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# Tax Street

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


August 2026

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# Introduction

## Tax Street



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 August 2026.

- The 'Focus Point' discusses how the growing integration of tax and regulatory systems is reshaping compliance. It highlights how a single transaction can trigger reporting across multiple authorities, reinforcing the need for consistent disclosures, robust documentation, and greater transparency.
- 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

# The Age of Connected Information: How one transaction links multiple tax and regulatory departments

Not long ago, tax and regulatory compliance were viewed as separate obligations, with information residing within individual departments. An income tax return was filed with the Income Tax Department, GST returns with GST authorities, FEMA-related disclosures with RBI and authorized dealers, and other filings with respective regulators.

Today, that has changed. Increasing digitization has enabled information sharing across departments, regulators, financial institutions, and even foreign jurisdictions. What may appear as separate transactions to a taxpayer can now be viewed as part of a larger compliance ecosystem.

Consider an employee who receives shares from an overseas company under an ESOP scheme. The exercise of an ESOP is taxed as a perquisite. The shares must be disclosed as foreign assets in the income tax return, and the eventual sale proceeds may flow through banking channels and overseas brokers, resulting in capital gains tax implications. This reflects the most significant shift in tax administration today. The focus is no longer merely on collecting information, but on connecting it.

## From separate departments to a connected tax and regulatory ecosystem

For many years, taxpayers approached compliance department by department. Income tax, GST, Customs, FEMA, and corporate regulatory filings were generally viewed as independent reporting requirements. Today, those boundaries are increasingly fading.

Technology has enabled authorities to reconcile and analyze information across multiple systems. A transaction reported in one database is often compared with information available in another. For instance, a business importing goods creates a trail through Customs records, GST filings, purchase records, banking transactions, and financial statements. Similarly, a property purchase is reflected in registration records, banking channels, the Annual Information Statement (AIS), and income tax returns.

The transformation is therefore not merely digitization, but integration.

## How Technology Is Changing Tax Administration

Artificial Intelligence and advanced analytics have accelerated this transformation. Instead of examining returns in isolation, systems can identify patterns, reconcile data from multiple sources, and highlight inconsistencies that may require further review.

Income reported in tax returns is compared with information available in AIS. GST turnover is matched with revenue disclosed for direct tax purposes. Input Tax Credit claims are verified against supplier filings. Import transactions are reconciled with Customs records and GST returns. Foreign remittances and overseas investments are viewed alongside FEMA disclosures and income tax reporting.

The most significant development is the increasing transparency of cross-border transactions. With the expansion of global information-sharing frameworks and exchange-of-information arrangements between tax authorities, foreign financial assets, overseas bank accounts, investment holdings, and cross-border income streams are becoming increasingly visible.

For globally mobile employees, expatriates, and individuals holding foreign assets or global ESOPs, this means information reported in one jurisdiction is eventually available to another.

What was once perceived as a foreign transaction outside the visibility of domestic authorities is now part of a broader information network.

### Our Comments

For taxpayers, the message is straightforward: consistency and transparency are critical.

A disclosure made in one return should be explainable and reconcilable with disclosures made elsewhere. This is particularly important for individuals and businesses dealing with foreign assets, overseas investments, ESOPs, cross-border remittances, imports, exports, and multiple regulatory compliances.

Documentation has become more important than ever. Maintaining proper records of income, investments, deductions, foreign assets, remittances, and significant transactions can help establish the complete story behind a transaction if questions arise later.

For taxpayers, the takeaway is simple. Every transaction leaves a trail, and every disclosure contributes to a story. The best compliance strategy is therefore no longer limited to filing returns on time. It is ensuring that the story told across all filings, departments, and jurisdictions is accurate, complete, and consistent.

## Alerts

UAE FTA Introduces New VAT Input Tax Verification and Record-Keeping Requirements
21 August 2026
https://tinyurl.com/yty9ee9b

UAE Corporate Tax Alert - Small Business Relief Extended to 31 December 2029
10 August 2026
https://tinyurl.com/7u93jc76

FTA Prescribes Registration Timelines Under the UAE Pillar Two Regime
6 August 2026
https://tinyurl.com/4zkh48wp

Navigating Transfer Pricing Adjustments: Key Insights from the FTA's Latest Clarification
16 July 2026
https://tinyurl.com/4w7bhk6e

# From the Judiciary

## Direct Tax

### Whether undisclosed foreign bank deposits and investments in a UAE entity can be taxed under the Black Money Act where the assessee fails to explain their source and disclosure status?

Ashok Shankar [TS-1192-ITAT-2026(DEL)]

#### Facts

A search and seizure operation under section 132 was conducted on the Sanjay Bhandari Group on 27 April 2016, during which the assessee, Mr. Ashok Shankar, was also covered. Information was received from the UAE Competent Authority under the Exchange of Information Article of the India-UAE DTAA revealing that the assessee maintained a bank account with Emirates NBD Bank, Dubai, and was an authorized signatory thereto. The information further revealed deposits aggregating AED 5,025 (out of which AED 5,000 was the disputed amount) in the account. The UAE authorities also provided account opening forms, KYC records, and customer information forms signed by the assessee.

