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Monthly Newsletter Series

June 2026 | Vol 155

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## **IRs 400 crore agricultural income but no land: CBDT digs up names of rich 'farmers' without farms**

The Central Board of Direct Taxes (CBDT) has detected several cases in which taxpayers claimed exemption on agricultural income despite declaring no land holdings, according to a report by The Times of India.

Using data analytics tools, tax authorities identified more than 300 suspicious cases where individuals claimed tax-exempt agricultural income ranging from Rs 50 lakh to as high as Rs 400 crore, even though the size of land declared by them was shown as zero.

Officials said that in 310 such cases, the total amount of exemption claimed amounted to Rs 2,038 crore, representing significant tax revenue foregone by the government.

Investigations by the Income Tax Department revealed multiple methods allegedly used to make "non-genuine" agricultural income claims. In several cases, capital gains arising from land sales were reportedly passed off as agricultural income to avoid taxation. Officials found instances where land sold to real estate developers was falsely projected as farm-related earnings.

<https://economictimes.indiatimes.com>

## **New Income Tax law aims to build transparent, tech-driven ecosystem for taxpayers: Official**

The new Income Tax Act rolled out last month aims to reduce litigation, simplify compliance and build a transparent, technology-driven ecosystem for taxpayers, a senior official said here on Tuesday.

Vivek Wadekar, the Principal Chief Commissioner of Income Tax (Pr-CCIT), Pune, speaking about the transition from the six-decade-old Income Tax Act of 1961, said the earlier legislation had become "bulky" after more than 4,000 amendments, often leading to disputes due to varying interpretations of provisions.

<https://economictimes.indiatimes.com>

## Extension of timeline for implementation of mandatory "Ship To GSTIN" and Voluntary Closure of E-Way Bill functionalities

Reference is invited to the GSTN Advisory dated 20.05.2026, wherein it was informed that the following functionalities would be implemented in the E-Way Bill system with effect from **15th June, 2026**:

1. Mandatory capture of "Ship To GSTIN" in Bill-To/Ship-To transactions; and
2. **Voluntary Closure of E-Way Bill** functionality.

Representations have been received from trade and industry seeking extension of the implementation timeline, citing the requirement of system changes, testing, API/ERP readiness and master data updation across the taxpayer ecosystem.

In view of the above, and to facilitate smooth transition and adequate preparedness by taxpayers, GSPs, ERP providers and other stakeholders, it has been decided to extend the implementation timeline for both the above functionalities.

Accordingly, the mandatory capture of "Ship To GSTIN" in Bill-To/Ship-To transactions and the **Voluntary Closure of E-Way Bill** functionality shall be implemented with effect from **1st August, 2026**, instead of **15th June, 2026**.

Taxpayers, GSPs, ERP providers and other stakeholders are advised to complete the necessary system changes, testing and operational preparedness before the revised implementation date.

### Important Update: New Requirement for GST Refund Applications

Advisory dated 18 May 2026 | Effective immediately

The GST portal has introduced a new mandatory process for filing refund applications that involve accumulated Input Tax Credit (ITC). Instead of uploading a PDF as done earlier, taxpayers must now use a prescribed Excel-based offline utility to submit Annexure-B. This change is effective immediately and applies to all refund applications going forward.

### Who does this apply to?

This new requirement applies to taxpayers claiming refunds under any of the following four categories:

- Export of Goods or Services without payment of tax (accumulated ITC)
- Supplies made to SEZ Units or SEZ Developers without payment of tax
- Refunds due to Inverted Tax Structure [Section 54(3)(ii)]
- Export of Electricity without payment of tax (accumulated ITC)

### What has changed?

Earlier, Annexure-B was submitted as a PDF document. Now, taxpayers must download an Excel-based offline utility from the GST portal, enter the required invoice details in it, generate a JSON file from the utility, and upload that JSON file while filing the refund application on Form RFD-01.

### How to fill the offline utility

Please keep the following points in mind while entering data in the utility:

- Invoice details must be entered HSN/SAC code-wise. If a single invoice has multiple HSN/SAC codes or covers different categories (Inputs, Input Services, Capital Goods), it must be split into separate line items accordingly.
- Each line item should correspond to only one HSN/SAC code and one category of input supply.
- Invoice value and tax amounts must be proportionately distributed across the split line items.
- The utility has two tables: Table 1 for ITC reversal details, and Table 2 for HSN/SAC-wise inward invoice details. Both must be filled correctly.

**Note: Please read the 'Read Me' section (Point 6) in the utility carefully before entering any data to avoid validation errors.**

### Reporting ITC reversals

Reversals under Rules 38, 42, 43 and Section 17(5) of the CGST Act must match what has been reported in the corresponding month's GSTR-3B. If you are using multiple utility files (due to more than 10,000 entries), enter reversal amounts only in the last file. All earlier files should show reversal amounts as zero.

