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Tax Street

A flagship publication that captures key developments in the areas of Tax and Regulatory environment

April 2026

Introduction

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We are pleased to present the latest edition of Tax Street– our newsletter that covers all the key developments and updates in the realm of taxation in India and across the globe for the month of April 2026.

- The 'Focus Point' discusses how extraordinary global events like war are reshaping established tax frameworks, disrupting residency and taxation norms, and creating complex residency, PE, and cross-border compliance challenges for individuals and businesses.
- Under the 'From the Judiciary' section, we provide in brief, the key rulings on important cases, and our take on the same.
- Our 'Tax Talk' provides key updates on the important tax-related news from India and across the globe.
- Under 'Compliance Calendar', we list down the important due dates with regard to direct tax, transfer pricing and indirect tax in the month.

We hope you find our newsletter useful and we look forward to your feedback.

You can write to us at taxstreet@nexdigm.com. We would be happy to hear your thoughts on what more can we include in our newsletter and incorporate your feedback in our future editions.

Warm regards,
The Nexdigm Team

Focus Point

Impact of War on the Tax World

Introduction: War Beyond Borders – A Tax Perspective

War is generally viewed through the prisms of geopolitics, diplomacy, and macroeconomics. However, its impact extends far beyond these traditional domains and penetrates deeply into the global tax ecosystem. In an interconnected world where individuals and businesses operate across jurisdictions, even regional conflicts can disrupt established tax norms and create complex compliance challenges.

Modern tax systems are largely built on principles such as physical presence, territorial nexus, and clearly identifiable economic activity. War disrupts each of these assumptions. It forces individuals to relocate unexpectedly, compels businesses to restructure operations, and interrupts cross-border mobility, all of which directly affect how tax laws apply.

Impact on Individuals: Residency, Income, and Unintended Consequences

Disrupted Tax Residency

One of the most immediate consequences of war is its impact on an individual's tax residency. Under Indian tax law, residential status is governed by Section 6 of the IncomeTax Act, 2025 ('ITA'), which is primarily determined based on the number of days an individual spends in India.

An individual becomes a resident if they are present in India for 182 days or more in a financial year or satisfy the alternative 60/120-day conditions along with historical stay thresholds.

In conflict situations, individuals may find themselves stranded due to airspace closures, evacuation delays, or safety concerns. Such involuntary stays can push them beyond statutory thresholds (such as 182 days), triggering a change in residency status.

This shift is significant, as a person qualifying as a resident in India becomes liable to tax on their global income, which may result in unexpected and substantial tax liabilities for individuals who had no intention of becoming residents.

Taxability of employment income

Complications also arise in determining where employment income is taxed. Under Section 9(3) of the ITA, salary income is deemed to accrue in India if it is earned for services rendered in India. Judicial precedents have similarly affirmed that the country where employment is exercised holds the primary taxing rights.

In a situation where an employee, who ordinarily exercises employment in a foreign country, travels to India for personal or other reasons but is subsequently forced to remain in India due to airspace closures, and continues to work remotely from India, the salary attributable to services performed during such period of physical presence in India should be regarded as taxable in India. However, the applicability of short-stay exemptions or relevant tax treaty relief would need to be evaluated to determine the final tax exposure.

Dual Residency and Double Taxation

War can lead to dual residency, where an individual is a tax resident in more than one country simultaneously. This creates the risk of double taxation, as both jurisdictions may claim the right to tax the same income.

While tax treaties provide mechanisms to resolve such conflicts, their application is often complex and depends on detailed factual analysis, including factors such as permanent home, personal and economic ties, and habitual residence. The process of resolving dual residency can be time-consuming and uncertain. Moreover, this process typically necessitates detailed evaluation by tax professionals with specialized expertise, leading to high advisory costs.

Increased Compliance burden

Beyond tax liability, individuals may face heightened compliance obligations, including:

- Filing returns in multiple jurisdictions
- Maintaining detailed travel and employment records
- Managing advance tax payments and disclosures

These obligations can be particularly burdensome during already stressful circumstances.

Impact on Business: Structural and Operational Risk

Permanent Establishment (PE) Exposure

For businesses, war-induced disruptions create a different set of challenges, particularly in cross-border taxation through the concept of Place of Effective Management (POEM). etc.

If employees relocate and work remotely from another country:

- Their presence may constitute a fixed place of business, or
- Their role in contract negotiation may trigger an Agency PE

Either scenario could expose the company to corporate taxation in that jurisdiction, along with compliance and reporting obligations.

In situations where senior management relocates due to war and begins making strategic decisions from another country, the company's effective place of management may shift. This could result in the company being treated as a tax resident in that country, thereby exposing its global income to taxation there. Such a shift can have far-reaching implications for multinational enterprises and may require a reassessment of their overall tax structure.

Operational and Compliance Challenge

Operational disruptions caused by war also increase complexity. Businesses may face challenges in maintaining proper documentation, monitoring employee activities, and ensuring compliance with multiple tax jurisdictions. These practical difficulties can increase the risk of disputes with tax authorities and lead to additional scrutiny.

Judicial and Administrative Responses: Learning from the Past

Doctrine of Impossibility

An important legal angle in understanding the tax impact of war is the Doctrine of Impossibility, which holds that the law does not compel a person to do the impossible.