Additionally, information was received that the assessee was a Director and shareholder of Santech International FZE, UAE, holding 10% share capital amounting to AED 3,000. The Revenue observed that neither the foreign bank account nor the investment in Santech UAE was disclosed in the assessee's income tax returns or in Schedule FA, nor was any declaration made under the Black Money Act, 2015. Consequently, proceedings under section 10(1) of the Black Money Act were initiated, and additions were made under sections 3, 4 and 5 of the Act.

#### Assessee’s Arguments

- The assessee contended that the AED 5,000 credited to the Emirates NBD Bank account was not his deposit but was transferred by his friend to start a business in Dubai.
- Since the proposed business never materialized, only bank maintenance charges were debited, and the account was eventually closed in April 2017 with a nil balance.
- As regards Santech UAE, the assessee submitted that the company was established by Mr. Sanjay Bhandari around FY 2005-06 and that although his name appeared as a Director and 10% shareholder, he had not contributed any capital towards the shareholding.
- He claimed that he merely assisted in opening the bank account and was not aware of subsequent developments. The assessee also argued that no foreign asset existed during the relevant previous year and, therefore, no addition could be made for AY 2020-21.

#### Revenue’s Arguments

- The Revenue argued that the foreign bank account stood in the assessee's name and the assessee was the authorized signatory, supported by documentary evidence received from UAE authorities, including KYC documents and account opening forms.
- The Revenue emphasized that the assessee failed to substantiate his claim that a friend made the AED 5,000 deposit, as he furnished no details of the friend or supporting evidence.
- Further, the assessee was a signatory to the Memorandum and Articles of Association of Santech UAE and held a 10% shareholding corresponding to paid-up capital of AED 3,000.
- The Revenue contended that neither the bank account nor the investment was disclosed in the income tax returns, Schedule FA, or through a declaration under section 59 of the Black Money Act.
- Since these assets had never suffered tax in India and remained undisclosed, they were liable to be taxed under sections 3, 4, and 5 of the Black Money Act

### Held

- The ITAT upheld the additions made under the Black Money Act and dismissed the assessee's appeal.
- The Tribunal held that the assessee, being a tax resident of India, had failed to disclose the foreign bank account and investment in Santech UAE either in his returns of income, Schedule FA, or under the compliance window provided under the Black Money Act.
- The Tribunal observed that the assessee failed to provide satisfactory evidence regarding the source of the AED 5,000 deposited in the foreign bank account and similarly failed to explain the source of the AED 3,000 investment in Santech UAE.
- The Tribunal noted that the assessee's explanations did not inspire confidence and that facts, especially within the knowledge of the assessee, had been withheld.
- Accordingly, the Tribunal held that the undisclosed foreign assets were chargeable to tax under sections 3, 4 and 5 of the Black Money Act. It sustained the assessment order and the penalty levied under section 41.

## Our Comments

The decision reiterates that mere denial of ownership or unsupported explanations are insufficient to rebut documentary evidence obtained through international exchange-of-information mechanisms. The case highlights the stringent disclosure requirements under the Black Money Act. It emphasizes the importance of reporting foreign assets in Schedule FA and maintaining documentary evidence regarding the source of such investments.

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## Can a Permanent Establishment be constituted merely based on group affiliation and presence of expatriates in an Indian affiliate, without evidence of business activities being carried on for the foreign enterprise?

Honda Trading Asia Company Ltd [TS-1194-ITAT-2026(DEL)]

### Facts

Honda Trading Asia Company Ltd., Thailand (HTAS), engaged in the business of supplying raw materials, spare parts and capital goods to Honda Cars India Ltd. (HCIL). The Revenue alleged that HTAS had a Permanent Establishment (PE) in India based on survey proceedings conducted at HCIL, wherein statements of expatriate employees deputed by Honda Motor Co. Ltd., Japan (HMJ) were recorded.

According to the Revenue, these expatriates were carrying on the business of HMJ and its group entities, including HTAS, from HCIL's premises. Based on such allegations, the Revenue sought to tax the profits arising from HTAS's offshore supplies to HCIL and made transfer pricing adjustments. HTAS, however, contended that it operated entirely from Thailand, had no office, employees, or fixed place of business in India, and merely supplied goods to HCIL on a principal-to-principal basis.

### Revenue's Arguments

- The Revenue argued that HCIL was economically and functionally dependent on HMJ and other Honda group entities, including HTAS. It relied heavily on survey statements showing that expatriate employees working in HCIL received a portion of their salaries from Japan and continued to have a lien over their employment with HMJ.
- According to the Revenue, these expatriates exercised control over key business functions of HCIL and simultaneously carried on the business of HMJ and its associated enterprises, including HTAS.
- Therefore, HCIL's premises constituted a fixed place PE available to HTAS in India.
- The Revenue further contended that once a PE existed, profits attributable to such PE were taxable in India, irrespective of the transfer pricing analysis undertaken in HCIL's case.

### Assessee's Arguments

- HTAS submitted that it had no PE in India under Article 5 of the India-Thailand DTAA, as it neither maintained any office nor deputed any employees to India.
- It contended that the expatriates referred to by the Revenue were employees of HMJ working under the control and supervision of HCIL and were not rendering any services on behalf of HTAS.