## Upload limits at a glance

Parameter	Limit
Line items per utility file	10,000
Utility files per application	25 files
Total line items per application	2,50,000

If line items exceed 2, 50,000, the remaining invoices can be attached as PDF supporting documents.

### What happens after upload?

After the JSON file is uploaded, the system validates the invoices against GSTR-2B data. Valid and invalid documents are shown in separate reports.

- For invoices belonging to GSTR-2B periods up to October 2024, the system will not validate against GSTR-2B data. A generic message will appear on screen, but these invoices will still be treated as valid. This is normal system behaviour — not an error. You can proceed with filing.
- For invoices from November 2024 onwards, any mismatches will be shown in an 'Invalid Documents' report which must be reviewed before submission.

### Quick tips to avoid errors

- Always close any older version of the utility before opening the new one.
- When copying and pasting dropdown values, make sure the text matches exactly — even a single extra space can cause a validation error.
- Do not edit the JSON file after it has been generated. If any changes are needed, make them in the Excel utility, revalidate, and generate a fresh JSON file.
- Do not rename the JSON file after it is created, as this will cause upload issues.
- Avoid extra spaces in supplier names or other fields.
- After uploading all JSON files, review the consolidated ITC summary carefully before final submission.

## **GSTAT — Relaxed Appeal Filing Norms Extended till 31 December 2026 (14 May 2026)**

The GST Appellate Tribunal, Principal Bench, New Delhi, issued an order dated 14 May 2026 extending earlier procedural relaxations for filing appeals on the

GSTAT Portal until 31 December 2026, citing difficulties faced by appellants during the initial implementation phase. Scrutiny officers have been directed not to raise defects where appellants upload soft copies of essential documents such as show cause notices, orders-in-original, orders-in-appeal, statements of facts, grounds of appeal, proof of pre-deposit, and court fee documents.

Importantly, for orders communicated before 1 April 2026, appeals before GSTAT must be filed by 30 June 2026. For orders communicated on or after 1 April 2026, the appeal must be filed within three months from the date of communication. The 31 December 2026 date only relates to scrutiny relaxation — not the filing deadline.

## RBI Liberalises Online Outward Remittance Framework — Approval Regime Replaced with Compliance-Based Model

In a significant move towards digitisation and ease of doing business in cross-border payments, the Reserve Bank of India (RBI) has revamped the operational framework for facilitating outward remittance services through non-bank online platforms.

This marks a major policy shift by eliminating the requirement for prior RBI approval for tie-up arrangements between non-bank entities and Authorised Dealer Category-I (AD Category-I) banks for facilitating outward remittances for non-trade current account transactions.

### Key Regulatory Shift

#### RBI approval requirement dispensed with

Earlier, paragraph 10 of the Master Direction – Miscellaneous (2016) required non-bank entities facilitating outward remittances through digital platforms to obtain specific RBI approval for tie-up arrangements with AD banks. The RBI has now deleted paragraph 10 entirely, and replaced the approval-based regime with a compliance-driven framework.

This effectively allows AD banks to independently partner with third-party online remittance platforms, subject to prescribed safeguards.

#### Scope of the Framework

The revised framework applies to outward remittance services for non-trade current account transactions, facilitated through websites, online platforms, software applications, mobile applications, or other digital interfaces operated by third-party entities.

#### Enhanced Responsibilities for AD Banks

While liberalising approvals, the RBI has simultaneously imposed stringent obligations on AD banks.

#### 1. Full FEMA and KYC responsibility retained

AD banks remain solely responsible for FEMA

compliance, and fully accountable for KYC and due diligence obligations. The outsourcing of customer interface does not dilute regulatory accountability.

#### 2. Mandatory transparency to customers

The framework mandates prominent disclosure of FX rates and validity period, interbank rate and mark-up, service charges, expected beneficiary credit timelines, grievance redressal details, and identity and role of the AD bank. This represents a strong consumer protection and pricing transparency measure.

#### 3. Strengthened data privacy and cybersecurity controls

AD banks must ensure explicit customer consent for data collection, compliance with the Digital Personal Data Protection (DPDP) Act, adherence to RBI cybersecurity standards, and robust operational resilience frameworks.

#### 4. Funds cannot pass through third-party accounts

A critical safeguard introduced by the RBI is that remitter funds must never flow into the account of the third-party platform in India. Transactions must move strictly from remitter's bank account to the beneficiary's bank account.

#### 5. Detailed contractual framework mandated

The agreement between AD banks and third-party entities must specifically address data privacy, risk management, audit rights, dispute resolution, FEMA compliance, refund mechanisms, and customer protection obligations.

#### Why this matters

The circular reflects RBI's broader regulatory philosophy promoting fintech-enabled remittance innovation, reducing regulatory bottlenecks, and strengthening consumer protection through supervised bank accountability.

