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Monthly Newsletter Series
August 2026 | Vol 157

KNOWL with an EDGE

What's Inside

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Appeal dismissed for non-compliance with Dress Code SOP

In the case of Gudari Large Sized Multipurpose Cooperative Society Ltd. v. ITO, Cuttack Tribunal dismissed the assessee's appeal solely on the ground that the assessee's authorised representative, who appeared through virtual mode, was not dressed in the uniform prescribed under the Standard Operating Procedure (SOP) governing virtual appearances before the Tribunal.

Without examining the merits of the appeal, the Bench held that since the authorised representative was not in the prescribed uniform, the appeal was liable to be dismissed.

https://itatonline.org

Govt offers new tax breaks in bid to lure foreign capital; long-term exemptions across electronics, data centres

The sectors to benefit from the latest set of tax reliefs and relaxations include data centres and rough diamond trading.

In a move that will help boost foreign capital inflows, the government has proposed a slew of tax concessions under a new Bill.

The Taxation and Other Laws (Amendment) Bill, 2026, expected to be presented in the Parliament this week, offers long-term tax holidays for a clutch of sectors, and extends the waivers for some others. It also eases the conditions for India-domiciled foreign funds to avail tax exemption on their global income.

The existing tax break for foreign companies providing capital goods and machinery to contract manufacturers and warehouses in the electronics sector has been extended by 10 years through March, 2041. The move will come in handy for Big Tech companies including Apple and Google who plan to scale up manufacturing in India over the next few years.

https://www.financialexpress.com

Tax appeal backlog concerning: FM

FM Sitharaman Urges CBDT to Slash 5.4 Lakh Pending Tax Appeals

Finance Minister Nirmala Sitharaman on Friday called upon the Central Board of Direct Taxes (CBDT) to take concerted action to reduce the high number of pending tax appeals. While a lot of work has been done to reduce litigation and simplify processes for the taxpayer, much more needs to be done, she said.

“Total pendency declined by over 34,000 cases to now 5.4 lakh appeals. No good,” Sitharaman said. “I would have thought the pending appeals would have come down to less than 1 lakh. We still have 5.4 lakh appeals,” the minister said at an event commemorating the 167th Income Tax Day here.

While pending appeals are being disposed of quicker than earlier, the number of new appeals keeps mounting, Sitharaman said.

https://www.financialexpress.com

Bogus Purchase Addition Deleted once Sales are accepted & Purchases are supported by GST documents

In the case of M/s Diach Chemicals & Pigments Pvt. Ltd, ITAT Kolkata held that purchases cannot be branded bogus merely on search statements or suspicion when corresponding sales to M/s Exide Industries Ltd. The Tribunal highlighted that the assessee maintained fully audited books with no adverse remarks, conducted yield reconciliations proving raw material consumption, routed all payments through banking channels, and received direct confirmations from suppliers under Section 133(6). Furthermore, the suppliers held valid GST registrations, filed GSTR-1 and GSTR-3B returns, and the input tax credit stood allowed by GST authorities. The ITAT directed complete deletion of the addition for AY 2019-20 and applied the same ruling to AY 2020-21.

https://itatonline.org

Crypto exchanges to collect tax residency, ID details of users under new CBDT framework

India now requires crypto exchanges to collect user tax residency details. Digital asset intermediaries must share transaction data annually with tax authorities. This aligns with the OECD's global Crypto Asset Reporting Framework. The Central Board of Direct Taxes issued a detailed compliance framework for reporting. Data sharing with participating jurisdictions begins next financial year.

https://economictimes.indiatimes.com/news/economy/finance

FM urges officials to make claims easy for tax payers

Union finance minister Nirmala Sitharaman urged the income tax (I-T) department to work for the benefit of common people without making them run from pillar to post.

She also said that she is not asking the officials to break the rules or do something out of the way for the common citizens but rued that it takes a lot of effort in this country for people to get their rightful claims.

Citing the challenges faced by the department in getting permissions to construct a building in the Nariman Point business district, which she inaugurated, Sitharaman said these experiences, despite serving in the Indian Revenue Service (IRS), would have given them an idea of what the common man goes through.

She also went public with her disappointment at the 'laidback' nature of government departments, which leads to illegal occupation or encroachments on government lands and underlined the need for integrity in conduct from all officials.

An IRS officer has the name of the income tax department behind him, a "powerful force to frighten people", Sitharaman reminded, adding that despite this, the officials had to run from pillar to post to get clearances from authorities to proceed with work on the 13 floor building.

"Can this incentivise you to understand the position of a common citizen when he approaches you? Don't make them run from pillar to post where your authority is required; do the work for them," the finance minister said.