- HTAS emphasized that its role was limited to offshore supply of raw materials and capital goods pursuant to purchase orders placed by HCIL.
- It also relied on the ruling of the Authority for Advance Rulings in the case of Honda Motor Co. Ltd., Japan, as well as earlier Tribunal decisions in its own case for AYs 2010-11, 2013-14, 2014-15 and 2015-16, wherein it had been held that HTAS did not have a PE in India.
- HTAS further argued that mere group affiliation with HMJ could not, by itself, result in the existence of a PE in India.

**Held**

- The Delhi ITAT held that HTAS did not have a PE in India.
- The Delhi ITAT observed that the Revenue had failed to bring any cogent material on record to establish that the expatriates deputed by HMJ to HCIL were providing services on behalf of HTAS.
- There was no evidence to show that HTAS had any office, fixed place of business, or employees in India.
- The Tribunal held that the Revenue's case rested merely on presumptions arising out of the group relationship between HMJ and HTAS and the presence of expatriates at HCIL.
- It reiterated that mere association within a corporate group cannot by itself establish a PE.
- Following the earlier coordinate bench decisions in HTAS's own case and the AAR ruling in the case of Honda Motor Japan, the ITAT concluded that HTAS had no PE in India.
- Consequently, the transfer pricing adjustments became infructuous and were not adjudicated.
- Accordingly, the appeals for AYs 2016-17 to 2019-20 were allowed in favor of the assessee on the PE issue.

### Our Comments

The ruling reaffirms that mere group affiliation or presence of expatriates in India is insufficient to constitute a PE. The Revenue must demonstrate a clear nexus between the foreign entity's business and activities carried out in India through cogent evidence.

## Upcoming Webinars & Events

CFO Connect 2026
24 September 2026
Biz Milineium | Nishit Parikh

# Transfer Pricing

### Goodwill amortization excluded from operating costs: Delhi ITAT reaffirms Transfer Pricing (TP) principles

Janes Defense India LLP
ITA No.5387/DEL/2024 for Assessment Year ('AY') 2021-22

The taxpayer, engaged in providing IT-enabled services (ITeS), acquired the support service business of "Jackal India" from IHS Global Private Limited through a slump sale transaction. The cost of Goodwill was included in the consideration towards acquisition.

During the initial transfer pricing proceedings, in the Show-cause notice (SCN), the Ld. Transfer Pricing Officer (TPO) treated amortization of Goodwill on acquisition as a non-operating expense; however, in the final order issued by the Ld. TPO, amortization of Goodwill was treated as an operating item, without any specific reasoning, resulting in a transfer pricing adjustment by the Ld. TPO.

The Dispute Resolution Panel (DRP) also upheld the position of the Ld. TPO, aggrieved of which the taxpayer has appealed before the Hon'ble Income Tax Appellate Tribunal (ITAT).

#### Taxpayer's contention

The taxpayer contended that the Ld. TPO violated the principles of natural justice by changing its position of treating amortization of Goodwill as non-operating in its final order, without giving the taxpayer any opportunity to rebut the revised view.

Further, the taxpayer contended that amortization of Goodwill was not claimed as a deduction in the Return of Income (ROI). Consequently, considering it as operating for TP purposes would result in double disallowance.

The taxpayer, relying on various judicial precedents, contended that amortization of Goodwill is an extraordinary and non-recurring item arising from business acquisition with no nexus to the provision of services to the Associated Enterprise (AE). Accordingly, it should be treated as a non-operating item.

#### Revenue's contention

The Revenue contended that the taxpayer had recognized Goodwill as an intangible asset and amortized it as an expense in its profit & loss statement. Accordingly, it is a business expense that should be included in operating expenses.

Further, Revenue contended that TP provisions are separately governed by Chapter X. Consequently, tax treatment of Goodwill under normal computation provisions is irrelevant when determining arm's-length margins.

Relying on the taxpayer's own FAR analysis, the Revenue contended that intangible assets form part of the asset base employed in the business. Goodwill, being a principal intangible asset recorded in the taxpayer's books, should be regarded as actively contributing to business operations. Thus, excluding only the amortization charge while retaining the benefit of Goodwill in revenue generation would distort the PLI computation.

#### Held

The Hon'ble ITAT distinguished between Goodwill and other intangible assets, noting that other intangible assets such as patents, trademarks, and technical know-how directly contribute to profit generation. In contrast, Goodwill arising from an acquisition is merely a consequence of a business purchase transaction.

Hon'ble ITAT emphasized that Goodwill created pursuant to a business acquisition or merger cannot be equated with revenue-generating operational assets. The corresponding amortization charge therefore lacks the characteristics of a normal recurring operating expense.

Therefore, the ITAT noted that multiple judicial authorities have consistently taken the view that Goodwill amortization is an abnormal item resulting from acquisition transactions and therefore falls outside the ambit of operating costs. Further, the Hon'ble ITAT observed that Goodwill may be amortized in the books over several years; its origin remains a one-time acquisition event rather than an operating activity. Consequently, its accounting treatment cannot alter its fundamental character for transfer pricing purposes.

