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Monthly Newsletter Series

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India recasts rules for foreign tax info exchange: New framework from July 1 aims to curb cross-border tax evasion & speed up case closure

India has revamped its framework for exchanging tax information with foreign authorities, sharply tightening timelines and monitoring mechanisms to curb cross-border tax evasion and speedy closure of cases involving foreign tax jurisdictions.

The new framework, effective July 1, mandates all requests from foreign tax jurisdictions to be treated as "high priority" and lays out that information be shared within 15 days from the date of request, if information is available with the income tax department.

If full information cannot be provided on time, officers must submit an interim report within 15 days, detailing progress, constraints, and with an expected timeline for completion.

<https://economictimes.indiatimes.com>

TCS filing made easier: Income Tax Dept brings in new Form 143, replacing 27EQ

The Income Tax Department has rolled out a new and simplified form for reporting Tax Collected at Source (TCS), aiming to make compliance easier for businesses and collectors. From April 1, 2026, Form 143 replaced the older Form 27EQ.

It posted on X, "Old form 27EQ has been replaced with new form 143. Form 143 - Quarterly statement of TCS filed by collector."

<https://www.indiatoday.in>

Income Tax Dept launches new TRACES portal: What changes for TDS filing

The Income-Tax Department has introduced an upgraded version of its TRACES (TDS Reconciliation Analysis and Correction Enabling System) portal, aiming to streamline tax compliance through a unified digital platform. The rollout coincides with the implementation of the new Income-Tax Act, 2025, which came into effect on April 1.

The move reflects a broader push towards digitisation, with authorities seeking to simplify procedures, reduce errors, and enhance

transparency for both individuals and businesses.

The revamped portal offers a single-window interface for all TDS (Tax Deducted at Source) and TCS (Tax Collected at Source) services. Users accessing the older TRACES link are automatically redirected to the new system, while a separate portal has been introduced for non-resident taxpayers.

<https://www.cnbctv18.com>

Reassessment Order passed without disposal of objection raised by assessee not tenable

In the case of Amish Anantrai v/s. Dy. Commissioner of Income Tax, Mumbai ITAT has held that

The reassessment order dated 23.06.2021 passed under section 143(3) read with section 147 of the Act is without jurisdiction and deserves to be quashed, as the objections filed by the assessee against reopening were admittedly not disposed of prior to completion of assessment, in clear violation of the law laid down by the Hon'ble Supreme Court in GKN Driveshafts (India) Ltd.

www.itatonline.org

Special tax drive launched as revenues slows

With fiscal pressures mounting due to rising committed expenditure and a slowdown in revenue growth, the government has stepped up the tax recovery drive. According to official sources, the Income Tax Department has directed field officers to intensify the recovery of confirmed and undisputed tax demands, strengthen monitoring of large non-compliant taxpayers and improve demand management.

Under the project termed the Central Action Plan for 2026-27, the department has specifically asked officers to prioritise recovering Rs 2.57 lakh crore in demands upheld by the Commissioner of Income Tax (Appeals) in FY26. Special teams are being set up to pursue top arrear cases and analyse tax trends sectorally. The tax officers also have to ensure prompt refunds and better taxpayer outreach to improve compliance and minimise revenue leakages.

<https://www.financialexpress.com>

Deduction u/s 54 to be allowed at time of assessment proceedings when no return filed

In the case of Sanjay Gopaldas Bajaj Vs ITO, Mumbai ITAT has held that

Deduction under section 54 cannot be denied merely because no original return was filed under section 139(1), where the claim is made in a return filed in response to notice under section 148 and is directly relatable to the escaped income.

www.itatonline.org

GSTN Advisory – Re-computation of Interest under Table 5.1 of GSTR-3B

GSTN has issued an important advisory regarding the recomputation of interest auto-populated in Table 5.1 of GSTR-3B.

As part of the system-driven compliance mechanism, the GST Portal auto-calculates interest on delayed filing of GSTR-3B based on the tax liability discharged and the tax liability breakup furnished by the taxpayer. Such system-computed interest is auto-populated in Table 5.1 of the subsequent tax period's GSTR-3B, similar to the mechanism followed for late fee computation.

Taxpayers can verify the detailed breakup of interest computation through the “System Generated GSTR-3B PDF” available on the GST Portal under the following path:

Login → Return Dashboard → Select Return Period → GSTR-3B → Prepare Online → System Generated GSTR-3B PDF

GSTN has further clarified that due to a technical glitch, interest pertaining to the February 2026 tax period, reflected in Table 5.1 of March 2026 GSTR-3B for certain taxpayers, may have been computed incorrectly without considering the benefit of minimum cash balance available in the Electronic Cash Ledger as provided under Rule 88B(1) of the CGST Rules, 2017.

