

35 YEARS

A Monthly E-Newsletter

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The Bottom Line

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KEY METRICS

Indices

BSE SENSEX	81,287	-1.19%	▼
NSE NIFTY50	25,179	-0.56%	▼
NASDAQ Composite	22,668	-3.38%	▼
NIKKEI 225	58,850	10.37%	▲

Currency

USD/INR	91.08	0.67%	▲
Euro/INR	107.60	0.98%	▲
GBP/INR	122.82	2.15%	▲
JPY/INR	0.58	1.49%	▲

Note: The month-on-month movement as on February 27, 2026, is represented in percentages
Source: NSE.com, BSE.com, NASDAQ.com, NIKKEI.com, Investing.com



DIRECT TAX

Circulars/Notifications

Judicial Rulings

FTC cannot be denied for inadvertent selection of wrong AY in Form 67

The taxpayer had filed Form 67 on the same day as the return of income but mistakenly chose AY 2020-21 instead of AY 2021-22. The FTC figures in both forms were identical, and no credit was claimed or allowed in the incorrect year. The ITAT observed that the lapse was purely technical and did not prejudice the claim. Relying on its earlier coordinate bench decision, the ITAT reiterated that filing of Form 67 is a procedural/directory requirement and the substantive right under the tax treaty cannot be denied for procedural lapses or technical errors.

Shipij Rathore (Indore ITAT)

Delayed filing of Form 10F does not disentitle a non-resident from claiming tax treaty benefits

The taxpayer, a US tax resident, had filed her return claiming concessional rates under the India-USA DTAA. However, during processing the return, the treaty benefit was denied solely on the ground that Form 10F was not filed along with the return. The ITAT noted that neither the Act nor the Rules prescribe any time limit for filing Form 10F. The Form does not create the right to claim treaty benefits but only facilitates verification and is merely a procedural compliance. Delayed filing is a curable defect, and once furnished, the form relates back to the original claim made in the return. Procedural requirements cannot override substantive treaty rights.

Thogarchedu Subha Sri (Hyderabad ITAT)

Brought forward capital losses cannot be set off against capital gains exempt under a tax treaty

A Mauritius-resident company earned substantial LTCG on shares acquired prior to a specified cut-off date and claimed treaty exemption under the India-Mauritius DTAA. It also sought carry-forward of STCL incurred in an earlier AY. The AO set off the STCL against the exempt LTCG, reasoning that if the gains are exempt, the corresponding losses cannot be carried forward. The DRP affirmed this view. The ITAT reversed the decision holding that since LTCG exempt under the DTAA never enters the computation of total income under domestic law, there is simply no occasion to set off the brought-forward STCL against it. The taxpayer's entitlement to carry forward the STCL, determined in the year of its incurrance when the taxpayer opted for domestic law provisions, remains unaffected by a later year's treaty election. The set-off effected by the AO was deleted.

Goldman Sachs Mauritius NBFC LLC (Mumbai ITAT)

Capital gains exemption on reinvestment in a house cannot be denied merely for non-deposit in Capital Gains Account Scheme

The taxpayer sold a plot of land and purchased a residential flat within one year of the sale. However, prior to purchase, the amount was not fully deposited in the specified scheme account before the return filing date. The AO denied exemption on the shortfall, which was upheld on first appeal. The ITAT held that the legislative intent behind the exemption is to ensure

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that sale proceeds are actually invested in a residential house within the prescribed time, not merely to get the amount parked in a designated bank account. Substance of actual reinvestment prevails over the procedural formality of deposit.

Satishchandra Jagdishchandra Gugale (Pune ITAT)



INDIRECT TAX

Circulars / Notifications / Press Releases

Judicial Rulings

Education counselling services are not Intermediary services

Education counselling services provided to students in India for foreign institutions shall not qualify the definition of intermediary services as these services were provided on own account.

