

# Tax Street

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

May 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 May 2026.

- The **'Focus Point'** explores the GST implications of corporate guarantees, examining recent judicial developments, statutory complexities, and the compliance challenges businesses must carefully navigate in an evolving regulatory landscape.
- 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](mailto: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

# GST on Corporate Guarantees: Evolving Clarity, Persistent Questions

The taxation of corporate guarantees under GST law continues to be an area of significant debate, marked by interpretational challenges and evolving jurisprudence. While recent judicial developments, particularly the Bombay High Court ruling in *M/s D.P. Jain & Co. Infrastructure Pvt. Ltd. vs. Union of India* [(2026) 42 Centax 208 (Bom.)], have provided requisite relief, the legal position is far from settled, especially in light of recent amendments. This article attempts to distill the current position, focusing on practical implications rather than historical evolution.

### Understanding the core issue

Parent companies typically issue corporate guarantees to support borrowings by subsidiaries or group entities. Unlike bank guarantees, companies generally extend these without charging any explicit consideration, serving as internal financial support mechanisms.

The core issue here is that under GST law, the levy arises only when a transaction qualifies as a “supply”. A supply ordinarily requires:

- a supplier and recipient, and
- Consideration, unless specifically deemed otherwise under law.

This raises a fundamental question: is a transaction without consideration, such as a corporate guarantee, subject to tax?

### Judicial Guidance: Bombay High Court decision

The Bombay High Court ruling is a significant development in this context. The Court examined whether GST applied to corporate guarantees issued without any fee or commission. Key takeaways from the judgment include:

- Absence of consideration is critical. The Court reaffirmed that, unless covered by specific deeming provisions, a transaction without consideration may fail to qualify as a “supply.”
- Nature of corporation guarantees matters. The Court viewed corporate guarantees as intra-group, contingent arrangements, distinguishable from commercial services such as bank guarantees.
- Limits of administrative circulars. The Court clarified that tax liability must arise from the statute. Clarifications, including CBIC Circular No. 204/16/2023-GST dated 27 October 2023, cannot expand the scope of taxation beyond what the law permits.
- Relief for earlier periods. For periods prior to October 2023, the absence of both consideration and a reliable valuation mechanism significantly weakens the case for a GST levy.

### Practical considerations for taxpayers

In this evolving environment, taxpayers need to adopt a balanced and informed approach:

- Evaluate past exposure  
For guarantees issued prior to October 2023, taxpayers may have a defensible position based on lack of consideration and judicial support.
- Reassess current practices  
For ongoing arrangements, the applicability of the deemed valuation rule and related-party provisions must be carefully analyzed.
- Strengthen documentation  
It is important to establish clearly that:

- The guarantee is an intra-group support measure, and
- No direct or indirect consideration is involved.

This would help distinguish your corporate guarantees from bank guarantees.

- Prepare for scrutiny
- Given the ambiguity, tax authorities are likely to issue notices.

A well-documented position supported by recent jurisprudence will be crucial.

### Conclusion

The Bombay High Court ruling offers a measure of clarity, particularly for earlier periods, by reinforcing foundational principles such as the importance of consideration in determining taxability. However, with the introduction of deeming and valuation provisions under GST law, the issue is far from conclusively settled.

For taxpayers, the current phase represents a transition from a largely favourable judicial position to a more complex statutory framework. Until higher judicial forums provide definitive guidance, a cautious, well-documented, and forward-looking approach remains the most prudent course.

## Alerts

### OECD Provides Relief for GloBE Information Return Central Filing Obligations and Extends Transitional UTPR Safe Harbor

8 June 2026

<https://tinyurl.com/bazducvb>

### Key Highlights of GST Notification and Clarification Circulars in May 2026

8 June 2026

<https://tinyurl.com/3snpzp6v>

### India Introduces Tax Exemption on FII Investment in Government Securities – A Defense Against Currency Depreciation

8 June 2026

<https://tinyurl.com/3utcmz45>

### FTA Activates Pillar Two Registration Functionality on Emara Tax Portal

4 June 2026

<https://tinyurl.com/3hyc58dj>

### UAE E-Invoicing Timeline Extended: Additional Window for ASP Evaluation and Readiness

25 May 2026

<https://tinyurl.com/mw7vezep>

### Key Highlights of GST Notification and Clarification Circulars in April 2026

15 May 2026

<https://tinyurl.com/yc2e7x5x>

### Extension for Appointment of ASP for Businesses Having Revenue of More Than AED 50 Million and Key E-Invoicing Updates

13 May 2026

<https://tinyurl.com/3jem7ary>



## From the Judiciary

### Direct Tax

#### Whether a foreign company can escape PE exposure in India when services are largely remote, on-site presence is below 90 days, customer premises are not at its disposal, and reliance is placed on dubious evidence like LinkedIn profiles?

