

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

CHENGALPATTU DISTRICT BRANCH (SIRC)

E-Newsletter - February 2026



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ARTICLES INVITED FROM MEMBERS

Note: Articles are invited from members for publishing in Newsletter. The articles shall be either on the specific subject or a general article. Members can send their articles with Name, Membership Number, Mobile Number, Residential Address, Office Address & Photo to our E-mail id mentioned below:

E-mail id: chengalpattu@icai.org

Note: The views expressed in the articles published, are their own views and Chengalpattu District Branch (SIRC) does not endorse or take responsibility.



CA. SHIVACHANDRA REDDY K

Dear Esteemed Members,

Warm greetings from the Chengalpattu District Branch (SIRC). As on 11th February 2026, I write this message with a heart filled with overwhelming gratitude and humility, as I prepare to hand over the Chairmanship to the incoming Vice Chairperson on 16th February 2026. The past 12 months have been a memorable journey of service, teamwork, and collective accomplishment, and I am deeply thankful to every member of our Branch family for making this year purposeful and fulfilling.

12-Month Performance Highlights (17.02.2025 – 11.02.2026)

1) Leadership & Governance

I assumed charge as Branch Chairman w.e.f. 17th February 2025, with a strong commitment to continuity, professionalism, and member-centric growth along with a clear mission to complete the construction of "ICAI Bhawan", our own branch building. Throughout the year, our efforts were anchored in structured planning, transparent functioning, and consistent execution through teamwork.

I gratefully acknowledge the dedicated support of our office bearers, Vice Chairperson CA. Madhumita R, Secretary CA. Sathish T S, and Treasurer CA. Aanand P, whose cooperation and leadership greatly strengthened the Branch's functioning. I place on record my sincere thanks to each one of them.

2) Member Development & CPE Excellence

Our Branch delivered a robust calendar of Continuing Professional Education across Direct Taxes, Indirect Taxes, Audit & Assurance, Compliance, Quality Management, AI and Automation, and Practice efficiency tools.

These initiatives were ably coordinated by our Managing Committee members CA. Sridhar Ganesh N, CA. Ravichandran S, and CA. Deepa Rao, with valuable support from Sub-Committee Heads CA. T.R. Lakshminarayan, CA. Suresh Kumar, CA. Kannan, CA. Parasuraman and CA. Vaidyanathan. I place on record my sincere thanks to each one of them.

Key initiatives included:

- Certificate courses and workshops on AI & Automation, preparing members for the future of the profession
- Enhanced audit readiness through Bank Audit, Tax Audit, Peer Review, SQM-related documentation, and standards-based learning
- Extensive GST coverage including compliance, assessments, filing challenges, ITC case studies, and annual returns (GSTR-9 & 9C)
- Wider regulatory and practice updates on DPDP Act, Labour Codes, MCA compliance, FEMA, forensic aspects, and technology-enabled practice management
- Successful conduct of a Residential Refresher Course (RRC) on Decoding the Direct Tax Code 2025, offering deep learning in a structured residential format

3) SICASA & Student Development

We sustained strong momentum in student empowerment through:

- Study circles, workshops, seminars, coaching classes, and reading room support
- Fast-track revision classes and mock tests for Foundation and Intermediate students
- Initiatives such as AURA – AI Workshop, industrial visits, conferences, leadership activities, and skill-based programmes

SICASA activities were led by MC Member CA. Priya A, and Student Development initiatives were headed by MC Member CA. Arumugaraj P, with the support of Class Coordinator CA. Ramakrishnan B. These initiatives reflect our firm belief that nurturing students is among the most meaningful responsibilities of a branch, and I convey my sincere thanks to them for their dedicated efforts.

4) Career Counselling Programme

One of the proud highlights of this year was our outreach to promote careers in accounting and finance through:

- Participation in major education expos and career fairs
- The Super Mega Career Counselling Programme (CAFY 2025) conducted across 29 schools, reaching 6,000+ students in a single day, showcasing the Branch's capability to deliver large-scale, high-impact outreach

This flagship initiative was led by MC Member CA. Arumugaraj P, with excellent coordination support from our Branch In-charge Ms. Pankajam Raghavan. I place on record my heartfelt appreciation to all our Career Counsellors and Career Counselling Volunteers (CA members) who gave their time and guidance to inspire students and parents, and to showcase the pride and scope of the CA profession.

5) Wellness, Community Engagement

We strengthened community bonding through:

Wellness initiatives including World Laughter Day, International Yoga Day, Wellness talks, and the creation of a dedicated WhatsApp group to encourage and track daily Wellness activities among members

A vibrant CA Day celebration with senior member felicitation, student recognitions, and health initiatives such as blood donation and screening camps reinforcing ICAI's values of service and public responsibility

I appreciate the efforts of MC Member CA. Deepa Rao, who took the initiative in driving wellness-related activities, and requested her to continue and further strengthen this programme for the long-term well-being of our CA community.

6) Historic Institutional Milestone – ICAI Bhawan

The defining milestone of this tenure was the successful inauguration of the ICAI Bhawan at East Tambaram on 24th January 2026, in the august presence of ICAI leadership, the President CA. Charanjot Singh Nanda, Vice President CA. Prasanna Kumar D, Central Council Members, Regional Council Members, Local authorities and dignitaries along with an enthusiastic gathering of around 600 members.

This Bhawan is envisioned as a permanent hub for:

- High-quality CPE programmes, seminars, and conferences
- Student learning, development, mentoring, and capacity-building
- Technology-driven workshops and future-ready professional initiatives
- Stronger institutional engagement and professional development

This achievement is a collective dream realised and will serve generations of members and students.

I place on record my heartfelt thanks to the Infrastructure Committee Members, headed by CA. Rajendra Kumar (Chairman – Infrastructure Committee & Central Council Member), supported by CA. Sripriya K (Vice Chairperson – Infrastructure Committee & Central Council Member) and CA. Babu Abraham (Member - Infrastructure Committee & Central Council Member), for their steadfast support, tireless monitoring, and unwavering cooperation without which the dream of inauguration of ICAI BHAWAN Could not happened during this year.