### Our comments

This ruling reaffirms that transfer pricing analysis under TNMM should be driven by operational realities rather than acquisition-related accounting consequences. Considering amortization of Goodwill arising from a business acquisition as abnormal and non-operating, the Hon'ble ITAT has reinforced the principle that arm's-length profitability must be assessed based on costs incurred in the ordinary course of business and not be distorted by expenses linked to capital transactions or corporate restructuring events.

### No TP Adjustment on Letter of Comfort: Mumbai ITAT distinguishes it from corporate guarantee

The Indian Hotels Company Limited ITA No.371/MUM/2010; ITA No. 841/MUM/2010; CO No. 169/MUM/2010 for Assessment Year ('AY') 2005-06

The taxpayer had provided a Letter of Comfort to the Bank for the loan granted to the AE, without charging any guarantee fee. The Ld. TPO treated the issuance of a Letter of Comfort to the AE as an international transaction and proposed an adjustment for not charging a guarantee commission. The Ld. CIT(A) deleted the TP adjustment. Aggrieved by the order, the Revenue filed an appeal before the Hon'ble ITAT.

#### Taxpayer's contention

Taxpayer contended that the Letter of Comfort was provided to the AE indicating its assurance towards complying with the terms of the financial transaction by the AE. The taxpayer did not guarantee performance in the event of default

#### Revenue's contention

The Revenue contended that the Letter of Comfort was provided to the AE to provide a benevolent advantage to the AE. Accordingly, issuing a Letter of Comfort is an international transaction for which a guarantee fee should have been charged.

#### Held

The Hon'ble ITAT observed that the taxpayer had not undertaken any binding obligation to repay the loans in the event of default by its AEs. Relying on the ruling of the Hon'ble Karnataka High Court in United Breweries Holdings Ltd. and the decision of the Chennai ITAT in TVS Logistics Services Ltd., the Hon'ble ITAT held that a Letter of Comfort is fundamentally different from a corporate guarantee. Since the Letter of Comfort did not create a legally enforceable obligation on the taxpayer, it was held to be outside the ambit of an "international transaction" under transfer pricing provisions.

### Our comments

The ruling reinforces the principle that not every form of shareholder support extended to an AE constitutes an international transaction for transfer pricing purposes. By distinguishing a non-binding Letter of Comfort from a legally enforceable corporate guarantee, the Hon'ble ITAT has appropriately focused on the substance and legal effect of the arrangement rather than its nomenclature.

This ruling provides useful guidance that transfer pricing exposure should arise only where an enforceable financial commitment or economic service is provided to an AE, thereby offering greater certainty to taxpayers in relation to intra-group financing and treasury support arrangements.

## Past Webinars & Events

**7th Edition Middle East CFO Summit 2026**
3 September 2026
Biz Integration | Nishit Parikh

**Infer 360**
21 August 2026
Nexdigm | Maulik Doshi

# Tax Talk

Indian Developments

## Direct Tax

### FAST-DS Rules, 2026 notified: Procedural framework for foreign asset disclosure

Notification No. 114/2026 effective 16 August 2026
Dated – 14/08/2026

Pursuant to the introduction of the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (FAST-DS), the CBDT has notified the Foreign Assets of Small Taxpayers Disclosure Scheme Rules, 2026 vide Notification No. 114/2026. While the Finance Act, 2026 laid down the substantive provisions of the Scheme, the notification provides the much-needed procedural framework by prescribing the forms, filing mechanism, valuation rules, and payment process for taxpayers seeking to avail the Scheme.

A key aspect of the notification is its detailed valuation rules for determining the fair market value of foreign assets as on 31 March 2026. The Rules provide specific methodologies for valuing foreign bank accounts, shares and securities, immovable properties, partnership interests, jewelry, artworks, and other foreign assets to ensure consistent and uniform disclosures. The notification also prescribes the electronic filing of declarations through the specified forms. It sets out how tax, additional tax, penalty, or fee, as applicable under the Scheme, is to be computed and paid.

The Rules therefore transform the Scheme from a legislative proposal into an operational compliance mechanism. By clarifying valuation, documentation, and procedural requirements, Notification No. 114/2026 is expected to facilitate smooth implementation of the Scheme and enable eligible taxpayers to regularize foreign asset reporting through a structured, transparent process before the prescribed deadline.

## Quotes & Coverage

How a new mining Bill threatens to reignite Centre vs state tensions
The Indian Express | Prabhat Ranjan
18 AUG 2026
https://tinyurl.com/2rak3d68

Lawyers and consultants likely to face stringent independent director norms
Financial Express | Subodh Dandawate
18 AUG 2026
https://tinyurl.com/4aaxj6r4

Geopolitical risks are redefining global pharma supply chain
Pharmabiz.com | Arjit Agarwal
18 AUG 2026
https://tinyurl.com/pyyrae4b

Centralized GST administration can cut duplicate audits, compliance costs; Centre State jurisdiction key, say experts
Economic Times | Prabhat Ranjan
18 AUG 2026
https://tinyurl.com/4jfbj2tt

Towards Greater Tax Certainty: Decoding India's APA and MAP Performance in FY 2025-26
Taxsutra | Maulik Doshi, Ricky Ruparelia
06 AUG 2026
https://tinyurl.com/4avysduk

# Indirect Tax

## Customs

### Duty-free raw sugar imports under Tariff Rate Quota (TRQ) until 31 October 2026

Notification No. 30/2026-Customs Dated 21 August 2026

The Government has granted a complete customs duty exemption on the import of 1 million metric tonnes (MT) of raw sugar (tariff heading 1701) under the Tariff Rate Quota (TRQ) Scheme until 31 October 2026.