IMAX Theatre Services Ltd [TS-688-ITAT-2026(DEL)]

##### Facts

The assessee, IMAX Theatre Services Ltd., is a Canadian tax resident engaged in providing theatre system maintenance services globally, including India. The services were rendered through a combination of remote access support and limited on-site visits through an Australian vendor. The total duration of on-site services in India was only 67 days during the relevant year. The Assessing Officer alleged that the assessee had a Fixed Place PE as well as a Service/Supervisory PE in India and accordingly attributed income accordingly.

##### Revenue's Arguments

- The Revenue contended that remote access to theatre systems in India constituted a Fixed Place PE as the assessee was effectively carrying on business through such systems.
- It was argued that the vendor personnel were effectively functioning as an employee or dependent agent of the assessee and were carrying out multiple activities in India.
- The Revenue relied on the LinkedIn profile of the individual to establish an employment relationship with the assessee.
- It was further contended that services rendered remotely should be considered for determining the existence of a Service PE.

- The authorities also asserted that the assessee had a Supervisory PE in India based on the nature of activities carried out.

##### Assessee's Arguments

- The assessee argued that the remote access was limited, customer-controlled, and used only for maintenance purposes, without any business control over the systems in India.
- It was submitted that none of the essential tests for establishing a Fixed Place PE namely, place of business, disposal, permanence, and business activity were satisfied.
- The assessee emphasized that on-site services were rendered only for 67 days, which is below the 90-day threshold prescribed under the DTAA for Service PE.
- It was clarified that the vendor employee was not an employee of the assessee, and an affidavit was provided to substantiate this fact.
- The assessee also argued that the concept of a "virtual PE" based on remote services is not recognized under the India–Canada DTAA.

##### Held

Delhi ITAT (ITAT) ruled in favor of the assessee that it has no fixed place PE under Article 5(1) of India-Canada DTAA (DTAA) as none of the test for satisfaction of fixed place PE stands fulfilled

- The Tribunal held that the assessee did not have a Fixed Place PE in India as none of the essential conditions, including disposal and permanence, were satisfied.
- It was further held that no Service or Supervisory PE existed since the on-site presence in India was only 67 days, which is below the 90-day threshold.

- The ITAT categorically ruled that remote or virtual services couldn't create a PE in the absence of specific provisions in the DTAA.
- The Tribunal rejected the reliance on the LinkedIn profile as evidence and accepted the affidavit as credible proof of employment status.
- Since no PE was established, the Tribunal held that no attribution of profits in India was warranted and allowed the appeal in favor of the assessee.

### Our Comments

This ruling reinforces that a Permanent Establishment cannot be created in India merely through remote service delivery or limited on-site presence below treaty thresholds, in the absence of disposal over premises and explicit DTAA recognition of a "virtual PE".

### Whether a payer can be held liable under section 195 of the Income-Tax Act, 1961, for failure to deduct tax at source on payments made to non-residents, when the taxability of such income in India arises only due to a retrospective amendment introduced after the date of transaction, and consequently whether such payer can be treated as an assessee-in-default under sections 201(1) and 201(1A)?

TATA Industries Ltd. [TS-677-ITAT-2026(Mum)]

#### Facts

The assessee, Tata Industries Ltd., entered into an agreement in September 2005 to purchase shares of AT&T Cellular Pvt. Ltd. (a Mauritius company) from its non-resident shareholders based in the USA (New Cingular Wireless Services Inc. and MMM Holdings LLC). AT&T Cellular Pvt. Ltd., Mauritius, indirectly held shares in an Indian telecom joint venture, Birla Tata AT&T Ltd. (later Idea Cellular Ltd.).

In 1995, AT&T Corporation entered into a joint venture with Grasim Industries Ltd. for telecom operations in India through Birla AT&T Communications Ltd. Over time, multiple restructurings occurred, and eventually the business evolved into Birla Tata AT&T Ltd. (BTAL), which later became Idea Cellular Ltd.