In war-like situations, individuals may be unable to travel due to airspace closures or security restrictions, leading to an involuntary stay in a particular country. Applying tax residency rules strictly based on the number of days, without considering such impossibility, can lead to unfair outcomes, as the extended presence is not by choice but by compulsion.

Indian courts have, in principle, recognized this aspect. In CIT v. Suresh Nanda[1], the taxpayer's passport was impounded, preventing him from leaving India. The court acknowledged that forced presence should not be held against the individual in determining residency, emphasizing the importance of intent (animus).

Administrative relief during COVID-19

The COVID-19 pandemic provides a useful precedent for how tax authorities may respond to extraordinary circumstances:

- CBDT Circular No. 11 of 2020 (8 May 2020) allowed exclusion of specified periods of forced stay in India for FY 2019–20.
- CBDT Circular No. 2 of 2021 (3 March 2021) addressed continued concerns for FY 2020–21 and clarified that cases of double taxation would be examined by the Board for possible relief, either broadly or on a case-by-case basis, upon submission of details in Form-NR.

These measures reflect a willingness to adopt a pragmatic approach in exceptional situations.

International Guidelines

The Organization for Economic Co-operation and Development (OECD) has issued guidance on the impact of exceptional circumstances on PE exposure, clarifying that the following situations would generally not result in a PE:

- The temporary presence of employees in a jurisdiction due to extraordinary circumstances does not create a PE, as it lacks the required degree of permanence.
- Short-term use of a home office would not constitute a fixed place PE, particularly where the premises are not at the enterprise's ; however, continued use beyond the exceptional period may trigger PE exposure.

1. TS-202-ITAT-2014(DEL)

- Temporary relocation of agents or conclusion of contracts from a different jurisdiction would not result in an Agency PE, unless such activities become habitual and continue beyond the temporary disruption.

The Need for Flexibility in Extraordinary Times

War fundamentally disrupts the assumptions on which tax systems are built. It creates unintended tax exposures, compliance burdens, and interpretational challenges for both individuals and businesses.

There is a growing expectation that tax authorities will adopt a flexible, pragmatic approach, similar to the relief measures introduced during the COVID-19 pandemic. This may include:

- Relaxation of residency rules in cases of forced stay
- Clarification on PE and POEM risks
- Greater reliance on treaty mechanisms to mitigate double taxation

Until such clarity emerges, proactive planning remains essential. Individuals must monitor their stay and carefully evaluate their tax positions , while businesses should implement robust tracking and governance mechanisms.

Ultimately, a balanced and purposive interpretation of tax laws will be critical to ensure that taxpayers are not unfairly burdened by circumstances beyond their control.

From the Judiciary

Direct Tax

Whether salary reimbursement for seconded employees to a foreign entity is taxable in India as FTS or treated as non-taxable salary reimbursement?

Goldman Sachs International [TS-569-ITAT-2026(Mum)]

Facts

Goldman Sachs International (assessee), a UK tax resident providing financial services to group entities, seconded employees to its Indian group companies during AY 2023–24. Under the secondment arrangement, employees worked under the control and supervision of the Indian entities, which bear the employment costs and deduct tax under Section 192, while a portion of the salary paid overseas by the assessee was reimbursed by the Indian entities on a cost-to-cost basis without markup.

The assessee claimed that such salary reimbursement was not taxable in India. However, the AO treated the reimbursement as Fees for Technical Services (FTS), and the Dispute Resolution Panel (DRP) also upheld the AO's order;thus the assessee is in appeal before the Tribunal.

Revenue's Arguments

- Revenue contended that seconded employees provided technical, managerial, and consultancy services, and that the reimbursement therefore qualifies as FTS.
- The provision of skilled personnel amounts to rendering technical services, making the payment taxable in India.
- Revenue also submitted that the employees remained employees of the foreign entity and that the payment could not, therefore, be treated as mere reimbursement.

Assessee's Arguments

- Assessee submitted that the seconded employees worked under the control and supervision of the Indian entities, thereby constituting an employer-employee relationship with those entities.
- Reimbursement was purely cost-to-cost without any profit element, and hence, no income accrued in India.
- Assessee contended that salary payments are specifically excluded from the definition of FTS under Section 9(1)(vii) and the DTAA.
- Assessee placed reliance on its own case, Goldman Sachs Services Pvt. Ltd. (Bangalore ITAT), and other rulings of the Karnataka HC.

Held

Mumbai ITAT (ITAT) ruled in favor of the assessee and held that the reimbursement of salary is not taxable as FTS.

- ITAT relied on judicial precedents, including the assessee's own case as well as the decisions in Abbey Business Services and Flipkart Internet, wherein it was held that secondment arrangements resulting in salary reimbursement do not constitute FTS where an employer–employee relationship exists between the secondees and the Indian entity.
- ITAT observed that the Revenue had not brought any material on record to factually distinguish the year under consideration from the preceding years in the assessee's own case.

Accordingly, ITAT found no reason to deviate from the view already taken in earlier years, which had also been upheld by the Hon'ble Karnataka High Court, namely that secondment arrangements involving reimbursement of salary do not give rise to FTS where the employees work under the control and supervision of the Indian entity and the payments are in the nature of salary.