The exemption is subject to the following procedural requirements:

- The importer must obtain a TRQ allocation from DGFT, in accordance with the applicable procedures under the Handbook of Procedures, 2023.
- The authorization should contain key particulars such as importer details, IEC, notification reference, tariff heading, permitted quantity, and validity.
- The authorization must be electronically transmitted to the Indian Customs EDI System (ICES).
- Duty-free clearance will be available only against electronic debit of the allotted quota in ICES.

### Frequent tariff value revisions for edible oils, brass scrap, gold, silver and areca nuts

Notification No. 69/2026-Customs (N.T) Dated 10 August 2026,
Notification No. 70/2026-Customs (N.T) Dated 14 August 2026,
Notification No. 71/2026-Customs (N.T) Dated 25 August 2026,
Notification No. 72/2026-Customs (N.T) Dated 31 August 2026.

The Central Board of Indirect Taxes and Customs (CBIC) issued a series of notifications revising tariff values for edible oils, brass scrap, gold, silver and areca nuts within a span of three weeks. The frequency of these revisions highlights the administration's continued reliance on tariff values as a dynamic tool for customs valuation and revenue protection.

The fortnightly revisions indicate CBIC's proactive alignment of tariff values with international commodity prices. The most volatile adjustments during August 2026 were seen in gold (USD 1,395 → USD 1,500 → USD 1,468), silver (USD 2,076 → USD 2,267) and brass scrap (USD 7,639 → USD 8,162). Edible oils witnessed a gradual upward revision, suggesting firming global prices, while areca nut stabilized at USD 11,574/MT from 15 August onwards.

### Anti-dumping duty on phthalic anhydride from China PR and Korea RP extended for five years

Notification No. 20/2026-Customs (ADD), Dated 05 August 2026

Based on the DGTR's findings, the Government concluded that dumping of the subject goods has continued and that ceasing the existing anti-dumping duty is likely to lead to the continuation or recurrence of dumping and consequent injury to the domestic industry. Accordingly, the anti-dumping duty has been continued for a further period of five years.

### CBIC standardizes postal import clearance through FPO Import Application

Circular No. 35/2026-Customs, Dated 06 August 2026

CBIC has introduced a technology-driven SOP for postal imports through the FPO Import Application, promoting uniformity, digital processing, and risk-based assessments across Foreign Post Offices.

Importers should ensure that accurate declarations are filed and that all supporting documents are readily available. Importers should also respond promptly to Document (D-Call) letters and other customs queries to avoid clearance delays or assessments based on incomplete information. Proper documentation and timely compliance will be essential for smooth processing under the revised framework.

### CBIC extends Customs relief as Strait of Hormuz disruptions continue

Circular No. 36/2026-Customs, Dated 20 August 2026

A temporary facilitative framework is provided for the movement of international cargo through Indian ports and airports in view of the continuing operational challenges arising from the West Asia crisis. It extends the relief measures and procedural relaxations introduced under earlier circulars till 31 October 2026.

The extension of these facilitative measures to all seaports and airports, along with the specific provisions relating to bulk cargo, offers greater operational flexibility to businesses affected by disruptions in international shipping routes. However, because permissions for handling bulk cargo are granted on a case-by-case basis, importers and exporters must proactively coordinate with the jurisdictional Customs authorities and ensure compliance with all applicable requirements for storage, documentation, quantity verification, and custodial arrangements.

### CBIC prescribes IGST payment mechanism for raw sugar imports converted from Advance Authorization to TRQ

Circular No. 37/2026-Customs, Dated 27 August 2026

The Government's recent decision to permit duty-free import of 1 million MT of raw sugar under the Tariff Rate Quota (TRQ) scheme created an operational challenge for importers who had already imported raw sugar under the Advance Authorization (AA) Scheme and subsequently opted for the one-time conversion to the TRQ framework.

While DGFT allowed conversion of import authorizations, no established mechanism existed to recover IGST that had originally been exempted at the import stage. Under the prescribed mechanism, IGST must be paid through the Customs Electronic Data Interchange (EDI) system at the Port of Import (POI), rather than through a separate voluntary payment process. Availability of Input Tax Credit (ITC) for the IGST paid is subject to compliance with the applicable provisions of GST law.

## Foreign Trade Policy

### DGFT opens inventory-based cross-border e-commerce export framework under FTP 2023

Notification No. 27/2026-27 Dated 5 August 2026 and Public Notice No. 25/2026-27 Dated 5 August 2026

DGFT has introduced an Inventory-based Cross-border E-Commerce Export Framework under FTP 2023, formally recognizing inventory-led e-commerce exports and aligning Indian exporters with global digital trade practices.