The land parcel on which Aaykar Sindhu, the 1.13 lakh sq ft building, is built, had been with the I-T department since 1973, finance minister Sitharaman said, adding that despite this, illegal occupations had sprouted up on the land.

https://www.pressreader.com/foryou

India proposes tax relief for offshore funds using local managers

India has proposed tax law amendments to shield offshore investment funds from Indian tax liabilities when they route investments through India-based fund managers, a draft bill showed.

The proposed change comes as the country faces significant foreign outflows, prompting the government to take measures to attract overseas investors by easing access. Investors have long complained about aggressive tax administration in India.

https://economictimes.indiatimes.com/news

Can ESOP buyback payouts be taxed as capital gains? ITAT order offers hope for startup employees

In a recent order, the Bengaluru bench of the Income Tax Appellate Tribunal (ITAT) remanded the case of a former Flipkart employee to the Commissioner of Income Tax (Appeals), directing it to examine the matter on merits in light of the Karnataka High Court's ruling in Manjeet Singh Chawla vs Deputy Commissioner of TDS.

The dispute relates to nearly Rs.39.74 lakh received by the employee from the buyback of vested stock options. While the taxpayer reported the amount as capital gains, the Income Tax Department treated it as salary after noting that the employer had deducted tax at source (TDS) under the salary provisions and reflected the payment in Form 16.

The order could strengthen the case for taxing payouts from vested but unexercised ESOPs as capital gains instead of salary.

https://www.livemint.com

Advisory on Keeping on Hold the Proposed e-Way Bill Enhancements

GSTN has issued an advisory keeping the proposed enhancements to the e-Way Bill system **on hold until further notice**. These changes were originally scheduled to go live on **August 1, 2026**.

Key points for stakeholders:

- Advisories dated **9th June 2026** and **17th June 2026**, along with the detailed FAQs issued on **2nd July 2026**, stand deferred.
- **No system or process changes are required** in the production environment based on these advisories until GSTN issues further communication.
- All related advisories and FAQs will be **withdrawn from the GST Portal**.

The enhancements trace back to an advisory originally floated around **17th May 2026**, with detailed changes and FAQs following through June and July. Two specific changes were involved:

1. **Mandatory Ship-to GSTIN capture** in specified Bill-to/Ship-to transactions — intended to help tax authorities more accurately identify the actual recipient of goods and strengthen traceability of goods movement across the supply chain.

2. **Voluntary e-Way Bill closure facility** — a new option letting taxpayers close an active e-Way Bill after delivery (or in cases like cancelled shipments), rather than letting it simply expire.

Bottom line: Taxpayers, transporters, ERP vendors, and GSPs can pause any development or testing work tied to these changes — GSTN will notify a fresh timeline when ready.

GST Portal Update: Additional Verification Added for TRN-Based Registration Access

The GST Portal has introduced an added security check for applicants accessing their registration application through a **Temporary Reference Number (TRN)**.

What's changed:

	Requirement
Earlier	TRN + CAPTCHA Code
Now	TRN + Registered E-mail Address + CAPTCHA Code

Applicants must now enter the **TRN, their registered e-mail address, and the CAPTCHA code** to proceed and complete OTP verification — the e-mail address must match the one provided at the time the TRN was generated.

Why: The additional field has been introduced to strengthen the verification process and prevent unauthorised access to GST registration applications.

Action: Taxpayers, professionals, and other stakeholders accessing pending registration applications on the GST Portal should take note of this revised procedure.

Case Law Update: Gauhati High Court Allows Exclusion of Time Spent in Rectification Proceedings While Computing Limitation for Appeal under Section 107

The GST Portal has introduced an added security check for applicants accessing their registration application through a **Temporary Reference Number (TRN)**.

Background

Section 107(1) of the CGST Act allows a person aggrieved by an order of an Adjudicating Authority to file an appeal before the Appellate Authority within **three months** from the date of communication of the order. Section 107(4) permits the Appellate Authority to condone a **further delay of one month** if sufficient cause is shown — but no delay beyond this can be condoned.

Separately, Section 161 of the CGST Act allows any authority to rectify an error apparent on the face of the record, either suo motu or on an application by the affected person made within three months of the order (subject to an outer limit of six months for the rectification itself).

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The Question

Can a taxpayer who first pursues rectification under Section 161 — and thereby uses up a significant portion of the limitation period for filing an appeal — claim exclusion of that time when computing the limitation period under Section 107?