I also thank the Guest of Honour, Thiru. S R Raja MLA, Tambaram constituency, Tamilnadu, the Central Council Members, Past Presidents, Regional Council Members for their Presence, guidance, encouragement, and institutional support that strengthened the Branch's journey and ensured momentum for this landmark project.

February 2026

I also place on record my sincere appreciation to the Architect and Builder, for their technical expertise, planning, timely execution, and perseverance that helped translate the ICAI Bhawan vision into a proud reality.

With deep respect, I also recall and place on record the significant contributions of: CA. Devaraja Reddy, Past President, ICAI, in whose Presidency our Branch was opened in 2016, marking a key institutional milestone in our history. CA. G. Sekar, Ex-Central Council Member, who was instrumental in participating in the tendering process and in obtaining Council approval for taking land on lease from Railway Land Development Authority, a crucial step that enabled the construction of our ICAI Bhawan. Our Past Presidents, CA. Nihar N. Jambusaria and CA. Ranjeet Kumar Agarwal and other dignitaries who laid the Bhoomi Pooja and Foundation Stone, respectively and who consistently supported the project.

Gratitude & Acknowledgements

As I prepare to demit office on 16th February 2026, I place on record my heartfelt thanks to: Managing Committee Members, for their constant support, teamwork, and faith in me throughout the year

- Past Chairmen of our Branch, whose vision, perseverance, and continuous backing laid the foundation
- Esteemed Members, for your active participation and encouragement, which gave life and energy to every branch initiative
- Branch Staff, for your sincere dedication, discipline, and behind the scenes coordination that ensured smooth and professional execution of all programmes
- If any names have been inadvertently omitted, such omission is purely unintentional.

Closing

I leave the office of Chairmanship not with a sense of conclusion, but with a sense of continuity because our Branch is now stronger, better equipped, and ready for the next chapter. I assure the incoming leadership of my fullest support and cooperation, and I remain committed to serving the Branch and the Profession in every possible way.

With folded hands and heartfelt thanks to each one of you.

Warm regards,
CA. Shivachandra Reddy K
Outgoing Chairman
Chengalpattu District Branch of SIRC of ICAI
☎ 9841410909

PHOTO GALLERY

CPE Meeting

Topic: INAUGURATION OF ICAI BHAWAN

Date: 24th January 2026

Time: 11.00 AM Onwards

Venue: ICAI BHAWAN, ICAI SALAI, TAMBARAM SANATORIUM, CHENNAI-600 047.



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Program: 77th Republic Day Celebration

Date: 26th January 2026

Time: 9:00 AM

Venue: ICAI BHAWAN, ICAI SALAI, TAMBARAM SANATORIUM, CHENNAI-600 047.





E-Newsletter - Chengalpattu District Branch (SIRC)

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UPCOMING PROGRAMS



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)



Organised by

ETHICAL STANDARDS BOARD

Hosted by

CHENGALPATTU DISTRICT BRANCH (SIRC)

Cordially invites you to our

CODE OF CONDUCT & PROFESSIONAL ETHICS

on Monday, 16th February 2026

at ICAI BHAWAN, ICAI Salai, Tambaram Sanatorium, Chennai - 47.

(Opp to Tambaram Sanatorium Railway Station - East Exit)

Speakers



CA. T. V. MUTHU ABHIRAMI



Adv. B. RAMANAKUMAR

Registration Link: <https://events.cglportal-icai.org/member>

CPE - 2 Hrs | Time - 4:00 PM to 6:00 PM | Fee - Rs. 236/-

(Nil for ARC Members of Chengalpattu District Branch)

Scan here for Registration



Followed by

Installation of Office Bearers for the year 2026-27

Dinner at 7.00 PM onwards

Scan here for Location



CA. Chandrashekhar Vasant Chitale
Chairman
Ethical Standards Board



CA. (Dr.) Rohit Ruwatia
Vice-Chairman
Ethical Standards Board



CA. Rajendra Kumar P
Program Director



CA. Shivachandra Reddy K
Chairman
Chengalpattu District Branch (SIRC)



CA. Sathish T S
Secretary
Chengalpattu District Branch (SIRC)

S.247/2, Plot "B", ICAI Bhawan, ICAI Salai, Tambaram Sanatorium, Chennai - 600 047.

(Opp to Tambaram Sanatorium Railway Station - East Exit)

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
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CHENGALPATTU DISTRICT BRANCH (SIRC)

**Cordially invites you for the
Installation of the Managing Committee
for the Year 2026-27**

On Monday, 16th February 2026, 6:15 pm onwards

In the Presence of

Chief Guest

CA. Kirlosh Kumar R, IAS

*Principal Secretary to the
Hon'ble Governor of Tamil Nadu*

Installation by

CA. Rajendra Kumar P

Central Council Member, ICAI, New Delhi

Guests of Honour

CA. Sripriya K

Central Council Member, ICAI, New Delhi

CA. Revathi S Raghunathan

Chairperson, SIRC of ICAI

Special Invitee

CA. Rekha Uma Shiv

*Regional Council Member, SIRC of ICAI
Ex-Officio Member of the Branch*

Managing Committee 2025-26

CA. Shivachandra Reddy K
Chairman

CA. Madhumitha R
Vice Chairperson

CA. Sathish T S
Secretary

CA. Aanand Pasupathy
Treasurer

CA. Priya A
SICASA Chairperson

CA. Ravichandran S
Managing Committee Member

CA. Arumugaraj P
Managing Committee Member

CA. Sridhar Ganesh N
Managing Committee Member

CA. Deepa Rao
Managing Committee Member

Venue: ICAI BHAWAN, ICAI Salai, Tambaram Sanatorium, Chennai - 47.
(Opp to Tambaram Sanatorium Railway Station - East Exit)