To address this issue, GST Portal has provided a “RE-COMPUTE INTEREST” option under Table 5.1 of GSTR-3B. Upon selecting this option, the system recalculates the interest liability using the latest updated parameters, and the revised amount gets reflected in the updated System Generated GSTR-3B PDF.

Taxpayers are advised to review the revised interest computation and manually update the interest amount in Table 5.1, wherever required. It may be noted that the manually edited interest amount cannot be lower than the recomputed interest reflected by the system.

GST Portal Introduces Enhanced Annexure-B Utility for Refund Applications

The GST portal has introduced a significant procedural update for taxpayers filing refund claims of unutilised Input Tax Credit (ITC) under FORM GST RFD-01. As per the revised utility, Annexure-B is now required to be prepared through the offline utility and uploaded in JSON format.

The updated utility seeks several additional invoice-level disclosures beyond the earlier Annexure-B framework prescribed under Circular No. 135/05/2020-GST dated 31 March 2020. Taxpayers are now required to report details such as:

- Of inward supply
- Type of document
- Total ITC amount
- ITC blocked under Section 17(5)
- Eligible and ineligible ITC
- Relevant GSTR-2B return period

The revised mechanism indicates a shift towards system-driven validation of refund claims with GSTR-2B data. The portal is expected to verify whether invoices included in the refund application are duly reflected in the taxpayer's auto-drafted ITC statement.

Accordingly, taxpayers claiming refund of accumulated ITC should undertake detailed reconciliation of:

- Purchase Register
- Electronic Credit Ledger
- GSTR-2B
- Refund computation workings

Special attention should be given to correct identification of the relevant GSTR-2B period, classification of eligible and blocked credits under Section 17(5), and reversal requirements under applicable GST provisions.

While this development is expected to strengthen invoice-level verification and reduce manual scrutiny by tax authorities, it is also likely to increase the compliance and documentation burden for exporters, SEZ suppliers, and other refund claimants.

Compliance Takeaway

Annexure-B should no longer be viewed as a mere invoice attachment to the refund application. The revised utility effectively converts it into a reconciliation-based data upload requiring invoice-level mapping across:

Books → GSTR-2B → ITC Eligibility → Blocked/Ineligible ITC → Refund Claim Amount

The updated framework is expected to make refund processing more system-driven and data-centric, while simultaneously increasing the importance of robust reconciliation processes before filing refund claims.

RBI Introduces Structured Reporting Framework for Cross-Border Guarantees under FEMA 2026

In a move to enhance transparency and standardisation in cross-border financial transactions, the Reserve Bank of India (RBI) has issued a Circular, introducing a comprehensive reporting mechanism for guarantees under the newly notified Foreign Exchange Management (Guarantees) Regulations, 2026.

The circular establishes a uniform digital reporting architecture, aligning guarantee transactions with RBI's broader push toward centralised, system-driven compliance under FEMA.

Key Highlights of the New Framework

1. Introduction of Standardised Reporting Forms

RBI has introduced three dedicated reporting formats for guarantee transactions:

- **Form GRN Issue** – for reporting issuance of guarantees
- **Form GRN Modification** – for changes such as:
 - guarantee amount,
 - tenure extension, or
 - pre-closure
- **Form GRN Invocation** – for reporting invocation of guarantees

These forms must be submitted by the concerned party to the Authorised Dealer (AD) bank.

2. Centralised Reporting through RBI Systems

- AD banks are required to submit guarantee-related returns to RBI via the Centralised Information Management System (CIMS).
- Reporting must be completed within 30 calendar days from the end of the relevant quarter.

This ensures uniform data capture and regulatory oversight across all guarantee transactions.

3. Unique Guarantee Transaction Number (GTN)

- Each guarantee reported through Form GRN Issue must be assigned a unique Guarantee Transaction Number (GTN) by the AD bank. This enhances traceability, auditability, and lifecycle tracking of guarantees.

4. Clarification on Late Submission Fees (LSF)

The RBI has provided clear guidance on LSF computation. For Form GRN Invocation, LSF is based on the amount of liability triggered upon invocation. For Form GRN Issue and Modification, LSF amount considered as Nil, since these forms do not capture monetary flows. This introduces clarity and consistency in penalty computation.