Our Comments

This ruling reinforces that reimbursement of salary for seconded employees, without markup and under an employer–employee relationship with the Indian entity, is not taxable as FTS in India.

Whether this ruling lays down any binding principle on treaty residency, or does it merely underscore that 'tie-breaker' determinations fail in the absence of cogent evidence?

Vishal K Wanchoo [TS-559-ITAT-2026(DEL)]

Facts

The assessee, a US citizen, was on an international assignment in India from May 2011 to February 2020, qualified as a Resident and Ordinarily Resident (ROR) in India for AY 2020-21 under Section 6, while also being a US tax resident for calendar year 2019–20, resulting in dual residency.

In his return, he declared a total income of INR 214.6 million and claimed exemption of US income of INR 46.2 million crore under the tie-breaker provisions of Article 4(2) of the India–US DTAA, contending that his personal and economic ties were closer to the US.

The Assessing Officer (AO) rejected the claim and taxed the US income in India, citing his long stay and employment in India, directorships in Indian companies, and substantial Indian-source income. The CIT(A) upheld the AO's order, which was subsequently challenged before the Delhi ITAT.

Revenue's Arguments

- The assessee failed to furnish sufficient evidence to substantiate his claim of stronger ties with the US. The US income disclosed the included spouse's income, without a clear bifurcation.
- The assessee stayed in India for nearly 9 years, indicating a strong physical presence and the income earned in India was substantially higher than the income reported in the US.
- The assessee's place of birth and background suggest continued familial connections in India.
- Economic ties were predominantly in India and outweighed the claimed ties with the US.

Assessee's Arguments

- The assessee argued that although he was technically resident in both India and the US, Section 90(2) r.w. Article 4(2) permits application of DTAA provisions where beneficial.
- His personal ties were primarily in the US, as his spouse and children were residing there.
- He had long-term employment with a US company since 1982, and his stay in India was only temporary due to an assignment.
- His US citizenship, including voting rights and civic obligations, indicated a closer association with the US.
- After completing the assignment, he returned to the US and continued to reside there..

Held

- ITAT observed that the case involves the determination of treaty residency through the "tie-breaker" rule under the India-US DTAA, which requires a proper evaluation of the assessee's center of vital interests.
- While the assessee claimed that his personal ties (family residence) were in the US, the Revenue contended that his economic ties were predominantly in India.
- However, the ITAT found that crucial facts - such as evidence of family residence, clear bifurcation of US income between the assessee and his spouse, and comprehensive details of economic and personal connections - were not adequately brought on record.

In the absence of evidence, the ITAT held that it was not possible to determine the assessee's center of vital interests. ITAT, relied on the principles laid down in the case of Ashok Kumar Pandey 167 taxmann.com 286 (Mum.)-ITA 3986/Mum/2023 and remitted the matter back to AO, to re-examine the issue after considering factors relating to personal and economic ties and after providing the assessee a reasonable opportunity of being heard.

The ruling underscores that treaty residency under the tie-breaker rule is a fact-specific determination that require clear evidence of personal and economic ties and cannot rest on mere assertions. In the absence of such substantiation, the Tribunal remanded the matter for proper factual examination.

Following the Supreme Court's decision in the Tiger Global case, Mauritius and India recently discussed concerns around the potential application of General Anti-Avoidance Rules (GAAR) for investments made prior to 2017.

Highlights Of Cabinet Meeting - 3 April 2026 - Friday

Cabinet has taken note that, following the Supreme Court of India's judgement in the Tiger Global case, which raised concerns among investors about the potential application of GAAR to pre-2017 investments, the Mauritius Prime

Minister raised the matter with the Indian Prime Minister during his recent visit to India. Prime Minister Modi gave the assurance of the India's continued stance of not taking any action that would undermine the benefits Mauritius currently enjoys under the Double Taxation Avoidance Agreement.

On 31 March 2026, the Central Board of Direct Taxes of India issued the Income Tax (Amendment) Rules 2026, providing further clarification on the application of the GAAR under the Indian Income Tax Act. The new Rules specify that GAAR shall apply to arrangements made on or after 01 April 2017, while investments undertaken prior to that date will remain outside its scope, thereby providing clarity on the treatment of legacy investments.

The new Rules are expected to provide reassurance and certainty to foreign investors and private equity funds regarding the taxation of exits from such investments.

Indirect Tax

Whether a refund of tax paid twice, due to a mistake, can be denied solely on the grounds of the limitation prescribed under Section 54 of the CGST Act?

Rajendra Narayan Mohanty v. Joint Commissioner of State Tax, CT & GST Circle, Cuttack, CT & GST Officer, Cuttack I East Circle

[2026 (2) TMI 1101 - Orissa High Court]

Facts

- The petitioner failed to discharge the tax liability while filing regular GST returns and subsequently rectified the default by paying the tax through Form DRC-03 in February 2021, utilizing input tax credit (ITC) along with payment of applicable interest at the time of filing the Annual return.
- Subsequently, due to erroneous professional advice, the petitioner again discharged the same liability through Form DRC-03 in September 2022 through the electronic cash ledger, resulting in double payment of tax for the same transaction.
- The said double payment was identified only during the adjudication proceedings for FY 2019–20 and was acknowledged by the adjudicating officers.
- Upon discovery, the petitioner filed a refund application in August 2025 seeking a refund of the excess tax paid.
- However, the refund was rejected by the department on the grounds that it was filed beyond the time limit prescribed under Section 54 of the CGST Act, read with clause (h) of paragraph (2) of the Explanation thereto (i.e., 2 years from the relevant date - date of payment of tax).
- Aggrieved by the rejection, the petitioner filed a writ petition challenging the same.