All are welcome



Scan here for Location



Followed by Dinner

ICAI Bhawan, ICAI Salai,
Tambaram Sanatorium, Chennai - 600 047.
(Opp to Tambaram Sanatorium Railway Station - East Exit)
Ph: 044-22390098 | 7550009811 | Mail id: Chengalpattu@icai.org

LEGAL UPDATES

February 2026

by



CA. SIVAGURUNATHAN T

TAX REFORMS / TAX PROPOSALS IN UNION BUDGET 2026-27 – HIGH LIGHTS

- **Interest awarded by the motor accident claim** tribunal to a natural person will be exempt from Income Tax, and any TDS on this account will be done away with.
- Reduce **TCS rate on sale of overseas tour program package** from 5% and 20% to 2% without any stipulation of amount.
- Reduce **TCS for pursuing education and for medical purposes** under the Liberalized
- Remittance Scheme (LRS) from 5% to 2%.
- **TDS on Supply of manpower services** to be at the rate of either 1% or 2%.
- **Obtaining a lower or nil deduction certificates** through rule-based automated process for small taxpayers.
- Enable depositories to accept **Form 15G or Form 15H** from taxpayers holding securities in multiple companies.
- **Time available for revising returns** extended from 31st December to up to 31st March with the payment of a nominal fee.
- Individuals with ITR 1 and ITR 2 returns will continue to file till 31st July and **non-audit**
- **business cases or trusts** are proposed to be allowed time till 31st August.
- TDS on the sale of immovable property by a non-resident to be deducted and deposited through resident buyer's PAN instead of TAN.
- Introducing a one-time 6-month foreign asset disclosure scheme below a certain size for small taxpayers.
- Allow taxpayers to update their returns even after reassessment proceedings have been initiated at an additional 10 percent tax rate over and above the rate applicable for the relevant year.
- Framework for immunity from penalty and prosecution in the cases of underreporting extended to misreporting.
- Non-production of books of account and documents and requirement of TDS payment is decriminalised.

February 2026

Immunity from prosecution with retrospective effect from 1.10.2024 for non-disclosure of non-immovable foreign assets with aggregate value less than ₹ 20 lakh.

Exemption from Minimum Alternate Tax (MAT) to all non-residents who pay tax on presumptive basis.

Constitute a Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (IndAS).

Tax buyback for all types of shareholders as Capital Gains. However, promoters will pay an additional buyback tax.

Set-off using available MAT credit to be allowed to an extent of 1/4th of the tax liability in the new regime.

MAT is proposed to be made final tax.

Exempt BCD on 17 drugs or medicines for cancer patients.

Single and interconnected digital window for cargo clearance approvals.

Customs Integrated System (CIS) to be rolled out in 2 years

Honest taxpayers willing to settle disputes will now be able close cases by paying an additional amount in lieu of penalty.

Agricultural and allied sectors:

Fish catch by an Indian fishing vessel in Exclusive Economic Zone (EEZ) or on the High Seas to

be made free of duty. Treating the landing of such fish on foreign port as export of goods.

Deduction allowed to primary cooperative society engaged to include supply of cattle feed and cotton seed produced by members.

Allowing inter-cooperative society dividend income as deduction under the new tax regime to the extent distributed to members.

Exemption from tax dividend income received by a notified national co-operative federation from investments made in companies up to 31.1.2026 from tax for a period of three years.

Exemption to be allowed only for dividends distributed to its member co-operatives.

Manufacturing Sector:

Exemption from income tax for five years to non-residents providing capital goods, equipment or tooling, to any toll manufacturer in a bonded zone.

Provision of safe harbour to non-residents for component warehousing in a bonded warehouse.

Deferred duty payment window to trusted manufacturers.

Increase the limit for duty-free imports of specified inputs used for processing seafood products for export, from the current 1 per cent to 3 per cent of the FOB value of the previous year's export turnover.

Duty-free imports of specified inputs extended to export of shoe uppers in addition to leather or synthetic footwear.

Extension of time for the export of final product from the existing 6 months to 1 year, for exporters of leather or textile garments, leather and synthetic footwear.

Exemption from basic customs duty on specified parts used in the manufacture of microwave ovens.

Exemption from basic customs duty on components and parts used in aircraft manufacturing.

Exemption from basic customs duty on raw materials imported for manufacture of aircraft parts used in maintenance, repair, or overhaul requirements defence units.

Regular importers with trusted longstanding supply chains to be recognized in the risk system.

Export cargo using electronic sealing to be provided through clearance from the factory premises to the ship.

□A special one-time measure to facilitate sale in domestic tariff area at concessional rate of duty by eligible manufacturing units of SEZs.

Service Sector

Clubbing of services under a single category of information technology services with a common safe harbour margin of 15.5%

Safe harbour threshold for IT services increasing from ₹ 300 crore to ₹2,000 crore

Approval of safe harbour for IT services by an automated rule-driven process.

Continuation of safe harbour for a period of five years at the company's choice.

Fastracking unilateral APA process for IT services with an aim to conclude it within a period of two years. Can be extended by a further period of six months on the taxpayer's request.

Extension of facility of modified returns for APA-availing entities to its associated entities.

Provision of tax holidays until 2047 to foreign companies providing cloud services to global customers through India-based data centre services. Related Entities providing data center services from India to get a safe-harbour of 15% on cost.

Exemption to global income of non-resident expert for a stay period of 5 years under notified schemes.

Financial Sector

Raising the STT on Futures from 0.02% to 0.05%

STT on options premium and exercise of options to be raised to 0.15% from rate of 0.1% and 0.125%, respectively.

GST Updates

by



CA. Shaikh Abdul Samad Ahmed

GOODS AND SERVICES TAX

WHY THESE AMENDMENTS WERE INTRODUCED

The GST amendments in Budget 2026 emerged from the **56th GST Council meeting in September 2025**, addressing critical pain points that have blighted taxpayers and tax administrators since GST implementation.