What the Court Held

The Gauhati High Court drew a fine distinction:

- **Section 5 of the Limitation Act** (general condonation of delay) remains **excluded** for GST appeals, consistent with the Supreme Court's rulings in *Singh Enterprises v. Commissioner of Central Excise, Jamshedpur and Assistant Commissioner (CT) LTU, Kakinada v. Glaxo Smith Kline Consumer Health Care Ltd.*, which hold that where a special law prescribes an outer limit for condonation, courts cannot extend it further.
- However, **Section 14 of the Limitation Act** — which excludes time spent bona fide pursuing a prior proceeding — **continues to apply**, since it doesn't extend the limitation period but only changes how it is computed.

This approach follows the Supreme Court's reasoning in M.P. Steel Corporation, which applied Section 14 principles to quasi-judicial proceedings under the Customs Act, holding that a litigant who bona fide pursues the wrong remedy shouldn't be penalised for it.

Divergent Views Across High Courts

This issue remains unsettled nationally:

High Court	View
Calcutta (*S.K. Chakraborty & Sons v. Union of India*)	Section 107 does not expressly exclude Section 5 of the Limitation Act — delay beyond one month is condonable
Kerala (*Penuel Nexus Pvt. Ltd. v. Additional Commissioner*)	Section 107 is a complete code and impliedly excludes Section 5
Allahabad (*M/s Garg Enterprises v. State of U.P.*)	Same view as Kerala — Section 5 impliedly excluded

Why This Matters

This is a welcome development for taxpayers who, on receiving an adverse order, first attempt rectification under Section 161 before approaching the Appellate Authority — a sequence that often eats into the limited appeal window.

Practical Takeaway

The Section 14 benefit is **not automatic**. Taxpayers must be able to demonstrate:

1. **Due diligence and good faith** in pursuing the rectification proceeding, and
2. That the rectification proceeding **relates to the same matter in issue** as the appeal.

Recommendation: File rectification applications promptly, keep clear documentation establishing bona fides, and — where possible — file a **protective appeal** within the statutory period to avoid any dispute over limitation later.

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RBI Consolidates SRVA Framework, Expanding the Role of INR in Cross-Border Transactions

The Reserve Bank of India (RBI), through its recent Circular, has consolidated and rationalised its framework governing Special Rupee Vostro Accounts (SRVAs). The circular supersedes five earlier circulars issued between July 2022 and October 2025 and brings the evolving framework for INR-denominated cross-border transactions under a more streamlined regulatory structure.

What has changed?

Under the consolidated framework, Authorised Dealer Category-I banks in India may open SRVAs for their overseas branches or banks resident outside India. Importantly, the framework incorporates the earlier relaxation permitting AD banks to open SRVAs without prior RBI approval, reducing procedural friction for participating banks.

While SRVAs were initially developed as an additional mechanism for invoicing, payment and settlement of exports and imports in Indian Rupees, the consolidated framework expressly provides that all permissible current and capital account transactions under FEMA may be settled through SRVAs. This considerably expands the potential utility of these accounts beyond trade settlement.

SRVAs may be funded through inward remittances, transfers from other repatriable INR accounts and proceeds from permissible current and capital account transactions. Investments in debt instruments using SRVA balances will be governed by RBI's Non-resident Investment in Debt Instruments Directions, 2025, as amended from time to time.

The framework also retains the ability of AD banks maintaining SRVAs to open additional current accounts for exporters and importers exclusively for settling export/import transactions.

A notable new administrative measure is the periodic publication of details of SRVAs maintained by overseas correspondent banks in the SRVA Directory published by FEDAI, which should enhance visibility of participating banking arrangements. The Annex to the circular specifically identifies this directory requirement as a new addition.

Strategic Significance

The consolidation should be viewed in the context of India's broader effort to facilitate the international use of the Indian Rupee.

By allowing SRVAs to support permissible FEMA transactions beyond trade, easing account-opening requirements and enabling eligible deployment of balances into debt instruments, RBI is progressively building an ecosystem in which overseas entities can receive, hold, deploy and transact in INR more efficiently.

This may be particularly relevant amid increasing diversification of global payment arrangements and efforts by businesses to reduce dependence on intermediary currencies for bilateral transactions. Greater INR settlement can potentially reduce currency-conversion costs and foreign-exchange exposure for Indian businesses where counterparties are willing to invoice and settle directly in rupees.

RBI's July 2026 circular is primarily a consolidation and rationalisation exercise, but its significance lies in the framework it brings together. SRVAs have evolved from a mechanism focused on trade settlement into a broader channel capable of facilitating permissible current and capital account transactions under FEMA.