The move is expected to accelerate digital remittance ecosystems, enable faster fintech-bank collaborations, and improve customer experience

in outward remittance transactions.

At the same time, AD banks will face enhanced compliance expectations, greater operational responsibility, and increased oversight obligations.

Banks and fintech platforms should now revisit partnership agreements, strengthen customer disclosure systems, enhance cybersecurity and data governance frameworks, and ensure end-to-end FEMA compliance readiness.

**(A.P. (DIR Series) Circular No. 10 dated 13 May 2026)**

## Delhi ITAT Clarifies Taxability of Export-Linked Royalty — Situs of Income Prevails Over Situs of Receipt

In a significant ruling on the taxation of cross-border royalty arrangements, the Delhi Bench of the Income-tax Appellate Tribunal (ITAT) in the case of Amphenol FCI Asia Pte Ltd. has held that the location of income-generating activities (“situs of income”) — and not merely the location of overseas customers or receipt of sale proceeds — determines whether royalty payable to a non-resident qualifies for exclusion from Indian taxation under Section 9(1)(vi)(b) of the Income-tax Act, 1961.

The ruling is particularly relevant for multinational groups receiving royalty linked to export sales from Indian manufacturing entities.

### Background

The taxpayer, a Singapore-based company, licensed intellectual property rights (IPRs), patents, trademarks, copyrights and know-how to its Indian associated enterprises for manufacturing and sale of products. Royalty attributable to domestic sales was offered to tax in India. However, royalty linked to export sales was claimed to be exempt on the basis that the income arose from a source outside India.

The Revenue disputed this claim, contending that the products were manufactured in India using the licensed IPRs, and therefore, the source of income remained situated in India.

### Tribunal's Key Findings

#### 1. Situs of income — not situs of receipt — is determinative

The Tribunal reaffirmed that the location of customers or receipt of export proceeds does not determine the “source of income.” Instead the critical test is where the income-generating activity takes place.

Since the products were manufactured in India using licensed intellectual property, the Tribunal observed that the royalty income could still be regarded as arising from a source situated in India.

#### 2. Overseas buyers are only source of receipt, not source of income

Relying heavily on the Delhi High Court ruling in

Havells India Ltd., the Tribunal held that overseas buyers merely represent the source of receipts, whereas the source of income is created through manufacturing and contractual activities.

#### 3. Earlier Madras HC ruling distinguished

The taxpayer relied on Aktiengesellschaft Kuhnle Kopp, where royalty linked to export sales was held non-taxable. However, the Tribunal distinguished that ruling because it related to pre-1976 law, and preceded later amendments to Section 9.

#### 4. Matter remanded for factual verification

While broadly agreeing with the Revenue's legal position, the Tribunal remanded the matter for fresh examination of critical facts, including place of signing of export contracts, and jurisdiction where such royalty income was offered to tax.

Importantly, the Tribunal clarified that the place of contract execution is only one relevant factor — not the sole determining criterion for situs of income.

#### Why this ruling matters

This decision narrows the scope of the exclusion available under Section 9(1)(vi)(b) for export-linked royalty payments. It has important implications for multinational licensing structures, contract manufacturing arrangements, and royalty models linked to exports from India.

The ruling reinforces a substance-oriented approach that where manufacturing and core value creation occur in India, royalty may continue to remain taxable in India despite overseas sales.

The Delhi ITAT has reaffirmed a crucial principle that the situs of income depends on where value-generating activities occur — not merely where customers are located or payments are received. The ruling underscores increasing judicial focus on the economic nexus and functional source of income in cross-border royalty taxation.

*(Amphenol FCI Asia Pte Ltd. v. ACIT (ITA No. 1851/Del/2022))*

## **Procedure to be followed in case of transfer of interest of a member in a company not having share capital**

By present modification the Rule 11 of the Companies (Share Capital and Debentures) Rules, 2014 has been amended. For Company with no share capital, the Ministry of Corporate Affairs (MCA) has now laid down the procedure to be followed for transfer of interest of a member in a company. Now, it is mandated to use form SH-4 for transfer of interest of member in case of a company limited with guarantee (i.e. having no share capital).

<https://www.mca.gov.in/bin/dms/getdocument?mds=9LG8Jaei95YsmyZ9XZ3eCw%253D%253D&type=open>

## **Amendment to Section 467 of the Companies Act (Power of the Central Government to Amend Schedules)**

The Central Government makes amendment to Schedule VII and now following new item (xiii) is inserted in Schedule VII

**“Subscription to zero coupon zero principal instruments on Social Stock Exchange”**

<https://www.mca.gov.in/bin/dms/getdocument?mds=xzeqwefP%252FSW%252Fvr%252B8Y%252FNHKw%253D%3D&type=open>

## **Amendment to Section 135 of the Companies Act, 2013**

The Ministry of Corporate affairs has made amendment to Section 135 (Corporate Social Responsibility) under the Companies Act, 2013. Now, “Subscription to zero coupon zero principal instruments on Social Stock Exchange have been included among the activities that qualify under CSR activities allowed to be undertaken under Section 135 by the companies.