Ruling

- The Hon'ble Orissa High Court examined the interplay between statutory limitation under the GST law and the constitutional mandate under Article 265.
- The Court noted that there was no dispute on the facts and that the same tax liability had been discharged twice, as acknowledged by the department itself.
- The Court held that retaining the excess amount paid by the State is not permissible, as it violates Article 265 of the Constitution of India.
- It is observed that where a payment is made under a mistake and is not legally due, it does not assume the character of "tax" in the strict legal sense, emphasizing that Section 54 is designed to govern the refund of "tax" paid under the provisions of the GST law. Given the unlawful collection of tax, such a limitation cannot legitimize the retention of money and is overridden by the constitutional mandate of Article 265, thereby proving that the machinery provision for refund cannot be stretched to defeat a substantive right arising from constitutional principles.
- The Court also reiterated that the validity of an administrative order must be tested on the basis of the reasons contained therein and cannot be supplemented by new grounds during litigation.
- The Hon'ble Court permitted the petitioner to file a fresh refund application and directed the tax authorities to process the same expeditiously, with applicable interest in case of delay.

Our Comments

The ruling reinforces the principle that refund claims arising from payments made under mistake stand on a different footing from routine refund claims under the GST framework. Where the amount itself is not legally due, denial of a refund merely on the grounds of limitation under Section 54 is not sustainable.

A key takeaway is the Court's reliance on Article 265 as a substantive limitation on the State's power to retain money. The judgment clearly establishes that procedural timelines cannot legitimize the retention of amounts collected without the law authority .

Significantly, the Court implicitly characterizes such excess payments as a "deposit" rather than "tax", thereby placing them outside the ambit of Section 54. This distinction could have wider implications for similar refund disputes.

The decision also aligns with a broader judicial trend of granting relief beyond statutory limitation in appropriate cases, particularly where the taxpayer demonstrates bona fide conduct, absence of unjust enrichment, and lack of prejudice to the revenue. Such relief, however, is typically granted in the context of writ jurisdiction and remains fact-specific.

It is also noteworthy that, the while the Court referred to judicial precedents recognizing that such situations are subject to the provisions of the Limitation Act, 1963, and that the limitation commences from the date of discovery of the mistake (particularly under Section 17), it did not base its decision on this ground. The ruling, therefore, suggests that in cases of erroneous or mistaken payments, the question is not merely when limitation begins to run, but whether limitation applies at all, thereby elevating the issue from one of procedural compliance to one of constitutional entitlement.

Transfer Pricing

Bom HC: Allows writ petition quashing final assessment order passed sans draft order

Hansgrohe India Pvt. Ltd[2]

Facts

The Petitioner entered into international transactions during AY 2023–24, making it an "eligible assessee" as contemplated under section 144C of the Income Tax Act.

The Faceless AO passed a final assessment order directly under section 143(3), read with section 144B, without issuing a draft assessment order.

Aggrieved, the Petitioner filed a writ petition before the Hon'ble Bombay High Court challenging the final assessment order.

Petitioner's contention

The Petitioner contended that, since it is an "eligible assessee", the issuance and service of a draft assessment order under section 144C are mandatory to enable filing objections before the DRP.

Revenue's contention

Revenue did not dispute that a draft assessment order ought to have been issued in the present case.

Revenue suggested that the final assessment order be set aside and treated as a draft assessment order to enable the Petitioner to approach the DRP; alternatively, it sought remand for following the procedure under section 144B.

Held

The Bombay HC held that the provisions of section 144B(1) (particularly clauses (xxi) to (xxix)) make section 144C procedure applicable, and therefore a draft assessment order must be served on an eligible assessee to enable DRP objections.

Since the Faceless AO issued a final assessment order without serving a draft order, the Court held that this constituted a breach of mandatory procedure and quashed the final assessment order.

The Court also rejected the Revenue's proposal to treat the final assessment order as a draft assessment order.

Our Comments

The decision reiterates that issuance of a draft assessment order under section 144C is mandatory for eligible assessees, including in the faceless assessment framework.

Any final assessment order passed without following this procedure remains vulnerable to being struck down as a jurisdictional defect.

ITAT Hyd: Deletes the adjustment made on Restricted Stock Units allotted to employees of WhatsApp Application Services by Facebook Inc

WhatsApp Application Services Pvt Ltd[3]

Facts

The Appellant is engaged in providing marketing and customer support services to its AE on a cost-plus mark-up basis for AY 2020–21. The case was selected for scrutiny, and reference was made to the TPO for the determination of the arm's length price (ALP) of its international transactions. The TPO proposed (i) a margin adjustment in respect of the primary transaction of marketing and customer support services, and (ii) a separate TP adjustment in respect of Restricted Stock Units (RSUs)/ ESOPs granted by the ultimate parent company (Facebook Inc.) to employees of the Appellant.