For banks, exporters, importers and overseas counterparties, the consolidated framework provides greater regulatory clarity and operational flexibility. More strategically, it represents another incremental step towards deepening the international use of the Indian Rupee and developing a more INR-centric cross-border financial ecosystem.

A.P. (DIR Series) Circular No. 19 dated 17 July 2026

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India Branch Expenses: Mumbai ITAT Clarifies the Scope of Head Office Expenditure under Section 44C

The Mumbai Bench of the Income-tax Appellate Tribunal (ITAT), in DCIT v. *Standard Chartered Bank* (ITA Nos. 4247 & 4275/Mum/2025), has provided important guidance on the deductibility of expenses incurred by foreign enterprises operating through branches in India. The Tribunal held that salary costs of expatriate employees working exclusively for the Indian branch were fully deductible and could not be subjected to the restriction applicable to head office (HO) expenditure under Section 44C of the Income-tax Act, 1961.

Background

Standard Chartered Bank, a UK-based banking company, operated in India through a branch constituting its Permanent Establishment (PE). Certain expatriate employees were deputed to India for two to three years and worked exclusively for the Indian branch. Part of their salaries was paid in India, while the balance was initially paid overseas by the HO and subsequently reimbursed by the Indian branch.

The Revenue sought to treat the overseas salary component as "head office expenditure" under Section 44C, thereby restricting the deduction to the statutory ceiling. It also restricted certain other HO expenses under Section 44C. The Bank argued that the expatriate salaries were fully deductible under Section 37(1), while the restriction on other HO expenses was contrary to the non-discrimination clause under the India–UK tax treaty.

Tribunal's Ruling

The Tribunal drew an important distinction between expenses incurred for the Indian business and common executive and administrative expenses of the foreign HO.

It observed that deductibility depends upon the nature and character of expenditure, rather than where the payment originates. Since the expatriates worked exclusively for the Indian branch, their salaries were neither expenses for managing an overseas office nor common HO overheads requiring allocation between Indian and overseas operations. Accordingly, Section 44C did not apply, and the expenditure was deductible under Section 37(1) read with Article 7 of the India–UK treaty.

On other HO expenditure, however, the Tribunal rejected the proposition that Section 44C is inherently discriminatory merely because it applies to non-resident enterprises. It observed that Article 7 of the India–UK treaty permits domestic law limitations to operate in determining PE profits. Where expenditure represents common executive and administrative overheads of the foreign HO, Section 44C may therefore apply.

However, since the Revenue had not identified the precise nature of the HO expenses, the Tribunal remanded the matter for fresh examination, including the interaction between Section 44C and the treaty's non-discrimination clause.

The ruling reinforces that the place of payment does not determine whether an expense constitutes head-office expenditure. The nature, purpose and nexus of the expense are critical. Foreign banks and multinational enterprises operating through Indian branches should therefore distinguish expenses incurred exclusively for Indian operations from common HO costs requiring allocation.

The decision is particularly significant following the Supreme Court's ruling in American Express Bank, as it indicates that Section 44C should not be applied mechanically to every expense incurred or initially paid by a foreign HO. At the same time, the Tribunal's treatment of the non-discrimination clause suggests that treaty protection against Section 44C restrictions requires a fact-specific analysis of the expenditure and the language of the applicable treaty, rather than providing a blanket override of domestic law.

DCIT v. Standard Chartered Bank (ITA Nos. 4247 & 4275/Mum/2025)

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Extension of the Companies Compliance Facilitation Scheme, 2026 (CCFS-2026)

The Ministry of Corporate Affairs (MCA) has extended the last date of Companies Compliance Facilitation Scheme, 2026 (CCFS- 2026) upto 31st August, 2026

The Companies can now avail the benefit of the scheme by filing their pending Annual Filing forms for the previous years upto 31st August, 2026

https://www.mca.gov.in/bin/dms/getdocument?mds=xwGPm7oa6c44FD0N2foavA%253D%253D&type=open

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Due dates for the Month of September, 2026#