*Global Opportunities Pvt Ltd
(Supreme Court of India)*

Rectification of returns to be allowed

The taxpayer should be permitted to rectify the errors in the returns that resulted in a mismatch between GSTR-3B and GSTR-1, where the debit and credit notes had been duly recorded in the books of account and GSTR-1, but inadvertently omitted from reporting in the GSTR-3B returns for FY 2018-19.

*Sterling & Wilson Pvt Ltd
(GSTAT New Delhi)*

Rejection of refund

Refund cannot be rejected where copies of the shipping bills could not be uploaded on the GST portal due to size restrictions and the physical copies of the shipping bills were refused to be accepted by the officer.

Jyoti Agro (Gujarat High Court)

Availment of ITC under wrong head can be rectified

ITC claimed under wrong head in GSTR-3B can be rectified in the GSTR-9 and 9C. Department cannot issue SCN for the wrong availment as there is no actual revenue loss occurred.

*Periyasamy Karthikeyan
(Madras High Court)*

Partial transfer of ITC to amalgamating company not permitted

After amalgamation, the amalgamating company is not entitled to transfer only a portion of the ITC to the resulting company while claiming a refund of the balance ITC. Where law provides an option to transfer entire ITC, such option must be exercised strictly.

*Alstom Transport India Ltd
(Gujarat High Court)*

Employing foreign nationals is not import of service

Where foreign nationals are directly employed and a clear employer-employee relationship exists, it is held to be outside the ambit of GST as per Schedule III of the CGST Act, 2017. It is not a case of import of services.

*Huawei technologies India Pvt Ltd
(Karnataka High Court)*



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Late fee and general penalty both cannot be applied simultaneously

Both a general penalty and late fees cannot be applied simultaneously in the case of late filing of a GST return. Payment of late fees alone is sufficient deterrent.

Prajith Enterprises (Madras High Court)

CORPORATE & ALLIED LAWS

Circulars / Notifications

CCFS 2026 introduced as a one time relaxation measure

Additional fee for delay in filing of Annual Return and Financial Statements as per Companies Act, 2013 created additional financial burden on companies. New CCFS 2026 has been introduced as a one-time opportunity to condone the delay in filing the abovementioned documents or file for dormant status / closure. Under this new Scheme, companies have the following option:

- Active companies, along with normal fee, pay only 10% of the total additional fee payable due to delay in filing and complete all pending annual filings.
- Inactive companies can be classified as a dormant company

by filing specified Form and paying only half of the actual fee payable.

- Companies can get themselves struck off from the Register by filing specified Form during the scheme term and paying only 25% of the filing fee.

The new scheme will operate from April 15 through July 15, 2026. This new scheme is not applicable for certain specified companies.

MCA General Circular No. 01/2026 dated February 24, 2026

RBI liberalizes norms for ECBs

RBI has issued notification bringing about various provisions for liberalization of the norms for ECBs. The key changes include restriction on end use of funds, definition of eligible borrowers and recognized

CCFS 2026 introduced as a one time relaxation measure

RBI liberalizes norms for ECBs

lenders, borrowing currency to include Indian Rupee, forms of borrowing to include FCCB and FCEB, raising the aggregate borrowing limit to higher of USD 1 billion or 300 per cent of net worth as per last audited standalone balance sheet and permitting cost of borrowings to be aligned to market conditions.

RBI Notification No. FEMA 3(R)(5)/2026-RB dated February 9, 2026



CFO WATCH

Shift from transparency to control maturity by SEBI

In February 2026, regulatory focus evolved from ESG disclosure compliance to assurance-grade reporting discipline. SEBI's supervisory messaging highlighted the need for robust internal controls over sustainability data, stronger Board oversight of climate commitments, and tighter alignment between BRSR metrics, financial statements, and risk disclosures. This shift calls for strengthened data lineage frameworks, structured evidence repositories, and well-documented management judgments supporting targets, transition strategies, and forward-looking disclosures.