The AO examined three key issues:

- Whether TIL should have obtained approval under section 195(2) or ensured compliance under section 195(3)/197 before remittance
- Whether income arising to US shareholders was chargeable to tax in India under section 9(1)(i) and DTAA
- Quantum and rate of capital gains taxable in India (if applicable)

Further appeal with the CIT(A), it held that the issue under consideration was squarely covered by the judgment of the Hon'ble Supreme Court in the case of Vodafone International Holdings B.V. and accordingly decided the matter in favor of the assessee. Aggrieved by the said order, the Revenue filed an appeal before the Mumbai Tribunal.

#### Revenue's Arguments

- The Revenue contended that the transaction effectively resulted in an indirect transfer of shares of an Indian company, and hence gains were taxable in India under Section 9(1)(i).
- It argued that the Mauritius entity lacked substance and the real transaction involved the sale of shares of Idea Cellular Ltd. (Indian company).
- The retrospective amendment (Explanation 4 & 5 to Section 9(1)(i)) clarified that indirect transfers are taxable in India from 1962 onwards.
- Accordingly, the assessee was required to deduct TDS under Section 195 on such payments.

#### Assessee's Arguments

- The assessee argued that under the law prevailing in September 2005, indirect transfer of foreign shares was not taxable in India, as per the Supreme Court ruling in Vodafone International Holdings.
- It is submitted that Section 195 applies only when the payment is chargeable to tax in India; since the transaction was not taxable, no TDS obligation arose.
- The retrospective amendment introduced in 2012 could not impose withholding obligations with retrospective effect, as "law does not compel impossibility."
- The assessee also contended that it acted bona fide based on the legal position at the time of payment.

#### Held

Mumbai ITAT affirms CIT(A)'s order holding that payments made by Tata Industries Ltd. (Assessee) to non-resident shareholders for the purchase of shares of a Mauritius company were not chargeable to tax in India u/s 9(1)(i) and therefore it had no TDS obligation on such remittance, based on the following grounds:

- The Tribunal upheld that, based on the law prevailing in 2005 and the Supreme Court's ruling in Vodafone, indirect transfer of foreign shares was not taxable in India.
- It held that TDS liability under Section 195 arises only when the sum is chargeable to tax in India.
- The Tribunal agreed that retrospective amendments to Section 9(1)(i) cannot create a withholding obligation for past transactions.

- It emphasized that taxpayers cannot be expected to comply with provisions not in existence at the time of the transaction (“law does not demand the impossible”).
- Accordingly, the assessee was not an assessee in default, and the demand raised under Sections 201(1) and 201(1A) was quashed.

### Our Comments

This case highlights that TDS under section 195 applies only when the underlying payment is chargeable to tax in India, and that the indirect transfer provisions were not applicable prior to 2012, as clarified in the Vodafone ruling. Retrospective amendments cannot create new withholding tax obligations for past transactions.

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## Upcoming Webinars & Events

### Recent Developments in UAE Transfer Pricing: Business Readiness and What to Expect

25 June 2026

[Nexdigm](#) | Nishit Parikh, Ronak Godha

### Managing Customs Challenges in Global Trade Operations

21 July 2026

[Taxesutra](#) | Prabhat Ranjan

### GST in Action: A Practical Perspective - Chennai

24 July 2026

[Achromic Point](#) | Sanjay Chhabria, Aditya Nadkarni



## Indirect Tax

### Whether an order passed under Section 73 of the Uttar Pradesh Goods and Services Tax Act, 2017 can be sustained when the assessee's GST registration had already been cancelled, and the show-cause notice was served after cancellation only through the GST portal?

Jag Narain Dubey vs State of U.P. Thru. Chief Commissioner of Commercial Tax Lko and Anr [2026 (6) TMI 54 - ALLAHABAD HIGH COURT]

#### Facts

- The petitioner's GST registration was cancelled on 22 October 2021, following which the business operations were discontinued.
- Subsequently, the GST Department initiated proceedings under Section 73 and issued a show-cause notice by uploading it on the GST portal.
- Thereafter, an order dated 10 December 2025 was passed by the Assistant Commissioner, State GST.
- Aggrieved, the petitioner filed a writ petition before the High Court contending that, following cancellation of registration, he could not reasonably be expected to regularly access the GST portal and, therefore, service of notice through the portal alone could not be treated as valid service.