The framework allows designated entities to maintain export inventory for overseas sales and introduces key concepts such as Exporter-on-Record (EOR), Seller-on-Record (SOR), Export Inventory, Domestic Inventory, and Export Rebates and Refunds (ERR).

**Key conditions include:** Only Indian-origin goods can be exported; export and domestic inventories must remain separate; confirmed export orders must be backed by inventory procurement; EORs must maintain digital records and inventory traceability; and payments, incentives, and rebates must follow the prescribed framework.

### DGFT grants full recognition to INR export realizations under FTP 2023

Notification No. 30/2026-27 Dated 20 August 2026

DGFT has amended FTP 2023 to grant export proceeds realized in Indian Rupees (INR) the same recognition as proceeds received in freely convertible foreign currency for export incentives, benefits, and fulfillment of export obligations.

Export contracts, invoices, and realizations (except for ACU member countries) can now be denominated in either foreign currency or INR. Separate rules continue for ACU countries, while Nepal and Bhutan retain existing RBI-approved INR settlement arrangements.

Export proceeds realized in INR through permitted banking channels will now be eligible for:

- FTP benefits and incentives, including RoDTEP (where applicable).
- Fulfillment of export obligations under FTP schemes.

The amendment is expected to provide exporters with greater flexibility, lower currency management costs, and increased confidence in adopting INR-based trade settlements.

### DGFT relaxes One Star Export House eligibility criteria

Notification No. 33/2026-27 Dated 21 August 2026

For the grant of One Star Export House status (other than the Gems & Jewellery sector), export performance in any two out of the three preceding financial years will now be sufficient, subject to the other conditions prescribed. The amendment has come into force with immediate effect.

### DGFT integrates ICEGATE duty payment data with EODC processing for AA and EPCG schemes

Trade Notice No. 15/2026-27 Dated 5 August 2026

In a significant trade-facilitation measure, the DGFT has enabled the integration of license-wise voluntary duty payment data received from Customs/ICEGATE into the DGFT online system for processing Export Obligation Discharge Certificate (EODC) applications.

DGFT has clarified that only voluntary duty payment details reflected on the DGFT portal, based on data received from Customs/ICEGATE, will be recognized for processing and closure of EODC applications under AA and EPCG schemes.

### DGFT automates export obligation extension for PRC/EPCG-approved cases

Trade Notice No. 21/2026-27 Dated 21 August 2026

DGFT has introduced an automated facility for granting EO extensions in cases approved by the PRC/EPCG Committee, eliminating the need for exporters to file a separate extension application after committee approval.

# Tax Talk

Global Developments

## Transfer Pricing

### Malaysia: MIRB issues specific Transfer Pricing (TP) guidance on intra-group loan transactions

The Malaysian Inland Revenue Board (MIRB) released the Transfer Pricing guidelines on Controlled Financial Transactions: Intra-Group Loans (“Guidelines”) on 30 July 2026. The Guidelines supplement the Malaysia Transfer Pricing Guidelines 2024 and signal a heightened focus on the pricing, characterization, and documentation of intra-group loans.

### Debt vis-à-vis equity classification

A key feature of the Guidelines is the emphasis on determining whether a financial arrangement should be treated as debt or equity before establishing an arm's-length interest rate. Assessing the economic substance of the arrangement, including factors such as repayment obligations, borrower creditworthiness, accounting treatment, and tax treatment, would help establish the characteristics of genuine debt.

### Delineation of Intra-Group Loans

The Guidelines require taxpayers to evaluate intra-group financing arrangements from both the lender's and borrower's perspectives. Lenders are expected to assess borrower risk, economic conditions, and alternative uses of funds, while borrowers must evaluate the commercial rationale and cost-effectiveness of financing options. Creditworthiness plays a central role in this analysis, with independent credit ratings recognized as useful indicators for determining arm's-length conditions. Taxpayers must maintain contemporaneous documentation supporting their credit rating assessments.

Importantly, the Guidelines acknowledge that membership within a multinational enterprise (MNE) group may provide implicit support that enhances a borrower's credit profile and lowers borrowing costs. Such implicit support generally does not warrant separate compensation or transfer pricing adjustments.

### Detailed guidance on benchmarking approaches

To determine arm's-length interest rates, the MIRB endorses several pricing approaches. The Comparable Uncontrolled Price (CUP) Method remains the preferred approach, allowing benchmarking against comparable loans, bonds, third-party borrowings, deposits, and other financial instruments, subject to appropriate comparability adjustments.

The Guidelines also recognize the Cost of Funds Method, particularly where financing is sourced externally and passed through intermediary group entities. In such cases, remuneration should reflect only the intermediary's functions, assets, and risks rather than a full financing return. The Guidelines further clarify that both external borrowing costs and the opportunity cost of internally generated funds should be considered when applying this method.