The circular is effective immediately, requiring all Authorised Persons and AD banks to align their reporting systems and processes without delay.

The RBI's new guarantee reporting framework represents a decisive shift toward structured, technology-enabled compliance under FEMA. From fragmented reporting to lifecycle-based digital tracking, guarantee transactions are now firmly within a centralised regulatory lens. Entities dealing with cross-border guarantees should immediately review internal processes to ensure timely submission of prescribed forms accurate tracking of guarantee events, and seamless coordination with banking partners.

(A.P. (DIR Series) Circular No. 01 dated 1 April 2026)

India–Brazil Treaty Aligned with BEPS — PPT, LOB and Expanded PE Rules Introduced

In a significant step toward aligning India's bilateral tax framework with global anti-avoidance standards, the Government of India has notified a Protocol amending the India–Brazil tax treaty, effective for income arising on or after 1 April 2026.

Notably, since the treaty was not covered under the Multilateral Instrument (MLI), the two countries have adopted a bilateral amendment route to incorporate BEPS-aligned provisions, including Principal Purpose Test (PPT), Limitation of Benefits (LOB), and enhanced Permanent Establishment (PE) rules.

Key Structural Changes

1. Introduction of Anti-Abuse Framework (PPT + LOB)

- A comprehensive Limitation of Benefits (LOB) article has been introduced, restricting treaty benefits to qualified persons, entities with substantial business activity, or those meeting ownership and base erosion tests.
- The Principal Purpose Test (PPT) empowers authorities to deny treaty benefits where obtaining such benefit is one of the principal purposes of an arrangement.

This marks a decisive move toward substance-based treaty access, in line with OECD BEPS standards.

2. Expanded Definition of Permanent Establishment (PE)

The amended treaty significantly broadens PE exposure:

- Service PE introduced with a 183-day threshold
- Agency PE widened to include persons playing a principal role in contract conclusion
- Anti-fragmentation rules added to prevent splitting of activities across group entities
- Construction PE threshold strengthened through aggregation of connected activities

These changes materially increase the likelihood of tax presence in the source country.

3. Revised Residency Rules and Tie-Breaker Mechanism

- Residency definition expanded to include legal head office and place of incorporation
- For dual residency cases, Mutual Agreement Procedure (MAP) replaces automatic reliance on POEM

This introduces greater uncertainty but aligns with modern treaty practices.

4. Reduced Withholding Tax Rates

Income Type	Old Rate	New Rate
Dividends	15%	10% (subject to conditions)
Interest	15%	10% (for qualifying long-term loans)
Royalties	25%	10% / 15%

While anti-abuse provisions tighten access, tax rates have been made more competitive.

5. Separate Article for Fees for Technical Services (FTS)

- A new article introduces 10% taxation on FTS
- Earlier, FTS was taxed under the royalties article

This provides greater clarity and alignment with India's treaty policy.

6. Changes to Employment and Personal Services Provisions

- Thresholds for taxation now based on 183 days in any 12-month period (instead of fiscal year basis)
- Independent personal services taxable if:
 - fixed base exists, or
 - stay exceeds 183 days

7. Strengthened Non-Discrimination and MAP Provisions

- PE taxation aligned with domestic enterprise treatment (with certain exceptions)
- Time limit for invoking MAP reduced from 5 years to 3 years

The amended India–Brazil treaty reflects a decisive transition toward anti-abuse driven treaty interpretation. While lower withholding tax rates provide economic relief, the introduction of PPT, LOB,

and expanded PE rules significantly tightens access to treaty benefits.

Taxpayers should proactively reassess existing structures, evaluate PE exposure, and ensure commercial substance aligns with treaty claims.

(Notification No. 39/2026 F. No. CBDT/1/2022-FT&TR-V (Part-1) Dated: 30 March 2026)

Bangalore ITAT Clarifies Dual Residency — Treaty Tie-Breaker Prevails Over Domestic Law

In a significant ruling on cross-border tax residency, the Bangalore Bench of the Income-tax Appellate Tribunal (ITAT) in the case of Pradeep Narasimhan has reaffirmed that while Indian domestic law does not recognise split residency for a part of the financial year, taxability during overlapping residency periods must be determined in accordance with applicable tax treaties.

The ruling provides critical clarity on dual residency situations, particularly for globally mobile individuals, by emphasising the primacy of treaty tie-breaker rules in allocating taxing rights.