#### Ruling

- The High Court observed that once the GST registration stands cancelled, the taxpayer cannot be expected to regularly monitor the GST portal.
- Where proceedings are initiated after cancellation of registration, the Department must ensure service of notice through other prescribed modes.
- Mere uploading of a show-cause notice on the GST portal, without any additional mode of communication, does not amount to effective service and is contrary to the principles of natural justice.
- Accordingly, the order dated 10 December 2025 passed under Section 73 was quashed and set aside.
- The GST Department was directed to issue a fresh notice to the petitioner and proceed afresh in accordance with law.

#### Our Comments

- The ruling reinforces that valid service of notice is a fundamental prerequisite for adjudication proceedings under GST. The decision clarifies that portal-based communication alone may not be sufficient where the taxpayer's registration has already been cancelled and business activities have ceased.

- The judgment strengthens the principles of natural justice by requiring the tax authorities to adopt an effective mode of communication before passing adverse orders.
- At the same time, the Court has balanced taxpayer rights with revenue interests by permitting the Department to reinstate proceedings after effecting proper service of notice.

### Whether preferential location charges (PLCs) collected from buyers of flats are liable to GST as an independent supply or form part of the composite supply of construction services taxable at the same rate as the underlying construction service.

DLF Limited vs The Commissioner of Central Goods and Service Tax and others

[2026 (5) TMI 1358 – PUNJAB AND HARYANA HIGH COURT]

#### Facts

The petitioner approached the Authority for Advance Ruling (AAR) on 10 June 2019 seeking clarification on the GST treatment of preferential location charges collected from buyers.

- Vide order dated 28 August 2020, the Advance Ruling Authority held that the preferential location charges are liable to GST separately and independently from the consideration received towards construction/development service.
- Aggrieved by the ruling, the petitioner filed an appeal under Section 101 of the Central Goods and Services Tax (CGST) Act, 2017. However, the Appellate Authority for Advance Ruling (AAAR) dismissed the appeal on 28 March 2022 and upheld the findings of the Advance Ruling Authority.
- Subsequently, during the 54th meeting held on 9 September 2024, the GST Council recommended that preferential location charges collected by developers should not be taxed separately and instead be treated as part of the consideration for the construction service.
- Pursuant to the recommendation, the Central Board of Indirect Taxes and Customs (CBIC) issued a GST Circular on 11 October 2024 clarifying that the choice of location of an apartment is intrinsically linked to the supply of construction services. Accordingly, preferential location charge collected prior to issuance of the completion certificate constitutes part of the consideration for construction services and is liable to GST at the same rate as applicable to construction services.

- Relying on the aforesaid recommendation and Circular, the petitioner challenged the validity of the AAR and AAAR orders before the High Court.

#### Ruling

- In view of the GST Circular, the Court held that preferential location charges cannot be regarded as an independent supply and are liable to GST in the same manner as the underlying construction services.
- The court further observed that the Circular, having been issued under Section 168(1) of the CGST Act, 2017, is binding on the tax authorities. Being clarificatory in nature, the Circular would operate retrospectively.
- Accordingly, the Court held that the AAR order dated 20 August 2020 and the AAAR order dated 28 March 2022, which treated preferential location charges as a separately taxable supply, were unsustainable under law.
- Consequently, the Court quashed both the Orders and held that the preferential location charges form part of the composite supply of construction services and are not liable to be taxed separately, allowing the writ petition.

#### Our Comments

- The judgment provides significant relief to the real estate sector by settling the long-standing controversy regarding the GST treatment of preferential location charges, where the Court reaffirmed that preferential location charges are intrinsically linked to the supply of construction services and cannot be artificially segregated as an independent supply for taxation purposes.
- A key aspect is the Court's recognition of the CBIC Circular dated 11 October 2024 as clarificatory in nature and having retrospective operation.
- The decision reinforces the settled principle of composite supply under GST, namely that charges intrinsically linked to the principal supply should assume the tax treatment of such principal supply rather than being subjected to separate taxation.