<p>01</p> <p>Ease of Doing Business</p> <p>Aligning GST provisions with actual commercial practices, particularly for post-sale discounts and volume rebates common in modern supply chains</p>	<p>02</p> <p>Reduce Litigation</p> <p>Clarifying ambiguous provisions around valuation, refund eligibility, and place of supply that have resulted in thousands of pending disputes</p>
<p>03</p> <p>Boost Export Competitiveness</p> <p>Treating intermediary services as zero-rated supplies and removing minimum refund thresholds to support India's services export sector</p>	<p>04</p> <p>Improve Cash Flow</p> <p>Introducing provisional refunds for inverted duty structures and eliminating pre-agreement requirements for discount adjustments</p>

Notably, this budget contains no major rate changes—the focus is squarely on procedural reforms that enhance compliance efficiency and reduce the cost of doing business in India.

THE PRE-AMENDMENT GST LANDSCAPE

Before Budget 2026, several GST provisions created significant compliance challenges and cash flow constraints for businesses. Understanding these pain points is essential to appreciating the magnitude of the reforms introduced.



Valuation (Sec 15(3)(b) CGST)

Discounts excluded from transaction value only if pre-agreed in writing and linked to specific invoices—a requirement rarely met in practice.

Credit Notes (Sec 34 CGST)

Limited grounds for issuance with no explicit provision for post-sale discounts, creating adjustment challenges.

Refunds (Sec 54 CGST)

No provisional refund mechanism for inverted duty structures; Rs. 1,000 minimum threshold for export refunds excluded small transactions.

Appellate Authority (Sec 101A CGST)

National Appellate Authority constitution pending, creating appellate backlog and uncertainty

Place of Supply (Sec 13(8)(b) IGST)

Intermediary services taxed at supplier's location, making exports taxable in India despite economic substance abroad

KEY AMENDMENTS: VALUATION & CREDIT NOTES

SECTION-BY-SECTION ANALYSIS



Section 15(3)(b) CGST: Post-Sale Discounts

Old Provision:

Discounts could be excluded from transaction value only if they were pre-agreed in writing and linked to specific invoices—a condition that proved impractical for most businesses offering volume rebates or loyalty discounts.

New Provision:

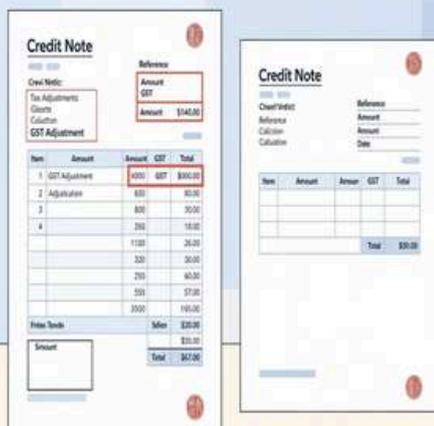
Discounts are now excluded if a proper credit note is issued under Section 34 and the recipient reverses the corresponding Input Tax Credit (ITC). This removes the pre-agreement requirement entirely.

Effective Date: To be notified

No longer necessary to maintain pre-agreed discount contracts or link discounts to specific invoices. Focus shifts to proper credit note issuance and maintaining evidence of ITC reversal by recipients. This reduces paperwork and audit risk significantly.

KEY AMENDMENTS: VALUATION & CREDIT NOTES

SECTION-BY-SECTION ANALYSIS



Section 34 CGST: Credit Note

Old Provision:

Credit notes could be issued only on limited grounds such as sales returns or deficiencies in goods/services, with no explicit mention of post-sale discounts.

New Provision:

The provision now explicitly includes post-sale discounts given under Section 15(3)(b) as a valid ground for issuing credit notes, providing statutory clarity.

Effective Date: To be notified

Easier reporting of post-sale discounts through credit notes in GSTR-1. Suppliers can adjust output tax liability in the month of credit note issuance, improving accuracy of tax reporting and reducing period-end reconciliation challenges.

KEY AMENDMENTS: REFUND PROVISIONS

SECTION BY SECTION ANALYSIS

Section 54(6) CGST: Provisional Refunds

Old Provision:

Provisional refunds (90% of claimed amount) were available only for unutilized ITC on zero-rated supplies, leaving inverted duty structure cases without interim relief.

New Provision:

The provisional refund mechanism is now extended to inverted duty structure refunds, significantly improving cash flow for sectors like textiles, pharmaceuticals, and leather where input tax rates exceed output tax rates.

Effective Date: To be notified



MSMEs in sectors with inverted duty structures—particularly apparel manufacturing, leather goods, and certain pharmaceutical segments—face acute working capital constraints. The provisional refund mechanism provides 90% of claimed refunds upfront, typically within 2-3 weeks instead of 2-3 months.

KEY AMENDMENTS: REFUND PROVISIONS

SECTION BY SECTION ANALYSIS

Section 54(14) CGST: Refund Threshold

Old Provision:

For exports made with payment of IGST, no refund was allowed if the refund amount was less than Rs. 1,000, forcing small exporters to accumulate claims or forgo legitimate refunds.

New Provision:

The minimum threshold has been completely removed, benefiting frequent exporters with low-value shipments and simplifying compliance for small and medium enterprises.

Effective Date: To be notified

Threshold removal makes every export economically viable, directly improving competitiveness in global markets where even small cost differences matter.



KEY AMENDMENTS: APPEALS

SECTION-BY-SECTION ANALYSIS

Section 101A(1A) CGST: Appellate Authority Empowerment



Background:

The National Appellate Authority (NAA) has remained unconstituted since GST inception, creating uncertainty about appellate jurisdiction and causing significant delays in dispute resolution.

The law provided for the NAA but it remained pending with no interim arrangement for hearing appeals, leading to a growing backlog of cases.