Background

- The taxpayer, a foreign national, was resident in India until August 2017 and subsequently moved to Kazakhstan.
- For the period January–March 2018, he qualified as a tax resident of both India and Kazakhstan, creating a case of dual residency.
- The Revenue sought to tax his global income in India, on the basis that Indian law treats residency for the entire financial year without recognising split-year treatment.

The taxpayer, however, invoked the India–Kazakhstan tax treaty, claiming that treaty tie-breaker rules should determine his residency for the overlapping period.

Tribunal's Key Findings

1. No concept of split residency under Indian law

The Tribunal reiterated that the Income-tax Act, 1961 determines residential status for the entire financial year, and it does not recognise split or dual residency

within a year.

2. Treaty tie-breaker rules determine residency in dual situations

Where dual residency arises the tie-breaker provisions under the tax treaty (Article 4) must be applied. Based on factors such as permanent home, centre of vital interests, and habitual abode, the Tribunal held that the taxpayer was a resident of Kazakhstan during the overlapping period.

3. Salary taxable only in the country of employment

Salary earned for services rendered in Kazakhstan was held not taxable in India, since employment was exercised in Kazakhstan, and the taxpayer was treated as a Kazakhstan resident under the treaty.

4. Treaty must be applied income-wise (source-wise approach)

The Tribunal emphasised that different streams of income must be tested under the relevant applicable treaties, not a single treaty universally.

Accordingly:

- Rental income from UK property governed by India–UK treaty is not taxable in India
- In case of Dividend from Netherlands governed by India–Netherlands treaty, the matter is remanded
- Interest income from India is taxable in India at beneficial treaty rate (10%), and not slab rates

5. Treaty overrides domestic taxation in allocation of taxing rights

The Tribunal clarified a critical principle that even if a person is resident in India under domestic law, treaty provisions can allocate taxing rights to another country for specific income.

This decision has wide implications for Expatriates and globally mobile employees, Multinational organisations managing cross-border assignments and Individuals with multi-jurisdictional income streams.

It reinforces that residency conflicts must be resolved through treaty mechanisms. Income must be

analysed treaty-by-treaty, and Beneficial treaty rates and exemptions remain available even where Indian residency exists under domestic law.

(Pradeep Narasimhan v. ITO (ITA No. 1414/Bang/2025))

Bombay High Court Refers DDT–Treaty Benefit Issue to Larger Bench — Uncertainty Continues

In a significant development concerning the erstwhile Dividend Distribution Tax (DDT) regime, the Bombay High Court in the case of Foseco India Ltd. has referred the contentious issue of applicability of treaty tax rates for computing DDT liability to a Larger Bench, owing to conflicting judicial precedents.

While the Court has not delivered a final ruling on merits, its observations suggest a prima facie inclination that DDT is a tax on the distributing company rather than on shareholders, which could potentially restrict treaty-based relief claims.

Background

The taxpayer, an Indian company, distributed dividends to UK-resident shareholders and paid DDT under Section 115-O at ~17%. It subsequently claimed that the India–UK tax treaty rates (10%/15%) should apply, seeking a refund of excess DDT paid. The Revenue rejected the claim, leading to litigation before the High Court.

Core Legal Issue

Whether DDT is a tax on the company's profits (domestic levy) or a tax on shareholders' dividend income, thereby allowing application of treaty rates?

High Court's Key Observations

1. DDT is a separate statutory levy on the company

- Section 115-O imposes additional income-tax on the company distributing dividends, not on shareholders.
- The company does not act as an agent of shareholders while paying DDT.
- No credit of DDT is available to shareholders or the company.

This supports the view that DDT is not equivalent to withholding tax.

2. Treaty provisions may not apply to DDT

Since DDT is levied on the company (a resident entity), treaty provisions relating to taxation of dividend income in shareholders' hands may not apply.

3. Reliance on precedent — Godrej & Boyce

The Court relied on earlier rulings (including affirmed Supreme Court precedent) holding that: DDT is a tax on company profits, not on shareholder income.

4. Conflicting judicial views — matter referred to Larger Bench

A Goa Bench of the Bombay High Court had earlier taken a contrary view, favouring taxpayers. Due to this conflict, the issue has now been referred to a Larger Bench for final determination.

This case revives a long-standing controversy with significant financial implications. Many companies had claimed or litigated refunds of excess DDT based on treaty rates. The outcome will impact pending litigation and refund claims under the pre-2020 DDT regime. Even though DDT has been abolished (post April 2020), legacy exposure remains substantial.

The Bombay High Court has signalled a possible judicial direction that DDT may be treated as a company-level tax outside the scope of treaty relief but the final word awaits the Larger Bench.

