicating Authority within 30 days of making the modification.

IBBI Notification No. F. No. IBBI/2026-27/ GN/REG154 dated September 22, 2026

SEBI eases compliance for FPIs investing only in Government securities

SEBI has relaxed certain compliance requirements for FPIs investing exclusively in Government securities. Such FPIs are no longer required to furnish investor group details. The relaxation, which was earlier available to FPIs investing through the FAR, has now been extended to such investments irrespective of the applicable route.

SEBI Circular No. HO/(485)2026-AFD-POD2/I/20296/2026 dated September 7, 2026

RBI amends FEMA framework relating to export and import of goods and services

IBBI amends Liquidation Process Regulations relating to modification of stakeholder list

SEBI eases regulatory compliance for FPIs investing only in Government securities

CFO WATCH

SEBI aligns portal with global FIRE format

SEBI has standardised cyber incident reporting by aligning its reporting portal with the global FIRE format. The revised framework introduces common information fields, standardised definitions and incident classifications, enabling structured reporting from initial notification through to final closure. The existing reporting timelines remain unchanged: cyber incidents must be reported to SEBI by email within six hours of detection and through the portal within 24 hours. Regulated entities may accordingly consider updating their incident reporting templates, internal escalation protocols, and roles and responsibilities, and sensitising their IT, Information Security, Risk and Compliance teams to the revised FIRE-aligned reporting requirements.

EPFO wage ceiling enhanced

MoLE has raised the wage ceiling for EPFO coverage from INR 15,000 to 25,000 per month, bringing a wider employee base within the mandatory provident fund framework. The revision is intended to expand social security coverage and may increase employer and employee contribution obligations for employees falling within the revised threshold.

Consumer protection rules strengthened for e-commerce platforms

MoCA has enhanced disclosure and consumer protection requirements for e-commerce entities and marketplace platforms, effective January 1, 2027. Key changes include clearer identification of sponsored listings, compliance with dark-pattern guidelines, expanded seller and product disclosures, restrictions on bundling unrelated services, and additional disclosure requirements for imported goods. Marketplace platforms may accordingly consider reviewing their website/app disclosures, seller onboarding requirements, pricing and promotional practices, bundled-service arrangements and dark-pattern controls, while strengthening internal compliance monitoring ahead of the effective date.

SEBI standardises cyber incident reporting through the FIRE format

EPFO wage ceiling enhanced

Consumer protection rules strengthened for e-commerce platforms

MERGERS & ACQUISITIONS

Indian Companies Raise Record Equity Capital Despite Market Volatility

Indian companies have shown remarkable resilience in the equity markets, raising a record USD 25.3 Bn during April–September 2026 despite relatively subdued stock-market conditions. Fundraising was 75% higher year-on-year, making this the strongest first half on record and highlighting continued investor appetite for Indian businesses.

IPOs remained a key driver, with 78 mainboard IPOs raising approximately USD 10.8 Bn, around 35% higher than the previous record for the corresponding period. Listing gains also improved, averaging 19% compared with 7% a year earlier. Notable transactions included the USD 2.3 Bn NSE IPO, the USD 1.03 Bn SBI Funds Management IPO and the USD 960 Mn Manipal Health Enterprises offering.

The momentum extended beyond IPOs. QIPs rose 36% to USD 6.40 Bn, while secondary stock offerings increased nearly fivefold to USD 5.75 Bn, supported by government divestments. LIC's 6.5% stake sale alone contributed around USD 3.26 Bn. The pipeline remains strong, with nearly 250 companies reportedly preparing to raise approximately USD 48.36 Bn through IPOs, including Jio Platforms' proposed USD 3.8 Bn offering.

For the M&A ecosystem, deeper equity markets give companies greater flexibility to strengthen balance sheets, fund expansion and pursue strategic acquisitions. The broader message is clear: despite market volatility, India's capital markets continue to provide a strong funding base for the next phase of corporate growth and M&A activity.

CYBER & DIGITAL BRIEF

Cybersecurity Wake-Up Call

In recent weeks, the Japanese government has issued a nationwide cybersecurity warning following a sharp rise in cyberattacks and data breaches affecting major organisations across the country. Several well-known companies, including Daiwa Securities, SoftBank, Lawson and Times Car, have reported cyber incidents involving unauthorised access to customer information. One of the largest incidents exposed data linked to approximately 6.6 million Times Car customer accounts.

What makes these incidents particularly noteworthy is the growing concern around **AI-assisted cyberattacks.** Cybersecurity experts have cautioned that AI may be helping attackers automate activities such as scanning for system weaknesses, generating highly convincing phishing emails and developing malicious code. As a result, cyberattacks are becoming faster, more targeted and harder to detect.

The lesson for businesses is clear: cybersecurity is no longer just a technology issue. While advanced security tools remain important, employees continue to be the first line of defence. Many cyber incidents still begin with a phishing email, a weak password or a user unknowingly sharing sensitive information.

What Can We Learn?