## Past Webinars & Events

### Where Deals Meet Disputes – Decoding Certain M&A Controversies

16 June 2026

Taxsutra | Amit Amlani, Prabhat Ranjan

### GST in Action: A Practical Perspective - Pune

12 June 2026

Achromic Point | Aditya Nadkarni



## Transfer Pricing

### Tribunal rejects invocation of benefit test, deletes TP adjustment qua Franchise fee payment

Royal Canin India Pvt Ltd (ITA No.8837/MUM/2025)

The Assessee, a wholly owned subsidiary of Royal Canin SAS, France, is engaged in the marketing, distribution, and sale of pet nutrition products in India. The Assessee operated under a franchise model that granted it exclusive rights to use the “Royal Canin System,” comprising trademarks, brand name, manufacturing and marketing know-how, and various centralized support services. In addition, the Assessee availed intra-group services and purchased finished goods from its AE.

The Transfer Pricing Officer (TPO) determined the arm’s length price (ALP) of the franchise fee at nil on the grounds that the payment was duplicative of the cost of goods purchased from AEs and that the Assessee failed to demonstrate any economic benefit from the arrangement. Consequently, a significant transfer pricing adjustment was made, which was upheld by the Dispute Resolution Panel (DRP).

#### Held

The Tribunal deleted the TP adjustment, holding that the franchise fee was a genuine payment for distinct commercial rights, including trademarks, intangibles, know-how, and centralized support services. It rejected the Revenue’s duplication argument, noting that the intellectual property was not owned by the manufacturing entities and therefore required separate compensation.

The Tribunal further held that use of the “Royal Canin” brand and business system showed benefit to the Assessee. It reiterated that the TPO cannot determine a Nil ALP based on a “need-benefit” test or question commercial expediency, as its role is confined to benchmarking under the prescribed methods.

#### Our comments

The ruling affirms that franchise fees for IP, trademarks, and support services are distinct from product purchase costs and cannot be assigned a Nil ALP without proper benchmarking. It also reiterates that the TPO cannot question commercial expediency through a benefit test and highlights the need for consistency in transfer pricing assessments.

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### Higher profitability of the eligible unit, by itself, is no ground for invoking Section 80-IA(10)

Imperial Jewels (I.T.A. No. 5477/Mum/2024)

The Assessee, engaged in the manufacture and export of studded jewelry, claimed a deduction under Section 10AA for its SEZ unit and reported certain transactions as specified domestic transactions in Form 3CEB, benchmarking them under TNMM.

The TPO invoked Section 80-IA(10), alleging that the Assessee had earned excessive profits through arrangements with related parties, as its margins exceeded those of comparable companies. Accordingly, a downward adjustment was proposed, which was ultimately restricted to INR 3.849 million pursuant to the DRP’s directions.

#### Held

The Tribunal deleted the adjustment, holding that Section 80-IA(10) could not be invoked merely because of related-party transactions or higher profits. It held that the Revenue must prove an arrangement yielding more than ordinary profits through proper benchmarking, which it failed to do, as no evidence of profit shifting, price manipulation, or artificial structuring was on record.

The Tribunal also noted that higher profits may stem from legitimate factors such as efficiency, economies of scale, or favorable market conditions. It further noted that similar adjustments had not been sustained in earlier years and that the Assessee remained profitable even after the tax holiday, weakening the allegation of profit inflation.

#### Our comments

The ruling reiterates that Section 80-IA(10) cannot be invoked mechanically and requires the Revenue to first establish “ordinary profits” through objective benchmarking. It recognizes that higher margins may arise from legitimate operational efficiencies and commercial factors. The decision also underscores that transfer pricing adjustments affecting eligible profits must be evidence-based, and highlights that consistency in past assessments and post-tax holiday profitability are relevant defenses against allegations of profit shifting.

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## Impact of an Undisclosed Guarantee on the risk profile of intra-group financing

Luxembourg Co. (LuxCo) vs. Luxembourg Tax Authorities, 18 March 2026

### Issue

Whether an undisclosed counter-guarantee agreement constitutes a new fact enabling the tax authorities to reopen and reassess prior tax years under the extended ten-year limitation period;

Whether the existence of a corporate-guarantee arrangement justifies the guarantor assuming the entire credit risk, and pursuant to it, treating the entire income from financial activities as the guarantor's income.