The AO issued a draft assessment order incorporating the proposed TP adjustments. Aggrieved, the Appellant filed objections before the Ld. DRP. Pursuant to DRP directions, the TP adjustment on the primary transaction was dropped, while the RSU/ESOP adjustment was sustained and incorporated in the final assessment order.

Appellant's contention

The Appellant contended that the RSUs/ESOPs were granted directly by its ultimate parent (Facebook Inc.) to employees of the Appellant, and no cost was incurred or booked by the Appellant in its profit and loss account in respect of such RSUs/ESOPs.

The Appellant submitted that it had only deducted and deposited TDS on the perquisite value in the hands of employees, and such TDS was reimbursed by the AE without any mark-up.

2. Writ Petition No. 3501 Of 2026
3. ITA No.832/HYD/2024

The Appellant further relied on the inter-company arrangement to state that IncomeTax/taxes were excluded from the cost base for services.

Revenue's contention

The Revenue argued that even if the Appellant did not incur a direct RSU/ESOP cost, the grant of RSUs/ESOPs to employees could confer an indirect benefit to the Appellant (e.g., employee retention/motivation), and therefore a mark-up should be attributed to such benefit.

Held

The ITAT held that the mere grant of RSUs/ESOPs by the parent to employees does not ipso facto create a liability or cost in the hands of the Indian entity. It noted that the Appellant did not incur any cost or book any expenditure in respect of RSUs/ESOPs and had only deposited TDS on the perquisite value, which was reimbursed without mark-up.

The Tribunal observed that under Rule 10B(1)(e)(i), net profit margin is to be computed with reference to costs incurred, and "incurred" denotes a real financial obligation/ outflow, which was absent in this case.

Accordingly, the ITAT held that imputing a hypothetical value/benefit and applying a mark-up were contrary to the TP framework, and directed the AO/TPO to delete the TP adjustment relating to RSUs/ESOPs.

Our Comments

The ruling affirms that mere grant of RSUs/ESOPs by parent company to Indian employees does not create a liability in the hands of the Indian company. It emphasizes that under Rule 10B(1)(e)(i), margins should be computed with reference to costs actually incurred. Thus, imputing a hypothetical or opportunity cost based on a surmised economic benefit is contrary to the provisions of the Act and the related Rules.

Tax Talk

Indian Developments

Direct Tax

India-Japan DTAA – MoU for Assistance in Collection of Taxes notified

Notification No. 56/2026 - dated 02 April 2026

The notification is issued to inform that the Memorandum of Understanding for Assistance in Collection of taxes under Article 26A of the India-Japan Double Taxation Avoidance Convention (DTAA) was signed at Tokyo on the 30 June, 2025, and at New Delhi on the 8 July, 2025. The MOU sets out the practical procedures for implementing Article 26A of the DTAA, which deals with one country helping the other recover tax dues. The MOU shall have effect in India with respect to any request for the collection of taxes made on or after 8 July, 2025.

New forms for Changes or Corrections in PAN Data - dated 01 April 2026

Prior to 1 April 2026, PAN correction requests were made through the common form, i.e., Form 49A/49AA 'Request for New PAN Card or/and/or Changes or Correction in PAN Data'. Now, the Director General of Income Tax (Systems), specified the following forms for changes or corrections in PAN Data:

- PAN CR-01: Request for Changes or Correction in PAN Data [For an Individual]
- PAN CR-02: Request for Changes or Correction in PAN Data [For Non-Individual]

The above-mentioned forms can be submitted physically at the PAN Center's of M/S UTIITSL/ M/S Protean eGov or online through their websites.

Indirect Tax

CBIC announces BCD exemption to critical petrochemical inputs

Notification No. - 12/2026-27 - Customs dated 01 April 2026

CBIC has introduced a temporary measure to ensure the continued availability of critical petrochemical inputs by announcing exemption from Basic Customs Duty (BCD) till 30 June 2026.

The exemption applies to goods specified in the annexure to the notification, including various chemicals, petrochemicals, and polymer products such as phenol, acetic acid, methanol, and, polystyrene.

This measure is expected to benefit industries such as plastics, packaging, textiles, pharmaceuticals, chemicals, automotive components, and other manufacturing sectors.

CBIC notifies alignment of HSN codes

Notification No. - 14/2026-27 - Customs dated 30 April 2026 (Tariff)

- Pursuant to amendments to the Customs Tariff Act, 1975, the Government has issued an omnibus notification aligning 23 legacy notifications with the revised 2026 tariff structure.
- The update primarily involves the substitution of obsolete HSN codes with revised codes across sectors such as electronics, agriculture, industrial goods, leather, and infrastructure.
- Importers and exporters are required to adopt the updated 8-digit HSN codes for all filings with effect from 1 May 2026.

Introduction of faceless assessment for SEZ units

Circular No. - 18/2026-Customs dated 1 April 2026

- CBIC has clarified that Bills of Entry filed by SEZ units for clearance into the Domestic Tariff Area (DTA) will be assessed under the faceless assessment system with allocation made by the Risk Management System (RMS).
- The existing procedure for filing Bills of Entry and other compliance requirements remains unchanged.
- Jurisdictional officers will continue to handle post-assessment functions.