### Introduction to simplified method

The MIRB introduced a simplified approach for eligible intra-group loans to reduce taxpayers' compliance burden. Under this method, taxpayers may apply prescribed rates based on the Bank Negara Malaysia (BNM) Deposit Rate or Average Lending Rate (ALR) without conducting a full transfer pricing benchmarking study. Eligibility is subject to specific conditions, including a maximum intra-group loan threshold of RM50 million, restrictions on funding sources and currencies, and no intermediary financing arrangements.

### Enhanced documentation expectations

The Guidelines place considerable emphasis on documentation. Taxpayers are expected to retain loan agreements, credit assessments, comparability analyses, and evidence supporting the selected pricing methodology. While interest rate benchmarking under standard methods may generally be refreshed every three years if circumstances remain unchanged, taxpayers adopting the simplified method must maintain detailed evidence demonstrating eligibility and compliance with the prescribed requirements.

## Quotes & Coverage

Portal glitches put thousands of GST appeals at risk; experts seek deadline extension
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India’s next trade frontier for pharma is regulation
Hindustan Times | Prabhat Ranjan
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NDTV | Aditya Nadkarni
16 JUL 2026
https://tinyurl.com/34au4t22

GSTAT token mechanism safeguards appeal rights, but experts warn legal ambiguity could trigger fresh litigation
NDTV | Prabhat Ranjan
15 JUL 2026
https://tinyurl.com/t6rnat9k

CBIC allows self-certification for origin declarations under India-UK CETA
Economic Times | Prabhat Ranjan
14 JUL 2026
https://tinyurl.com/y47vm693

# Compliance Calendar

Direct Tax

Indirect Tax

### 7 September 2026

- Due date for deposit of Tax deducted/collected for the month of August 2026. However, all sums deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day on which tax is paid without production of an Income-tax Challan.
- Uploading of declarations received in Form No.127 (Income-tax Rules, 2026) from the buyer in the month of August 2026

### 14 September 2026

- Issue of certificate in Form No. 132 (Income-tax Rules, 2026) under section 395(4) of the Income-tax Act, 2025 for tax deducted at source under section 393(1) [Table Sl. No. 2(i), 3(i), 6(ii) & 8(vi)] of the Income-tax Act, 2025 in the month of July 2026

### 15 September 2026

- Statement in Form 1 (Income-tax Rules, 2026) by the stock exchange for the month of August 2026, in respect of transactions in which client codes have been modified after registering in the system
- Due date for furnishing Form No. 137 (Income-tax Rules, 2026) by an office of the Government where TDS/TCS for the month of August 2026 has been paid without the production of a challan
- Second installment of advance tax for the Tax Year 2026-27

### 30 September 2026

- Furnishing of audit report in Form No. 3CE (Income-tax Rules, 1962) under section 44DA (Income-tax Act, 1961) by a non-resident and foreign company for the previous year 2025-26 (if the assessee is required to submit return of income on October 31 2026)
- Furnishing of the report in Form No. 3CEA (Income-tax Rules, 1962) relating to computation of capital gains in case of slump sale taxable under section 50B (Income-tax Act, 1961) (if the assessee is required to submit return of income on October 31 2026)
- Furnishing report under section 115JB (Income-tax Act, 1961) in Form No. 29B (Income-tax Rules, 1962) 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)

### 10 September 2026

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

### 11 September 2026

- GSTR-1 for August 2026 to be filed by all registered taxpayers not under the QRMP scheme

### 13 September 2026

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

### 20 September 2026

- GSTR-5A for August 2026 to be filed by Non-Resident Online Database Access and Retrieval (OIDAR) service providers
- GSTR-3B for August 2026 to be filed by all registered taxpayers not under the QRMP scheme

### 25 September 2026

- Payment of tax through GST PMT-06 by taxpayers under the QRMP scheme for August 2026