<https://www.mca.gov.in/bin/dms/getdocument?mds=uVuliv0Uu%252BB9uZpsyUH8Eg%253D%253D&type=open>

# Compliance Calendar

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Due dates for the Month of Jul, 2026#

Regulation	Due Date	Compliance	Description
Income Tax Act, 1961	7-Jul-26	TDS/TCS	Due date for deposit of Tax deducted/collected for the month of June, 2026
	15-Jul-26	TCS	Quarterly TCS Return in respect of tax collected at source for the quarter ending June, 2026
	31-Jul-26	TDS	Quarterly TDS Return for the quarter ending June, 2026
	31-Jul-26	ITR 1 & 2	Individuals and HUFs not subject to Tax Audit (ITR-1 and ITR-2)
Goods and Service Tax (GST)	10-Jul-26	GSTR 7	Summary of Tax Deducted at Source (TDS) and deposited for the month of June, 2026
	10-Jul-26	GSTR 8	Summary of Tax Collected at Source (TCS) and deposited by E-Commerce Operator for the month of June, 2026
	11-Jul-26	GSTR-1	Return of outward supplies of taxable goods and/or services for the Month of June, 2026 (for Assesses having turnover exceeding 5 Cr.)
	13-Jul-26	GSTR -1-QRMP	Return of outward supplies of taxable goods and/or services for the Q1 (April- June) , 2026 (for Assesses having turnover below 5 Cr.)
	13-Jul-26	GSTR 6	Return for Input Service Distributors for the month of June, 2026
	20-Jul-26	G S T R - 3 B (Monthly)	Simple GSTR return for the month of June, 2026 for assessee having monthly periodicity
	22-Jul-26	G S T R - 3 B (Quarterly)	Simple GSTR return for the Quarter of Apr-June, 2026 for assessee having Quarterly periodicity
Foreign Exchange Management Act, 1999	15-Jul-26	FLA	Annual return on Foreign Liabilities and Assets (FLA) to be submitted by all the companies which have received FDI and/or made overseas investment.
PT Act 1975 (Employee)	15-Jul-26	PT Employees	PT Payment for the month of June, 2026
Employees' Provident Funds & Miscellaneous Provisions Act, 1952	15-Jul-26	PF Payment	PF Payment for the month of June, 2026
Maharashtra Labour Welfare Fund	31-Jul-26	MLWF Payment	MLWF Payment for the period Jan-June, 2026
Employees' State Insurance Act, 1948 - (ESIC)	15-Jul-26	ESIC Payment	ESIC Payment for the month of June, 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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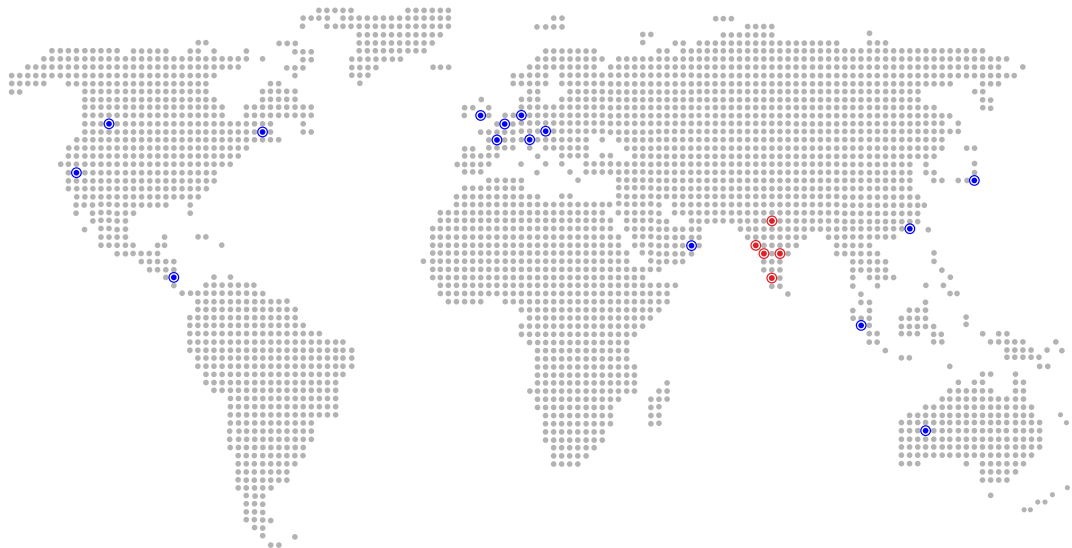
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