New Provision:

Budget 2026 empowers the existing GST Appellate Tribunal to hear and decide appeals, providing immediate operational capacity for appellate proceedings.

Effective Date: April 1, 2026

Significance: This is one of the few amendments with a confirmed implementation date, reflecting the urgency of addressing the appellate backlog. Taxpayers can now expect faster resolution of disputes and greater certainty in tax planning.

KEY AMENDMENTS: PLACE OF SUPPLY

SECTION-BY-SECTION ANALYSIS



Section 13(8)(b) IGST: Intermediary Services **Old Provision:**

For intermediary services, the place of supply was determined to be the location of the supplier, meaning even when Indian firms provided intermediary services to overseas clients, the supply was taxable in India.

New Provision:

Section 13(8)(b) has been omitted entirely. The place of supply now defaults to the location of the recipient under general rules, making such services zero-rated exports when provided to overseas clients.

Effective Date: To be notified

Impact: This is a game-changer for India's IT, consulting, and business process outsourcing sectors, which frequently act as intermediaries for global clients. These services will now qualify for zero-rating, eliminating GST liability and enabling refund of input credits.

OLD LAW VS. NEW LAW: A DETAILED COMPARISON

COMPARATIVE ANALYSIS

Section / Provision	Old Law (Pre-Amendment)	New Law (Post-Amendment)	Key Change / Impact
Sec 15(3)(b) CGST - Discounts	Pre-agreement in writing and specific invoice link required for exclusion from transaction value	No pre-agreement needed; exclusion allowed if credit note issued under Sec 34 and recipient reverses ITC	Dramatically reduces valuation disputes; aligns GST law with actual business practices like volume rebates and loyalty schemes
Sec 34 CGST - Credit Notes	No explicit mention of post-sale discounts as grounds for credit note issuance	Explicitly includes post-sale discounts under Sec 15(3)(b) as a valid ground	Enables easier adjustment of output tax liability; provides statutory backing for common commercial practices
Sec 54(6) CGST - Provisional Refunds	Not applicable to inverted duty structure refunds; applicable only to zero-rated supplies	Extended to inverted duty structure refunds at 90% of claimed amount	Accelerates cash flow for sectors like textiles, pharma, leather; reduces working capital blockage
Sec 54(14) CGST - Refund Threshold	No refund processed if amount is less than ₹1,000 for exports with IGST payment	Minimum threshold completely omitted from statute	Benefits small and frequent exporters; simplifies compliance for low-value export transactions
Sec 101A CGST - Appeals	National Appellate Authority pending constitution; no interim arrangement causing delays	Empowers existing GST Appellate Tribunal to hear appeals immediately	Speeds up dispute resolution; provides certainty for appellate proceedings from April 2026
Sec 13(8)(b) IGST - Intermediary Services	Place of supply at supplier's location, making services taxable in India	Provision omitted; defaults to recipient's location, making it zero-rated if recipient is abroad	Major boost for IT and consulting exports; removes GST on back-office services for overseas clients



CUSTOMS LAW





Tariff Simplification

Streamlined structures minimize interventions and reduce procedural complexity across sectors

Export Promotion

Targeted support for fisheries, leather, and textiles with extended input import limits and timelines

Energy Transition

Exemptions for lithium-ion batteries, critical minerals, and nuclear power components.

Enhanced Predictability

Extended advance rulings and duty deferrals provide long-term planning certainty

Digital Integration

CIS rollout enables automated approvals, electronic sealing, and AI-powered risk assessment

Union Budget 2026 introduces sweeping Customs reforms centered on trade facilitation, trust-based compliance, and export promotion. The policy framework emphasizes digital integration, extended timelines, and strategic duty reductions to strengthen manufacturing competitiveness and enhance ease of doing business.

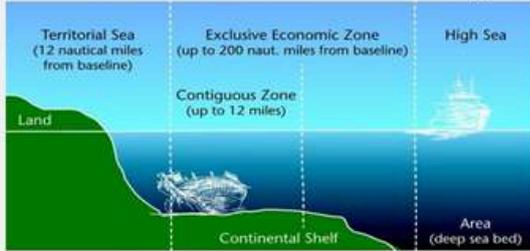
KEY SECTIONS AMENDED

- **Section 1:** Extended application beyond territorial waters for fishing operations
- **Section 2:** New definitions including 'Indian-flagged fishing vessel'
- **Section 28:** Penalty treatment as charge for duty recovery
- **Section 28J:** Advance ruling validity extended to 5 years
- **Section 47:** Duty deferral expansion to 30 days for eligible categories
- **Section 56A:** Special provisions for offshore fish harvesting
- **Sections 57-73:** Warehouse operation reforms

ADDITIONAL REFORMS

- New Customs Baggage Rules 2026 introduced with higher duty-free thresholds. Personal import tariff reduced from 20% to 10%.
- Customs Tariff Act amendments cover 17 drug exemptions and capital goods incentives across Chapters 03, 25-29 for critical minerals and medicines.
- Potential amnesty scheme aims to address litigation backlog and enable faster cargo movement nationwide.