### Facts

- The case concerns Luxembourg Co. (LuxCo), Belgian Co. (BelCo), and BelCo's Luxembourg branch (the Branch), which was established in 2007 to undertake intra-group financing activities.
- The Branch entered into advance tax agreements (ATA) with the Luxembourg Tax Authority (LTA) in 2007 and 2014.
- Under a 2014 advance tax ruling, BelCo's Luxembourg branch was treated as carrying on financing activities while assuming only limited credit risk, allowing it to claim a notional interest deduction equal to 99% of its financing income.
- Following an exchange of information with the Belgian Tax Authority (BTA) in 2019, the LTA discovered an undisclosed counter-guarantee agreement dated 8 March 2012, which had not been submitted during the ruling process.
- The BTA relied on the agreement to conclude that the relevant credit risk was borne by LuxCo in Luxembourg rather than by BelCo in Belgium.
- Treating the counter-guarantee and the information received from Belgium as new facts, the LTA reopened prior years under the extended 10-year limitation period and sought to attribute the Branch's financing income to LuxCo.
- It also rejected LuxCo's position that it acted merely as a shareholder, noting that an independent party would not assume such credit risk without appropriate remuneration.
- After its administrative complaint was dismissed, LuxCo appealed to the Administrative Tribunal.

### Ruling

- The Tribunal rejected LuxCo's argument that the ordinary five-year limitation period applied.
- It held that the undisclosed counter-guarantee constituted a new fact and that, because this information was unavailable when the original assessments were issued, the tax authorities were entitled to rely on the extended ten-year limitation period.
- The reassessments were therefore valid and timely.
- However, the Tribunal did not accept the tax administration's attempt to attribute the Branch's entire notional interest deduction to LuxCo.
- Although it agreed that LuxCo had assumed credit risk and should therefore receive arm's-length remuneration for its guarantee function, it found that the administration had failed to demonstrate that LuxCo performed all of the economically significant functions or exercised control over the financing activity as a whole.
- Accordingly, the Tribunal concluded that only an arm's-length guarantee fee, rather than the full financing income, could be attributed to LuxCo.

### Our Comments

- The ruling highlights that undisclosed information can justify reassessments under an extended limitation period and weaken the protection afforded by tax rulings.
  - It also reaffirms that assuming risk alone does not entitle an entity to all related profits; income must be attributed to the functions performed and the control exercised.
  - Accordingly, a guarantee provider may be entitled only to an arm's-length guarantee fee rather than the full financing return.
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## Tax Talk

### Indian Developments

## Indirect Tax

### Customs

#### Introduction of system-based identification and flagging of hazardous cargo

Circular No. 24/2026-Customs dated 14 May 2026

Based on feedback from industry stakeholders, CBIC has identified a list of specified hazardous cargo and is introducing system enhancements to enable Customs officers to identify such cargo at the time, importers file the Bill of Entry (BoE). This functionality will be rolled out across all Customs formations with effect from 1 July 2026.

Importers will be required to declare hazardous cargo at the item level in the Bill of Entry. The system shall automatically flag such BoEs for officers during assessment, examination and out-of-charge stages. A system-generated message will be displayed to the Customs officer indicating that the BoE contains hazardous cargo, thereby facilitating identification and expeditious processing of such consignments.

#### CBIC extends Customs relief measures amid Strait of Hormuz maritime disruptions

Circular No. 22/2026-Customs dated 4 May 2026

In view of the ongoing disruptions in maritime routes due to the closure of the Strait of Hormuz, the validity of the following circulars issued under Section 143AA of the Customs Act, 1962 is extended to 30 June 2026.

- Circular No. 09/2026–Customs dated 8 March 2026 - Special Procedure for Return of Export Cargo Due to Strait of Hormuz Disruption
- Circular No. 10/2026–Customs dated 10 March 2026 - Fee waiver for Export Document Changes Due to Force Majeure
- Circular No. 12/2026–Customs dated 17 March 2026 - Procedure for Export Cargo Returned Due to Strait of Hormuz Closure
- Circular No. 15/2026–Customs dated 27 March 2026 - Transshipment Facility Expanded Due to Hormuz Strait Disruption Impact on Maritime Routes
- Circular No. 19/2026–Customs dated 10.04.2026 - CBIC Allows LEO Cancellation Due to Strait of Hormuz Disruption for SEZ Export Cargo
- Circular No. 21/2026–Customs dated 15.04.2026 - Customs Eases Re-Entry of Export Cargo Due to Strait Disruption, Sets Simplified Procedures

## Foreign Trade Policy

### DGFT Extends validity of Ad-Hoc norms for Advance Authorizations till 31 March 2028

Public Notice No. 07/2026-27 dated 5 May 2026

DGFT has amended the FTP, 2023, to extend the validity of ad-hoc norms ratified by the Norms Committee for Advance Authorizations issued under the Self-Declaration route from 31 March 2026 to 31 March 2028. The revised provision also permits reuse of such ratified norms by other applicants during the validity period, except for a few restricted items already notified under FTP or where specific restrictions are imposed by the Norms Committee.