RBI focuses on AI, risk models and ECL discipline

Following January's prudential reforms, February supervisory engagement from RBI highlighted model governance, ECL sensitivity rigor, and AI oversight in credit underwriting processes. Financial institutions, especially NBFCs and digitally active lenders, are expected to demonstrate Board-approved model validation policies, independent testing frameworks, and explainability documentation for AI-based decision tools. Institutions may face deeper examination of model assumptions, override mechanisms, and board-level monitoring practices.

Framework on registration exemption for non-public fund NBFCs

RBI has issued amendments to the NBFC Registration and Scale Based Regulation framework for public consultation. Under the Scale Based Regulation regime, NBFCs not

accepting public funds and without customer interface are considered lower risk and currently fall in the Base Layer with relaxed norms. The draft proposes exempting such NBFCs, having asset size below ₹1,000 crore, from mandatory registration, subject to conditions. It also outlines procedures for deregistration or conversion of eligible NBFCs and clarifies aspects relating to public funds, customer interface, prohibited activities, PMLA compliance, and group-level asset aggregation.

Transition to IR Code, 2020

To facilitate a smooth transition to the IR Code, 2020, The IR Code (Removal of Difficulties) (Amendment) Order, 2026 clarifies that authorities constituted under the Trade Unions Act, 1926, Industrial Employment (Standing Orders) Act, 1946, and Industrial

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Framework on registration exemption for non-public fund NBFCs

Disputes Act, 1947 will continue to function until corresponding bodies are established under the IR Code. Further, these three Acts stand repealed with effect from November 21, 2025, aligning with the enforcement of the IR Code and consolidating key labour legislations into a unified framework.



MERGERS & ACQUISITIONS

India reassesses FDI rules to support Deal activity

India's evolving investment landscape may soon witness an important regulatory shift as the government reviews Press Note 3, a policy introduced in 2020 to prevent opportunistic foreign takeovers during the pandemic. While the rule strengthened national security oversight by mandating government approval for investments from countries sharing land borders with India, it also slowed several small but genuine investment proposals.

The government is now considering introducing a 'de minimis' threshold, which could allow low-value foreign investments to qualify for automatic approval instead of undergoing lengthy case-by-case scrutiny. The proposed move aims to strike a balance maintaining safeguards for sensitive or strategic sectors while easing entry for smaller investments that support startups, manufacturing partnerships, and early-stage collaborations.

From an M&A perspective, this development is particularly relevant. Smaller equity infusions, minority

stake acquisitions, and joint ventures often form the foundation of larger strategic partnerships. Faster approvals could reduce deal uncertainty, improve transaction timelines, and enhance investor confidence without diluting regulatory control.

The review signals a more calibrated policy stance, one that recognises India's need for global capital alongside economic security considerations. If implemented effectively, the reform could unlock smoother cross-border deal activity and reinforce India's position as a predictable and investment-friendly M&A destination.



IN THE NEWS

The Times of India - India Budget Dialogues *February 04, 2026*

Ajay Sethi, Baker Tilly ASA India, was invited to speak at The Times of India - India Budget Dialogues on how Budget 2026 supports India's journey towards a developed economy, highlighting the role of industry, technology, and policy in driving inclusive and sustainable growth.

Decoding Union Budget 2026 with CII Mysuru *February 06, 2026*

Baker Tilly ASA India partnered with the CII Mysuru for a post-Budget session on "Decoding Union Budget 2026." Devalla Ramprasad and Ashwath Pai, ASA, shared perspectives on the economic outlook and key Budget announcements across direct and indirect taxes.

CPA Australia Roundtable Delhi *February 16, 2026*

Himanshu Srivastava, Baker Tilly ASA India, was invited to speak at the CPA Australia Roundtable in Delhi, sharing perspectives on future-ready finance leadership and the evolving role of trust, technology, and talent in shaping the profession.