Section 1 - Extended the Customs Territorial Application



- Act applied only to India and territorial waters (up to 12 nautical miles from baseline)
- Application extends beyond territorial waters into EEZ and high seas for Indian-flagged fishing vessel operations
- Enables regulation of offshore fishing activities and brings harvested fish under customs oversight without prior restrictions

Section 2 - Clarifying Vessel Definitions

- The amendment inserts a precise definition of 'Indian-flagged fishing vessel' as vessels registered under the Merchant Shipping Act, 1958, flying the Indian flag.
- Clarifies eligibility for preferential duty treatment on fish catch
- Establishes verification standards for customs officers
- Prevents revenue leakage from unauthorized vessels
- Aligns with international maritime law conventions



REVOLUTIONIZING FISHERIES TRADE

NEW PROVISION

Section 56A - Revolutionizing Fisheries Trade

1

Offshore Harvesting

Fish harvested by Indian-flagged vessels beyond territorial waters treated as duty-free imports upon landing in India

2

Foreign Port Landings

Fish landed at foreign ports classified as exports, subject to proper entry and declaration requirements

3

Safeguard Measures

Examination protocols prevent misuse while maintaining facilitation for genuine fisheries operators

4

Economic Impact

Boosts fisheries exports and supports coastal communities while protecting revenue through verification systems

Before Budget 2026

- Potential duty liability on re-import of processed fish
- No export treatment for foreign port landings
- Complex documentation requirements

After Budget 2026

- Foreign landing treated as export under Section 56A
- Duty-free treatment on return imports
- Simplified declaration procedures

STREAMLINING PENALTY

Section 28: Streamlining Penalty Treatment

- Penalties imposed separately from duty assessments, creating dual recovery processes
- Payment of penalty explicitly deemed as charge for 'non-payment of duty
- Unified recovery mechanism reduces disputes and streamlines assessment procedures

Bonded Warehousing
V/s.
Duty Deferment

WAREHOUSING V/s. DUTY DEFERMENT

Aspect	Customs Bonded Warehousing	Duty Deferment Scheme (Broader Concept)
Scope	Primarily storage of imported goods	Covers storage, manufacturing, processing, etc.
Main Activity Allowed	Storage with limited handling (repacking, sorting, etc.)	Can include full manufacturing and other operations (e.g., MOOWR)
Duty Treatment	Duty deferred until clearance for domestic market; exempt if re-exported	Duty deferred (often interest-free); exempt on exports
Examples	Traditional bonded warehouse, FTWZ	MOOWR (bonded manufacturing), AEO deferred payment, bonded warehousing
Manufacturing	Not allowed in basic warehousing; permitted under extended schemes like MOOWR	Often allowed, especially under MOOWR
Flexibility	More restricted, largely limited to storage	Broader—includes use of capital goods and raw materials for production
Nature	A specific facility/procedure	A benefit or feature available under multiple customs procedures

WAREHOUSING

Section 57- 73: Warehousing

- The warehousing framework undergoes a fundamental shift from permission-based to trust-based operations.
- Prior permission requirements for warehouse transfers have been eliminated entirely. The new operator-centric system relies on self-declarations, electronic tracking, and risk-based audits rather than routine interventions.
- This transformation significantly reduces delays in goods movement and positions India's customs infrastructure for global competitiveness.



DUTY DEFERRAL

Circular No. 03/2026 – Customs dated 01.02.2026

Notification No. 13/2026 – Customs (N.T.) dated 01.02.2026 | 1st day to the last day of any month & March by 31st day of March.

Notification No. 12/2026 - Customs (N.T.) dated 01.02.2026 | Eligible Manufacturer Importer – application from 01.03.2026 to Directorate of International Customs– for a period upto 31st March, 2028.

Section 47: Duty Deferral Expansion

- Duty deferral period for Authorised Economic Operators AEO Tier-2/3 entities doubled from 15 to 30 days. A new category of 'Eligible Manufacturer Importers' receives deferral until March 31, 2028, with monthly payment options
- This trust-based approach dramatically improves cash flow for manufacturers, reducing working capital pressure and enabling reinvestment in operations. Prior approval required to maintain compliance standards.

SECTION 28J: ENHANCED RULING VALIDITY

1 **Previous Duration**

Advance rulings binding for 3 years or until change in law or material facts, requiring frequent reapplications

2 **Extended Period**

Validity now extends to 5 years with transitional extensions available upon request, significantly reducing administrative burden

3 **Strategic Advantage**

Enhances predictability for importers and exporters, enables long-term supply chain planning, and reduces compliance costs substantially

4 **Compliance Efficiency**

Extended advance rulings and digital CIS platform reduce litigation and enhance predictability for all stakeholders

THE BAGGAGE RULES, 2026

Including Analysis of Circular No. 04/2026-Customs

HISTORICAL EVOLUTION OF CUSTOMS BAGGAGE RULES



The Customs Baggage Rules originated under Section 79 of the Customs Act, 1962, establishing the foundational framework for passenger baggage exemptions. The 1998 rules first formalized duty-free allowances, addressing the needs of post-liberalization India.

The 2016 Rules consolidated these provisions, setting the Rs. 50,000 duty-free limit for residents and focusing on bona fide baggage while excluding commercial quantities.

However, these limits remained static amid inflation and exponential travel growth, creating frequent valuation disputes and classification challenges.

The framework aligns with WTO norms on personal imports while addressing India-specific concerns around e-commerce, tourism promotion, and digital compliance requirements.

PRE-2026 CHALLENGES: LITIGATION HOTSPOTS

Outdated Valuation Limits

Decade-old thresholds failed to account for inflation, causing routine disputes over personal goods valuation and triggering unnecessary penalties

Electronics & Jewellery Disputes

Ambiguous exclusions led to frequent CESTAT appeals regarding laptops, smartphones, and gold jewellery

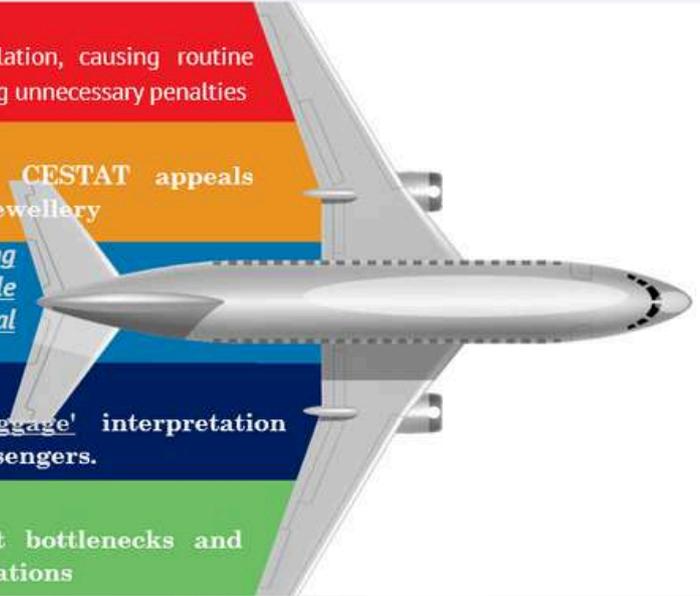
The amendments strike a critical balance: boosting tourism and passenger convenience while implementing stricter controls against commercial misuse.