Regulation	Due Date	Compliance	Description
The Companies Act, 2023	30-Sep-26	AGM	Every company other than a One Person Company shall in each year hold in addition to any other meetings, a general meeting as its annual general meeting
	30-Sep-26	FC - 03 (Liaison Offices)	Annual Accounts along with the list of all the principal places of business in India, by foreign company having a liaison office in India
Income Tax Act, 1961	7-Sep-26	TDS/TCS	Due date for deposit of Tax deducted/collected for the month of Aug, 2026
	15-Sep-26	Advance Tax	Second instalment of advance tax for the Financial Year 2026-27
	30-Sep-26	Tax Audit (Sec 44AB)	Due date for filing of audit report under section 44AB for the Financial Year 2026-27 in the case of a corporate-assessee or non-corporate assessee (who is required to submit his/its return of income on October 31, 2026)
	30-Sep-26	Audit Report (Sec 115JB)	Furnishing report u/s 115JB in Form No. 29B for computing the book profits of the company during the previous year 2025-26 (if the assessee is required to submit return of income on October 31, 2026)
	30-Sep-26	Audit Report (Sec 115JC)	Furnishing report u/s 115JC in Form No. 29C for computing adjusted total income and AMT of the person other than company during the previous year 2025-26 (if the assessee is required to submit return of income on October 31, 2026)
	30-Sep-26	Slump Sale (Sec 50B)	Furnishing report in Form No. 3CEA relating to computation of capital gains in case of slump sale taxable u/s 50B (if the assessee is required to submit return of income on October 31, 2026)
	30-Sep-26	Form 10B/10BB	Furnishing of Audit report in Form no. 10B/10BB by a fund or trust or institution or any university or other educational institution or any hospital or other medical institution
Goods and Service Tax (GST)	10-Aug-26	GSTR 7	Summary of Tax Deducted at Source (TDS) and deposited for the month of Aug, 2026
	10-Aug-26	GSTR 8	Summary of Tax Collected at Source (TCS) and deposited by E-Commerce Operator for the month of Aug, 2026
	11-Aug-26	GSTR -1	Return of outward supplies of taxable goods and/or services for the Month of Aug, 2026 (for Assesses having turnover exceeding 5 Cr.)
	13-Aug-26	IFF-QRMP	Option of uploading Invoices for Aug 2026 using Invoice Furnishing Facility (IFF) applicable to tax payers opted for Quarterly Return Monthly Payment (QRMP) Scheme
	13-Aug-26	GSTR 6	Return for Input Service Distributors for the month of Aug, 2026
	20-Aug-26	GSTR-3B (Monthly)	Simple GSTR return for the month of Aug, 2026 for assessee having monthly periodicity
	25-Aug-26	Payment - QRMP	Payment of liability by taxpayers liabile to file quarterly GSTR return for the Month of Aug 2026
PT Act 1975 (Employee)	15-Sep-26	PT Employees	PT Payment for the month of Aug, 2026
Employees' Provident Funds & Miscellaneous Provisions Act, 1952	15-Sep-26	PF Payment	PF Payment for the month of Aug, 2026
Employees' State Insurance Act, 1948 - (ESIC)	15-Sep-26	ESIC Payment	ESIC Payment for the month of Aug, 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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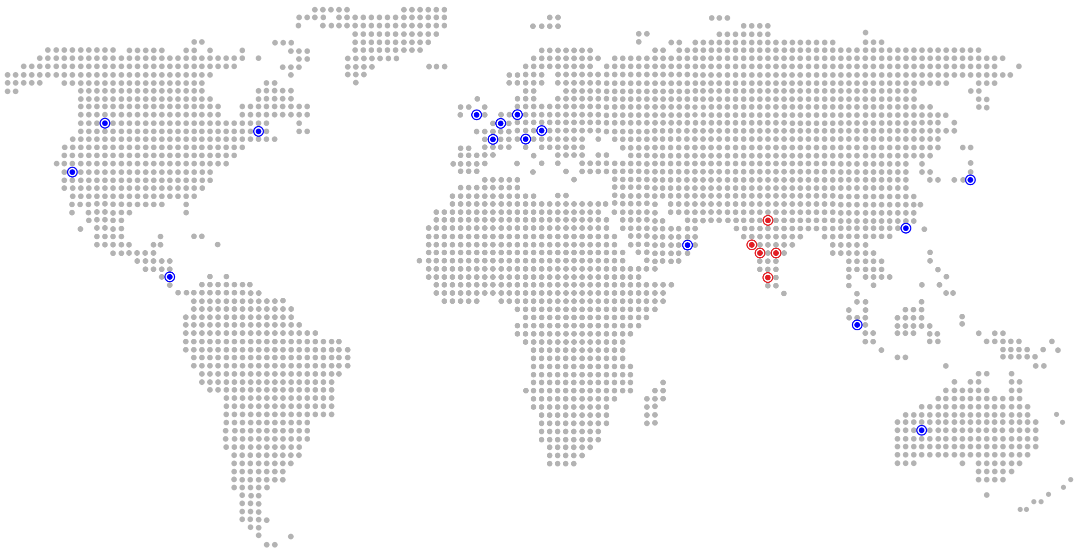

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