CBIC updates RoDTEP and RoSCTL schemes

Circular No. - 20/2026-27 Customs dated 10 April 2026

- Remissions will be granted on the full FOB value without deduction of agency commission or bank charges, provided it doesn't exceed 12.5% of the FOB price.
- Compensation received from the ECGC for short-realized export proceeds may be treated as 'realized sale proceeds' and hence export rebates may not be recovered. This is subject to the Reserve Bank of India permitting write-off of the realization requirements and certification from the concerned Foreign Mission of India.

CBIC mandates a faster timeline for processing export incentive claims

Instruction No. - 05/2026-27 dated 23 April 2026

- CBIC has mandated expedited timelines for processing export incentive claims to address delays in the generation of RoSCTL scrolls. A strict 3-day timeline has been prescribed for the generation of RoDTEP and RoSCTL scrolls.
- This aligns with the applicable timelines for duty drawback disbursal.

Amendment to FTP 2023 to revise provisions related to the issuance of Certificates of Origin (CoO)

Notification No.- 05/2026-27 read with Public notice 01/2026-27 dated 7 April 2026

- CoOs for Indian exports can now be issued only by agencies authorized by the Directorate General of Foreign Trade (DGFT).
- Authorized agencies are required to process applications and issue CoOs exclusively through the designated electronic platform.
- Exporters must ensure identical invoice numbers in CoO and corresponding Shipping Bills for system-based validation.
- Manual issuance outside the platform is prohibited and may result in withdrawal of authorization.

Alignment of the RoDTEP tariff lines

Notification No. - 15/2026-27 dated 30 April 2026

- DGFT has realigned RoDTEP with 194 tariff lines in accordance with the revised Customs Tariff. Changes include the addition of 142 new 8-digit tariff lines, deletion of 50 tariff lines, and modification of 2 tariff descriptions.
- Revised schedules will be implemented in the Customs Automated System with effect from 1 May 2026.
- The alignment aims to reduce classification disputes and ensure consistency to facilitate smoother processing of eligible export claims.

Govt. expands the scope of financial support for specific iron and steel exporters under the Export Promotion Mission

Trade Notice No. - 01/2026-27 dated 20 April 2026

- DGFT has expanded financial support under the Export Promotion Mission for iron and steel exporters. 167 tariff lines under Chapter 72 have been made eligible for interest subvention on export credit.
- The benefit is restricted to Micro and Small Enterprises (MSEs); Medium Enterprises are excluded and will apply prospectively to eligible credit disbursed on or after 20 April 2026.

Govt. introduces an online module to address difficulties exporters face with manually issued post export EPCG scrips

Trade Notice No. - 02/2026-27 dated 21 April 2026

- An online module has been introduced to address issues relating to manually issued post-export EPCG scrips.
- The module enables electronic issuance and seamless integration with ICEGATE.

Key scenarios covered:

Open authorizations: Online closure and automatic issuance of e-scrips

Pending/expired scripts: Revalidation and retransmission through service requests

Manual/missing scripts: Request for an electronic script based on supporting documentation

Govt. announces the extension of the special drive for the fast-track clearance of pending export obligation discharge certificates (EODC)

Trade Notice No. - 34/2026-27 dated 21 April 2026

- The drive targets pending cases under the Advance Authorization (AA) and Export Promotion Capital Goods (EPCG) schemes.
- Regional Authorities (RAs) are instructed to prioritize long-pending applications, and deficient applications, or cases delayed by missing documentation.
- This initiative has been extended from to 31 May 2026.
- Obtaining an EODC would enable redemption of bonds and release of Bank Guarantees.

Tax Talk

Global Developments

Indirect Tax

India-New Zealand Free Trade Agreement (FTA)

(Excerpts from various sources)

Signed in April 2026, the agreement aims to increase bilateral trade to USD 100 billion by 2030. New Zealand will provide 100% duty-free access on all Indian tariff lines. India will liberalize tariffs on ~95% of imports, while excluding sensitive sectors such as dairy and select agricultural products. The agreement provides for expedited customs clearance (within 48 hours) and a transition to paperless trade systems. It includes strict Product-Specific Rules of Origin (PSRs) to prevent circumvention. A USD 20 billion investment commitment and enhanced mobility for professionals and students form part of the broader framework.

EU Carbon Border Adjustment Mechanism (CBAM)

(Excerpts from various sources)

The EU Carbon Border Adjustment Mechanism (CBAM) is a regulatory levy that equalizes carbon pricing between domestic products and imports, transitioning to a definitive phase with financial obligations on 1 January 2026. As an expansion of indirect tax, it requires importers of goods like iron, steel, and cement to report embedded emissions and surrender certificates, leveraging cross-border tax expertise to manage compliance and data verification. The measure aligns with the EU's target to reduce greenhouse gas emissions by at least 55% by 2030.

Update on excise tax measures relating to incentives for electric vehicles in Thailand

(Excerpts from various sources)

Thailand is promoting the transition to electric vehicles through tax incentives and subsidy schemes. Policies aim to increase domestic value addition and position Thailand as a regional EV manufacturing hub. The excise tax regime has been revised to link tax rates with CO_2 emissions and the adoption of clean technologies.