Misdeclaration Penalties

Unclear guidelines on 'Bona Fide Baggage' interpretation resulted in inadvertent violations, with passengers.

Manual Processing Delays

Paper-based declarations created airport bottlenecks and inconsistent enforcement across customs stations



BAGGAGE RULES, 2026: CORE PROVISIONS

The Baggage Rules, 2026 were notified via Notification No. 14/2026-Customs (N.T.), effective February 2, 2026, comprehensively superseding the 2016 framework. These rules represent a paradigm shift in customs baggage administration.



Enhanced Duty-Free Limits

- ₹75,000 for Indian residents and PIO tourists arriving by air/sea;
- ₹25,000 for foreign tourists, promoting inbound tourism
- Goods in Commercial QTY as Baggage.

Explicit Laptop Allowance

- One new laptop explicitly permitted outside general limits, addressing longstanding ambiguity in electronics classification



BAGGAGE RULES, 2026: CORE PROVISIONS



Revised Jewellery Provisions

- 40g for women, 20g for men for long-term residents abroad; fair market value-based assessment reduces disputes
- Used personal effect – duty free clearance
- Other than used personal effect – 10% duty payment (or) Temporary Baggage import / mandatory re-export certificate.

Mandatory E-Declarations

- Electronic filing through CBD-I/II portals required; risk-based Green/Red channel system with AI integration
- Temporary detention for release or re-export.



Travelers face stricter enforcement on undervaluation, with **penalties up to 5x the duty evaded under Section 114AA**. AI-driven risk assessment may flag passengers for Red channel inspection based on travel patterns, purchase history, and declaration anomalies.

COMPARATIVE ANALYSIS: 2016 VS. 2026 RULES

Provision	Earlier (2016 Rules)	Amended (2026 Rules)
Duty-Free Limit (Residents/PIO)	₹50,000 (air/sea)	₹75,000 (air/sea)
Foreign Tourists Limit	₹ 15,000	₹ 25,000
Laptop Allowance	Included in general limit	One new laptop separately
Jewellery (Women/Men)	40g / 20g gold Value Cap of 1Lk/50K	40g / 20g No Value Cap
Declaration Method	Paper-based optional	Mandatory electronic (CBD-I/II)
Temporary Imports	Unclear procedures	CBD-III/IV certificates for duty-free re-entry
Personal Use Duty Rate	20% BCD	10% BCD
Penalty Framework	Section 114A / 114AA	Enhanced risk-based enforcement

VALUATION AND PENALTY PROVISIONS

1

Enhanced Penalty Framework

Section 114AA violations attract fines up to 5x duty evaded; misdeclaration carries mandatory penalties regardless of intent; officers empowered for provisional assessments

2

Prohibited Goods Treatment

No change for contraband items—narcotics, firearms, and restricted goods face absolute prohibition with criminal prosecution potential under Sections 132-135



3

Appeal Mechanisms

Disputes may be escalated to Commissioner (Appeals) within 60 days; CESTAT jurisdiction for legal questions.

Scenario 1:



NRI Returning with Electronics
Facts: ₹80,000 in personal goods + one new laptop

Analysis: Laptop exempt separately; excess ₹5,000 dutiable

Duty Calculation: ₹5,000 × 10% BCD = ₹500

Savings vs. 2016: ₹7,500 (would have been ₹30,000 × 20% = ₹6,000 + laptop duty)

Scenario 2:



Foreign Tourist with Gifts
Facts: ₹30,000 worth of gifts purchased in outside India.

Analysis: Limit ₹25,000; excess ₹5,000 dutiable

Resolution: Valuation per Circular guidelines using retail invoices

Advisory: Pre-departure invoice compilation avoids disputes

Scenario 3:



Jewellery Misdeclaration

Facts: Passenger declared 40g gold; inspection revealed 50g

Violation: 10g excess attracts Section 114AA penalty

Penalty: 5x duty on undeclared quantity + duty itself

Advisory Value: Voluntary disclosure pre-screening eliminates penalty risk

Scenario 4:



Temporary Export of electronics in baggage.

Facts: Professional camera taken for overseas servicing in baggage.

Procedure: CBD-IV certificate obtained at departure

Re-import: Duty-free within 6 months with certificate and repair invoice

Compliance: Electronic tracking ensures seamless re-entry



RECENT DECISIONS IN DIRECT TAXES February 2026

by



CA. Muthu Abirami T V

1. Parul Mahila Pragati Mandal Versus ITO (Exemption) & Anr. (Gujarat High Court) (R/Special Civil Application No. 13200 of 2021 ordered on 30/04/2025)

Held: Filing of Form 10B is a procedural requirement and not a substantive condition for claiming exemption under Sections 11 and 12 of the Income-tax Act, 1961.

Exemption under Sections 11 & 12 denied for delay in electronic filing of Form 10B — Audit report obtained within prescribed due date — Delay caused due to inadvertent administrative/technical lapse — Filing of Form 10B held to be procedural — Authorities failed to exercise discretion under Section 119(2)(b) to mitigate genuine hardship — Rejection of condonation held arbitrary — Orders and consequential demand quashed — In favour of assessee

2. Manoj Kumar Vs ITO (ITAT Delhi) (ITA No.3378/Del/2025 ordered on 29/01/2026)

Held:The Tribunal held that section 69C can be invoked only where the assessee fails to explain the source of expenditure, and not merely because the expenditure is found to be bogus or non-genuine.