(Foseco India Ltd. v. ACIT (ITA No. 1123 of 2025))

Frequently Asked Questions (FAQs) on Companies Compliance Facilitation Scheme, 2026 (CCFS-2026):

The Ministry of Corporate Affairs (MCA) has issued a set of FAQs on the Companies Compliance Facilitation Scheme, 2026 (CCFS-2026) to provide clarity on the scheme's provisions and its implementation.

<https://www.mca.gov.in/bin/dms/getdocument?mds=22HU6edu63wcOynHQHHGsQ%253D%253D&type=open>

The Companies (Registration Offices and Fees) Amendment Rules, 2026

The Ministry of Corporate Affairs (MCA) has notified the Companies (Registration Offices and Fees) Amendment Rules, 2026, introducing revisions to the fee structure for filing fees associated with DIR-3 KYC compliance.

New Fee structure for Filing Form No. DIR-3 KYC Web

Sr. No.	Particulars	Fee (Rs.)
(i)	Where the form is filed within the timeline prescribed under sub-rule (1) of Rule 12A	NIL
(ii)	Where the form is filed after the due date referred to in (i), or filed for reactivation of DIN	5,000.00
(iii)	Where Form DIR-3 KYC Web is filed again at any time for updating changes under sub-rule (2) of Rule 12A	500.00 for every filing

<https://www.mca.gov.in/bin/dms/getdocument?mds=cHzM3fSmBxK31349Sdz2yg%253D%253D&type=open>

Compliance Calendar

by: Pinkesh Jain
pinkesh.jain@hscollp.in

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Due dates for the Month of Jun, 2026#

Regulation	Due Date	Compliance	Description
Companies Act, 2013	30-Jun-26	DPT 3	Filing of Form DPT 3 (Return of Deposits) for FY 2025-26
Foreign Trade (Development and Regulation) Act, 1992	30-Jun-26	IEC Code	Mandatory Annual Renewal of Import Export Code.
LLP Act	31-May-26	Form 11	Annual Return for FY 2024-25 to be filed by an LLP in form 11
Income Tax Act, 1961	7-Jun-26	TDS/TCS	Due date for deposit of Tax deducted/collected for the month of May, 2026"
	15-Jun-26	TDS/TCS	Quarterly TDS certificates (in respect of tax deducted for payments other than salary) for the quarter ending March, 2026
	15-Jun-26	Advance Tax	First instalment of advance tax for the assessment year 2026-27
	15-Jun-26	TDS/TCS	Certificate of tax deducted at source to employees in respect of salary paid and tax deducted during Financial Year 2025-26
	30-Jun-26	Equilisation Levy	Furnishing of Equalisation Levy statement for the Financial Year 2025-26"
	30-Jun-26	Form 64C	Certificate for income paid by AIF
	15-Jun-26	Form 64D	Statement of income paid or collected by AIF
Goods and Service Tax (GST)	10-Jun-26	GSTR 7	Summary of Tax Deducted at Source (TDS) and deposited for the month of May 2026
	10-Jun-26	GSTR 8	Summary of Tax Collected at Source (TCS) and deposited by E-Commerce Operator for the month of May 2026
	11-Jun-26	GSTR-1	Return of outward supplies of taxable goods and/or services for the Month of May 2026 (for Assesses having turnover exceeding 5 Cr.)
	13-Jun-26	IFF-QRMP	Option of uploading Invoices for May 2026 using Invoice Furnishing Facility (IFF) applicable to tax payers opted for Quarterly Return Monthly Payment (QRMP) Scheme
	13-Jun-26	GSTR 6	Return for Input Service Distributors for the month of May 2026
	20-Jun-26	GSTR-3B	Simple Monthly GSTR return for the Month of May 2026
	25-Jun-26	P a y m e n t - QRMP	Payment of liability by taxpayers liable to file quarterly GSTR return for the Month of May 2026
PT Act 1975 (Employee)	30-Jun-26	PT Employees	PT Payment for the month of May, 2026
Employees' Provident Funds & Miscellaneous Provisions Act, 1952	15-Jun-26	PF Payment	PF Payment for the month of May, 2026
Employees' State Insurance Act, 1948 - (ESIC)	15-Jun-26	ESIC Payment	ESIC Payment for the month of May, 2026

The above due date calender contains compliances generally applicable to taxpayers and this calender has been compiled by HSCo on basis of data available on various portals and other sources. One should always check applicable compliances based on their business needs and should also check updated due dates, if any, on the government portal before making the compliance.

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