Australia–European Union FTA signed

(Excerpts from various sources)

Australia and the European Union concluded negotiations for a Free Trade Agreement (FTA), eliminating over 99% of tariffs on EU exports. This deal is expected to save EU businesses approximately EUR 1 billion annually in duties, particularly benefiting sectors like machinery, chemicals, and motor vehicles. Almost all EU tariffs on agricultural products will be eliminated, including Australian wine, seafood, nuts, dairy, wheat, barley, and olive oil. The luxury car tax (LCT) will be amended to introduce a threshold for zero-emission vehicles. This will exempt approximately 75% of imported EU electric vehicles from LCT.

Transfer Pricing

United States: U.S. APMA program, APA statistics for 2025[4]

(Excerpts from various sources)

The Internal Revenue Service (IRS) published Announcement 2026-8, its 27th annual report on the Advance Pricing and Mutual Agreement (APMA) Program, summarizing APA activity and program operations for calendar year 2025. The report describes program experience and provides statistics and descriptive trends.

Since 1991, APMA has executed 2,676 APAs (through 2025). In 2025, APMA executed 110 APAs (14 unilateral, 90 bilateral, and 6 multilateral agreements). Key counterparties continued to include India and Japan, which together formed a notable share of bilateral APA activity (both for executed APAs and the pending inventory).

The report highlights that, in the majority of APAs, the covered transactions involve numerous business functions and risks, and service transactions were the most common transaction type among the executed APAs.

In relation to transactions involving the sale of tangible property and the use of intangible property, the Comparable Profits Method/Transactional Net Margin Method (CPM/ TNMM) remained the most widely used transfer pricing method (used in 86% of such cases).

Where APAs executed in 2025 involved the CPM/ TNMM with a North American-tested party, Standard & Poor's Compustat/ Capital IQ remained the most widely used data source for selecting comparables.

Operationally, APMA reported 108 personnel at year's end and 622 pending APA requests, indicating sustained demand for advance pricing certainty. The average completion time for APAs executed in 2025 was 44.1 months overall, with new APAs averaging 49.8 months and renewals averaging 38.2 months. Most APAs executed had terms of five years or more, and 23% included rollback years.

Overall, the 2025 APMA Report demonstrates the IRS's ongoing commitment to promoting certainty and supporting international cooperation through the APA process.

Serbia: Adopted rulebook on arm's length interest rates for 2026

(Excerpts from various sources)

On 24 April 2026, Serbia's Ministry of Finance (MF) adopted the Rulebook on interest rates deemed to be in accordance with the arm's length principle for 2026, published in the Official Gazette No. 36/2026 and effective from 2 May 2026.

The rulebook prescribes separate interest rates for long-term and short-term borrowings for all non-financial entities, and a single interest rate for banks and finance leasing companies (except for RSD-denominated loans, for which separate interest rates are prescribed for short-term and long-term loans).

Impact of the Rulebook on transfer pricing documentation for 2026

Under Article 61 of Serbia's Corporate Income Tax Law, taxpayers determining arm's length interest income/ expense for related-party financing may either apply:

- Interest rates prescribed by the MF Rulebook (safe harbor), or
- General OECD-based methods for assessment of arm's length interest as prescribed by the CIT Law.

Taxpayers must choose one of the above approaches and apply it consistently across all intercompany loans.

Loan Currency	Banks & finance leasing		Other Companies	
	Short-Term	Long-Term	Short-Term	Long-Term
RSD	4.40%	0.33%	7.13%	7.21%
EUR	4.87%		4.75%	5.42%
USD	4.98%		-	4.43%
CHF	3.05%		-	7.10%
SEK	4.12%		-	-
GBP	1.50%		-	-
RUB	10.73%		-	-

The Rulebook provides a practical safe harbor for intercompany financing, but taxpayers should evaluate whether the prescribed rates align with their actual financing profile and consider whether an OECD-based benchmarking approach may be more appropriate for significant or long-term related-party funding arrangements.

4. https://www.irs.gov/pub/irs-drop/a-26-08.pdf

Pillar Two is no longer aspirational – jurisdictions are moving rapidly from policy intent to operational execution

(Excerpts from various sources)

Recent updates across regions show increased emphasis on compliance mechanics, administrative alignment, and technical refinements required to run the rules in practice.

Multiple jurisdictions have released filing guides, draft return formats, schemas, and procedural instructions covering elements such as GloBE Information Return (GIR), top-up tax returns, and related notifications. These developments indicate that tax administrations are preparing for live compliance cycles and that groups should expect jurisdiction-specific processes and deadlines.

Within the European Union, coordination is being strengthened through DAC9, which establishes a framework for the automatic exchange of Pillar Two return information among Member States, enhancing transparency and consistency in administration.

In parallel, jurisdictions are issuing detailed technical guidance to address real-world application issues (e.g., safe harbors, allocation mechanics, and interpretational points), reflecting the practical challenges of implementing complex model rules.

Overall, the trajectory suggests Pillar Two is entering an operational phase, shifting the focus for MNEs toward systems readiness, data governance, and consistent positions across jurisdictions.