# Compliance Calendar

Direct Tax
Indirect Tax

### 30 September 2026

- Furnishing audit report in Form No. 3AC (Income-tax Rules, 1962) by assessee claiming deduction under section 33AB (Income-tax Act, 1961) for the previous year 2025-26 (if the assessee is required to submit return of income on October 31 2026)
- Furnishing of report of audit of the accounts of an assessee, other than a company or a co-operative society, in Form No. 3AE (Income-tax Rules, 1962) under section 35D(4) (Income-tax Act, 1961) for the previous year 2025-26 (if the assessee is required to submit return of income on October 31 2026)
- Furnishing audit report in Form No. 3AD (Income-tax Rules, 1962) by assessee claiming deduction under section 33ABA (Income-tax Act, 1961) for the previous year 2025-26 (if the assessee is required to submit return of income on October 31 2026)
- Furnishing of report of audit of the accounts of an assessee, other than a company or a co-operative society, in Form No. 3AE (Income-tax Rules, 1962) under section 35E(6) (Income-tax Act, 1961) for the previous year 2025-26 (if the assessee is required to submit return of income on October 31 2026)
- Furnishing of audit report in Form no. 3CE (Income-tax Rules, 1962) under section 44DA (Income-tax Act, 1961) by a non-resident and foreign company for the previous year 2025-26 (if the assessee is required to submit return of income on October 31 2026)
- Furnishing of statement in Form No. 3AF (Income-tax Rules, 1962) containing the particulars of expenditures specified under Section 35D(2)(a) (Income-tax Act, 1961) (if the assessee is required to submit the return of income on or before October 31 2026)
- Furnishing of certificate in Form No. 10-IJ (Income-tax Rules, 1962) issued by a Chartered Accountant certifying the annual statement of exempt income of the specified fund, being a category-III AIF, under section 10(23FF) (Income-tax Act, 1961) (if the assessee is required to submit the return of income on or before October 31 2026)
- Furnishing of Audit Report in Form No. 10CCB (Income-tax Rules, 1962) by assessee claiming deduction under section 80-I, 80-IA, 80-IB or section 80-IC (Income-tax Act, 1961) (if the assessee is required to submit the return of income on or before October 31 2026)
- Furnishing report in Form No. 10DA (Income-tax Rules, 1962) certifying the claim for additional employee cost under section 80JJAA (Income-tax Act, 1961) during the previous year 2025-26 (if the assessee is required to submit return of income on or before October 31 2026)
- Application in Form No. 171 (Income-tax Rules, 2026) for updating details by a person who is already registered as an income-tax practitioner under the Income-tax Act, 1961, holding a valid certificate of registration as on March 31 2026
- Furnishing of the report in Form No. 3CEA (Income-tax Rules, 1962) relating to computation of capital gains in case of slump sale taxable under section 50B (Income-tax Act, 1961) (if the assessee is required to submit return of income on October 31 2026)
- Furnishing report under section 115JB (Income-tax Act, 1961) in Form No. 29B (Income-tax Rules, 1962) 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)
- Furnishing report under section 115JC (Income-tax Act, 1961) in Form No. 29C (Income-tax Rules, 1962) for computing Adjusted Total Income and Alternate Minimum Tax 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)
- Furnishing of Audit Report in Form No. 66 (Income-tax Rules, 1962) by tonnage tax company under clause (ii) of section 115VW (Income-tax Act, 1961) for the previous year 2025-26 (if the company is required to submit return of income on October 31 2026)
- Furnishing of the audit report in Form No. 10-IL (Income-tax Rules, 1962) by the specified fund, being the investment division of an offshore banking unit, for the purpose of exemption under section 10(4D) (Income-tax Act, 1961) (if assessee is required to submit return of income on or before October 31 2026)

# Compliance Calendar

Direct Tax
Indirect Tax

### 7 October 2026

- Due date for deposit of tax deducted/collected for the month of September 2026. However, all sums deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day on which tax is paid, without production of challan
- Due date for deposit of TDS for the period July 2026 to September 2026 when the Assessing Officer has permitted quarterly deposit of TDS under section 392(1) or 393(1) [Table Sl. Nos. (1)(i) and (ii), and 5(ii) and (iii)] of the Income-tax Act, 2025
- Due date for furnishing Form No. 137 (Income-tax Rules, 2026) by an office of the Government where TDS/TCS for the month of September 2026 has been paid without the production of a challan.
- Uploading of declarations received in Form No. 127 (Income-tax Rules, 2026) from the buyer in the month of September 2026.
- Upload the declarations received from recipients in Form No. 121 (Income-tax Rules, 2026) during the quarter ending September 2026.

### 10 October 2026

- GSTR-7 for September 2026 to be filed by persons liable to TDS
- GSTR-8 for September 2026 to be filed by E-Commerce Operators liable to TCS

### 11 October 2026

- GSTR-1 for August 2026 [AS1.1]by all registered taxpayers not under the QRMP scheme

### 13 October 2026

- GSTR-6 for September 2026 to be filed by ISDs
- Uploading B2B invoices using IFF under the QRMP scheme for August [AS2.1]2026 by taxpayers with aggregate turnover of up to INR 50 million
- GSTR-5 for September 2026 to be filed by Non-Resident Foreign Taxpayers

# About Nexdigm

Nexdigm is a privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise, enables us to deliver customized solutions tailored for our clients.

We provide integrated, digitally-driven solutions encompassing Business and Professional Services across industries, helping companies address challenges at all stages of their business lifecycle. Through our direct operations in the USA, Poland, the UAE, and India, we serve a diverse range of client base, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries. By combining strategic insight with hands-on execution, we help businesses not only develop and optimize strategies but also implement them effectively. Our collaborative approach ensures that we work alongside our clients as partners, translating plans into tangible outcomes that drive growth and efficiency.

At Nexdigm, quality, data privacy, and confidentiality are fundamental to everything we do. We are ISO/IEC 27001 certified for information security and ISO 9001 certified for quality management. Additionally, we comply with GDPR and uphold stringent data protection standards through our Personal Information Management System, implemented under the ISO/IEC 27701:2019 Standard.

We have been recognized over the years by global organizations, including the Everest Group Peak Matrix® Assessment, International Tax Review, World Commerce and Contracting, ISG Provider Lens™ Quadrant Report, International Accounting Bulletin, Avasant RadarView™ Market Assessment, and Global Sourcing Association (GSA) UK.

**Nexdigm** resonates with our plunge into a new paradigm of business; it is our commitment to ***Think Next.***

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