These events highlight the importance of maintaining strong cyber hygiene and remaining vigilant in an increasingly digital workplace. Employees can help reduce cyber risk by:

- Using strong passwords and MFA.
- Being cautious when opening unexpected emails, links or attachments.
- Verifying requests for payments, credentials or sensitive information.
- Keeping devices and software updated.
- Reporting suspicious activity immediately.
- Following company policies on information security and data protection.

Final Thought

The rise of AI is creating new opportunities for businesses, but it is also giving cybercriminals more sophisticated tools. These developments are a reminder that cyber resilience depends on a combination of technology, awareness and responsible behaviour.

By staying alert, following security best practices and protecting the information entrusted to us, we can all play a role in safeguarding our organisation, our clients and our reputation.

IN THE NEWS

CFO Story Club on Leadership & Legacy

September 30, 2026

Subroto Bose, Baker Tilly ASA India, was invited as a speaker at the CFO Story Club in Hyderabad, where he joined the panel discussion "The Final Walk: Where CFOs Choose Their Legacy." The conversation explored how a CFO's legacy extends beyond financial performance to leadership, values, decision-making and long-term organisational impact.

Air Liquide COMEX Breakfast Roundtable

September 29, 2026

Ajay Sethi, Baker Tilly ASA India, was invited to the Air Liquide COMEX Breakfast Roundtable, co-hosted by IFCCI and Air Liquide India. The discussions focused on India's growth priorities and on the opportunities and operational challenges shaping investment across energy, infrastructure, talent, technology and policy implementation.

BW Legal World Feature on India's Evolving Regulatory Environment

September 17, 2026

Himanshu Srivastava, Baker Tilly ASA India, was featured in BW Legal World, sharing perspectives on how regulatory reforms, digitalisation and evolving investment policies are shaping India-entry and expansion strategies, and why regulatory agility is becoming increasingly important for sustainable business growth.

Train the Trainers Session on Non-Corporate Entities

September 16, 2026

Parveen Kumar, ASA, was invited to speak at a Train the Trainers session on the accounting and auditing of Non-Corporate Entities, sharing perspectives on key accounting and audit issues and the practical challenges relating to Trusts, Partnerships, LLPs and Autonomous Bodies.

FAST-DS 2026: Foreign Asset Disclosure

September 09, 2026

Baker Tilly ASA India hosted a webinar on FAST-DS 2026 featuring Pankaj Aneja, Ashwath Pai and Harshit Mehta from ASA. The session covered eligibility, the disclosure process, applicable costs and key considerations for taxpayers seeking to address eligible past non-disclosures of foreign assets.

tele.net Feature on Digital & Cyber Security Leadership

September 05, 2026

Shrikrishna Dikshit, Baker Tilly ASA India, was featured in tele.net, sharing his journey in digital and cyber security, the experiences that have shaped his approach, and his perspectives on navigating an increasingly complex technology, cybersecurity and risk landscape.

GLOSSARY

AAR
Artificial Intelligence

AI
Artificial Intelligence

AO
Assessing Officer

AY
Assessment Year

Bn
Billion

CFO
Chief Financial Officer

DAPE
Dependent Agent Permanent Establishment

DTAA
Double Taxation Avoidance Agreement

EPFO
Employees' Provident Fund Organisation

FAR
Fully Accessible Route

FAST-DS
Foreign Assets of Small Taxpayers Disclosure Scheme, 2026

FEMA
Foreign Exchange Management Act, 1999

FIRE
Format for Incident Reporting Exchange

FPI
Foreign Portfolio Investor

FTS
Fees for Technical Servicesx

GST
Goods & Services Tax

GSTAT
GST Appellate Tribunal

IBBI
Insolvency and Bankruptcy Board of India

IFCCI
Indo-French Chamber of Commerce and Industry

INR
Indian Rupee

IPO
Initial Public Offering

IT
Information Technology

ITAT
Income Tax Appellate Tribunal

ITC
Input Tax Credit

ITR
Income Tax Return

LIC
Life Insurance Corporation of India

LLP
Limited Liability Partnership

M&A
Mergers & Acquisitions

MFA
Multi-Factor Authentication

Mn
Million

Million
Ministry of Consumer Affairs, Food and Public Distribution

MoLE
Ministry of Labour and Employment

PE
Permanent Establishment

QIP
Qualified Institutional Placement

RBI
Reserve Bank of India

SCN
Show Cause Notice

SEBI
Securities and Exchange Board of India

SEZ
Special Economic Zone

USD
United States Dollar

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ABOUT US

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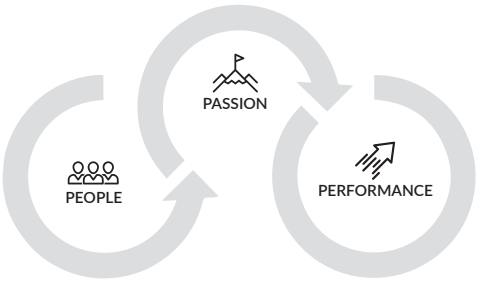

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