Reassessment disallowed purchases of ₹11.47 lakh as bogus under section 37(1) — Payments recorded in books and made through banking channels — PCIT invoked section 263 to tax same amount as unexplained expenditure under section 69C and apply section 115BBE — Section 69C applicable only where source of expenditure is unexplained — Source of payment never doubted; only genuineness of purchases questioned — Bogus expenditure distinct from unexplained expenditure — AO's view under section 37(1) held plausible — Section 263 cannot be used to substitute one permissible view with another — PCIT's revision order quashed and original reassessment restored — In favour of assessee.

3. Poonam Vs DCIT (ITAT Delhi) (ITA No. 6209/DEL/2025 ordered on 29/01/2026)

Held: The Tribunal held that a notice issued under section 153A in the name of a deceased person is void ab initio and constitutes a jurisdictional defect. It was further held that there is no statutory obligation on the legal heir to intimate the death of the assessee to the Income-tax Department.

Notice under section 153A issued in name of deceased assessee — Assessee had expired prior to issuance of notice — Subsequent notice to legal heir not relied upon and assessment founded on invalid notice to dead person — Notice to deceased held void ab initio and jurisdictional defect — No obligation on legal heir to intimate death to department — Assessment under section 153A read with section 143(3) quashed — All additions including under section 56(2)(vii) rendered infructuous — In favour of assessee.

4. Honda India Power Products Ltd. Vs ACIT (ITAT Delhi) (ITA Nos. 2139 & 2140/Del/2022 ordered on 23/01/2026)

Held: The ITAT Delhi held that the final assessment orders were passed beyond the period of limitation prescribed under section 144C(13) read with section 153 of the Income-tax Act, 1961. It was held that sections 144C and 153 are mutually inclusive and interdependent, and the limitation provisions contained in section 153(2A) / 153(3) are applicable to assessments framed pursuant to the DRP directions.

Final assessment order passed beyond limitation prescribed under section 144C(13) read with section 153 — Sections 144C and 153 held to be mutually inclusive and interdependent — Limitation under section 153(2A)/153(3) applicable — Chronology of dates showed delay in passing final assessment order — Assessment barred by limitation and void in law — Final assessment orders quashed — Other grounds left open — In favour of assessee.

4. DCIT (OSD) Vs Gulshan Polyols Limited (ITAT Delhi) (ITA No. 5551/Del/2024 Ordered on 28/01/2026)

Held: The Tribunal held that sales duly recorded in the books of account and supported by invoices, stock registers and banking receipts cannot be treated as unexplained cash credits under section 68.

It was further held that reliance solely on a third-party survey statement, without supplying the same to the assessee or granting cross-examination, violates principles of natural justice and cannot form the sole basis for addition.

Additions made under section 68 on recorded sales of ₹48.29 lakh based solely on untested survey statement of alleged entry operator — AO ignored invoices, transporter certificates, GR/vehicle details, stock register and banking receipts — No copy of third-party statement supplied and no cross-examination granted — Independent parties like consignee and transporter not verified — Sales duly recorded and supported by documentary evidence cannot be taxed again as unexplained cash credits — Reliance on uncorroborated third-party statement violates principles of natural justice — Alleged bogus purchases of ₹5.30 lakh proved to be sales return — Documentary trail not rebutted by AO — Deletion of additions under sections 68 and 69C upheld — Revenue's appeal dismissed and assessee's cross-objections infructuous — In favour of assessee.

5.C. Sivanandam Vs ACIT (Madras High Court)(W.P.No. 19346 of 2023 ordered on 06/01.2026)

Held: The Madras High Court held that reassessment proceedings initiated under sections 148A(d) and 148 are invalid and unsustainable in law when they are based on the erroneous assumption that a company continues to exist, despite its liquidation pursuant to an order of the National Company Law Tribunal. Once the company had ceased to exist and the Assessing Officer had been duly informed of the liquidation by the Official Liquidator, the Department lacked jurisdiction to proceed with reassessment. Consequently, the impugned order under section 148A(d) and the notice issued under section 148 were quashed.

Reassessment under sections 148A(d) and 148 initiated against non-existent company — Company already ordered to be liquidated by NCLT on 17.10.2022 — Proceedings initiated against director on erroneous premise that company was still in existence — Official Liquidator had duly intimated Assessing Officer about liquidation prior to issuance of show-cause notice — Jurisdiction assumed despite knowledge of dissolution — Reassessment against entity which has ceased to exist is void ab initio — Action contrary to factual and legal position on record — Orders under section 148A(d) and notice under section 148 quashed — Writ petition allowed and connected miscellaneous petitions closed — In favour of assessee.

7.ACIT Vs Anuradha Shivkumar Gogia (ITAT Ahmedabad) (IT(SS)A Nos. 78/Ahd/2024 ordered on 28/11/2025)

Held: The ITAT Ahmedabad held that no addition can be made in an unabated/completed assessment year in the absence of any incriminating material found during the course of search. It was further held that third-party WhatsApp chats retrieved from the mobile phone of a person unconnected with the assessee do not constitute incriminating material, particularly when such chats are post-facto to the alleged transactions and are not corroborated by any independent evidence.

Additions made under section 153A on basis of third-party WhatsApp chats and digital data — No incriminating material found during search — Assessment year unabated/completed — Third-party WhatsApp chat post-facto and from person unconnected with assessee — No corroborative evidence brought on record — Additions on account of alleged on-money payments, under-invoicing, denial of exemption under section 10(38) and alleged penny stock transactions held unsustainable — Ratio of Supreme Court in *Abhisar Buildwell* applied — Jurisdictional Gujarat High Court rulings followed — CIT(A)'s deletion upheld — Revenue's appeals dismissed — In favour of assessee.