PSU Summit 2.0 – Future of Assurance in PSUs *February 25, 2026*

Gaurav Bhatia, ASA, moderated a panel on "Technology, Data

Analytics & Generative AI: The Future of Assurance in PSUs." The discussion explored how emerging technologies are reshaping governance, risk oversight, and assurance practices in public sector enterprises.

KIZUNA: Indo-Japan Intellectual Conclave *February 27, 2026*

Ajay Sethi, Baker Tilly ASA India chaired a session on scaling semiconductor engagements in North-East India, bringing together policymakers, industry leaders, and Japanese partners to discuss ecosystem development and India-

Japan collaboration in building a semiconductor manufacturing hub.

India's Budget 2026-27: A New Chapter in Indirect Tax Reform *February 13, 2026*

Author: Lakshay Chhabra, Baker Tilly ASA India

This article reviews the indirect tax proposals in Union Budget 2026–27, highlighting customs duty rationalisation, GST clarifications & digital reforms. It explains how the measures aim to ease compliance, improve cash flows, and reduce litigation while strengthening India's ease of doing business environment.



GLOSSARY

AI

Artificial Intelligence

AO

Assessing Officer

AY

Assessment Year

BRSR

Business Responsibility and Sustainability Report

CCFS

Companies Compliance Facilitation Scheme

CII

Confederation of Indian Industry

CPA

Certified Practising Accountant

DRP

Dispute Resolution Panel

DTAA

Double Taxation Avoidance Agreement

ECB

External Commercial Borrowing

ECL

Expected Credit Loss

ESG

Environmental, Social and Governance

FCCB

Foreign Currency Convertible Bond

FCEB

Foreign Currency Exchangeable Bond

FDI

Foreign Direct Investment

FTC

Foreign Tax Credit

GST

Goods & Services Tax

GSTAT

GST Appellate Tribunal

IR

Industrial Relations Code, 2020

ITAT

Income Tax Appellate Tribunal

ITC

Input Tax Credit

LTCCG

Long Term Capital Gain

M&A

Mergers & Acquisitions

MCA

Ministry of Corporate Affairs

NBFC

Non-Banking Financial Company

PMLA

Prevention of Money Laundering Act, 2002

RBI

Reserve Bank of India

SCN

Show Cause Notice

SEBI

Securities and Exchange Board of India

STCG

Short Term Capital Gain

USA

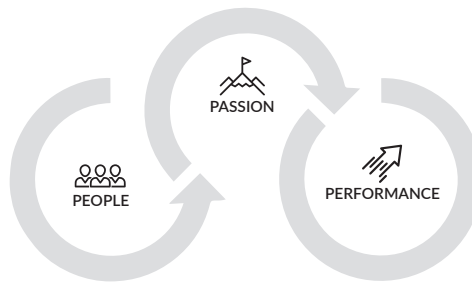
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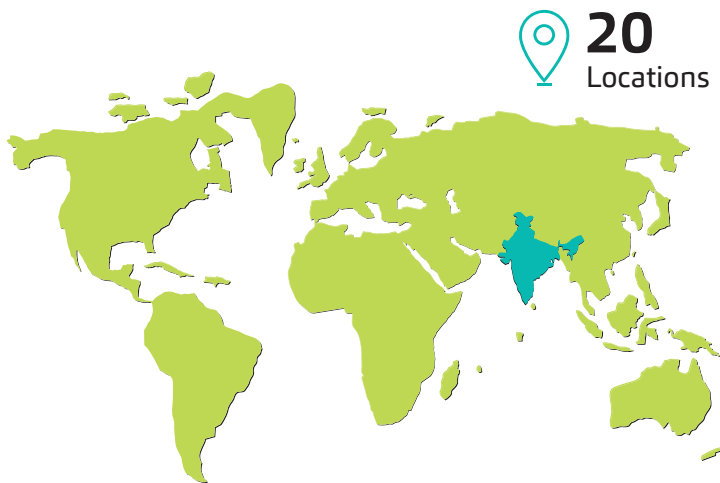
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