Alerts

Bombay HC Refers DDT-DTAA Controversy to Larger Bench; Questions Correctness of Colorcon Asia
29 April 2026
https://tinyurl.com/2aux3svk

Key Transfer Pricing Changes under the Income-Tax Act, 2025 (ITA, 2025)
28 April 2026
https://tinyurl.com/yc2tyxfh

Key Highlights of GST Notification and Clarification Circulars in March 2026
8 April 2026
https://tinyurl.com/mmabckbf

CBDT surpasses its previous record by signing 219 APAs including 84 BAPAs in FY 25-26
1 April 2026
https://tinyurl.com/mtj3suss

Compliance Calendar

Direct Tax
Indirect Tax

07 May 2026

- Due date for deposit of Tax deducted/collected for the month of April, 2026. However, all sum deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day where tax is paid without production of a challan.
- Declaration under section 394(2) of the IncomeTax Act 2025 to be made by a buyer for obtaining goods without collection of tax in the month of April, 2026.

11 May 2026

- GSTR-1 for the month of April 2026 to be filed by all registered taxpayers not under QRMP scheme.

15 May 2026

- Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194M and (IncomeTax Act, 1961) in the month of March, 2026.
- Due date for furnishing of Form 137 (IncomeTax Rules, 2026) by an office of the Government where TDS/TCS for the month of April, 2026 has been paid without the production of a challan.
- Monthly statement in prescribed Form by stock exchange in respect of transactions in which client codes been modified after registering in system for the month of April, 2026.
- Quarterly statement of TCS deposited for the quarter ending March 31, 2026.
- Due date for furnishing statement by a recognized association in respect of transactions in which client codes have been modified after registering in the system for the month of April, 2026.

10 May 2026

- GSTR-7 for the month of April 2026 to be filed by persons liable to Tax Deduction at Source (TDS).
- GSTR-8 for the month of April 2026 to be filed by E-Commerce Operators liable to Tax Collection at Source (TCS).

13 May 2026

- GSTR-6 for the month of April 2026 to be filed by Input Service Distributors (ISDs).
- GSTR-5 for the month of April 2026 to be filed by Non-Resident Foreign Taxpayers.
- Uploading B2B invoices using Invoice Furnishing Facility (IFF) under QRMP scheme for the month of April 2026 by taxpayers with aggregate turnover of up to INR 50 million.

20 May 2026

- GSTR-5A for the month of April 2026 to be filed by non-resident Online Database Access and Retrieval (OIDAR) service providers.
- GSTR-3B for the month of April 2026 to be filed by all registered taxpayers not under QRMP scheme.

30 May 2026

- Issue of TCS certificates for the 4th Quarter of the Financial Year 2025-26.
- Furnishing of statement required under Section 285B (IncomeTax Act 1961) for the previous year 2025-26.
- Challan-cum-statement of deduction of tax under section 393(1) of the IncomeTax Act 2025 [Table Sl. No. 2(i), 3(i), 6(ii) & 8(vi) in the month of April, 2026.

31 May 2026

- Return of tax deduction from contributions paid by the trustees of an approved superannuation fund.
- Due date for e-filing of annual statement of reportable accounts as required to be furnished under section 285BA(1)(k) (IncomeTax Act, 1961) (in Form No. 61B) for calendar year 2025 by reporting financial institutions.

Compliance Calendar

Direct Tax
Indirect Tax

31 May 2026

- Application for allotment of PAN where a person's total income exceeds the maximum amount not chargeable to IncomeTax during any Financial Year and no PAN has been allotted to him.
- Application for allotment of PAN in case of person being managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of the person referred to in prescribed Rule or any person competent.
- Quarterly statement of TDS deposited for the quarter ending March 31, 2026.
- Due date for furnishing of statement of financial transaction (in Form No. 61A) as required to be furnished under sub-section (1) of section 285BA (Income-Tax Act, 1961) with respect to the financial year 2025-26.
- Statement in Form no. 10 (Income-Tax Rules, 1962) to be furnished to accumulate income for future application under Section 10(21) or Section 11(1) (Income-Tax Act 1961) (if the assessee is required to submit return of income on or before July 31, 2026).
- Application in Form 9A (Income-Tax Rules, 1962) for exercising the option available under Explanation to Section 11(1) (IncomeTax Act 1961) to apply income of previous year in the next year or in future (if the assessee is required to submit return of income on or before July 31, 2026).
- Statement of donation in Form 10BD (IncomeTax Rules, 1962) to be furnished by reporting person under Section 80G(5)(iii) or section Section 35(1A)(i) (IncomeTax Act 1961) in respect of the financial year 2025-26.
- Certificate of donation in Form no. 10BE (IncomeTax Rules, 1962) as referred to in Section 80G(5)(ix) or Section 35(1A)(ii) (Income-Tax Act 1961) to the donor specifying the amount of donation received during the financial year 2025-26.

07 June 2026

- Due date for deposit of Tax deducted/collected for the month of May, 2026. However, all sum deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day where tax is paid without production of an IncomeTax Challan.
- Declaration under section 394(2) of the IncomeTax Act 2025 to be made by a buyer for obtaining goods without collection of tax in the month of May, 2026.

10 June 2026

- GSTR-7 for the month of May 2026 to be filed by persons liable to TDS.
- GSTR-8 for the month of May 2026 to be filed by E-Commerce Operators liable to TCS.

11 June 2026

- GSTR-1 for the month of May 2026 to be filed by all registered taxpayers not under QRMP scheme.

13 June 2026

- GSTR-6 for the month of May 2026 to be filed by Input Service Distributors (ISDs).
- GSTR-5 for the month of May 2026 to be filed by Non-Resident Foreign Taxpayers.
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