This measure enhances certainty for exporters, reduces procedural redundancies, and lowers compliance costs by avoiding repeated norm approvals. The amendment further supports ease of doing business through greater consistency and operational efficiency in the Advance Authorization framework.

### DGFT notifies Authorized Agencies for Issuance of Preferential CoO under India-UK CETA

Public Notice No. 09/2026-27 dated 11 May 2026

Public Notice No. 10/2026-27 dated 11 May 2026

DGFT has operationalized the Certificate of Origin (CoO) framework under the India-UK Comprehensive Economic and Trade Agreement (CETA). The amendments incorporate India-UK CETA into the list of FTAs under FTP 2023 and permit exporters to obtain CoO through Self Declaration in addition to authorized agency certification.

The notification authorizes DGFT offices, the Export Inspection Council and the sector-specific bodies such as APEDA, MPEDA, Spices Board and others for designated products, while specified SEZ authorities may issue CoO for goods manufactured within their jurisdictions. The measures are aimed at facilitating exporters' access to preferential tariff benefits under the agreement while providing greater flexibility and ease of compliance.

### Amendment in export policy of sugar

Notification No. 16/2026-27 dated 13 May 2026

The export policy for sugar (raw sugar, white sugar and refined sugar) has been amended. Key highlights include:

- The export policy of Sugar (Raw Sugar, White Sugar and Refined Sugar) under the ITC (HS) Codes 1701 14 90 and 1701 99 90 has been amended from 'Restricted' to 'Prohibited'.
- The revised policy is effective immediately and shall remain in force until 30 September 2026 or until further orders, whichever is earlier.
- This prohibition is not applicable to Sugar being exported under:
  - EU and USA under CXL and TRQ quota,
  - Advance Authorization Scheme (AAS),
  - Government-to-Government exports, and,
  - Consignments already in the physical export pipeline.

While exports of sugar have been prohibited under the revised policy, specific exemptions have been retained to honor international commitments, facilitate exports under export promotion schemes and avoid disruption to consignments already in the export pipeline.

## Tax Talk

### Global Developments

## Indirect Tax

### Ireland: Updated VAT guidance for accommodation and food services

Excerpts from various sources

The Irish Revenue Commissioners on 28 April 2026 issued Revenue eBrief No. 086/26 updating guidance on VAT rates applicable to accommodation, restaurant and catering services.

- Expenses related to restaurant and catering services, including food elements, will be subject to the 9% VAT rate from 1 July 2026
- Mixed supplies involving accommodation and food services must be apportioned where sold as a package
- Accommodation services remain subject to the 13.5% VAT rate
- Supplies of specified drinks continue to be taxed at the 23% standard VAT rate, even when provided as part of restaurant or catering services
- The guidance includes examples covering: VAT calculation for mixed supplies requiring apportionment, discounted packages, split payments made before and after 1 July 2026.

### Bulgaria proposes a higher VAT registration threshold

Excerpts from various sources

The Bulgarian National Assembly on 30 April accepted for consideration Bill Nos. 52-654-01-2 and 52-654-01-14, which would amend the VAT Act. The proposed measures would increase the mandatory VAT registration threshold for micro and small enterprises from EUR 51,130 to EUR 85,000. The changes would come into force on 1 January 2027.

### Dominican Republic: Six-month e-invoicing extension granted for MSMEs

Excerpts from various sources

The Dominican General Directorate of Internal Revenue (DGII) announced a six-month administrative extension starting from 15 May 2026, allowing micro, small and medium-sized enterprises (MSMEs) and unclassified taxpayers additional time to complete the implementation of mandatory e-invoicing.

The extension applies automatically and does not require taxpayers to submit a request. The DGII stated that taxpayers who fail to implement e-invoicing after the extended deadline would be subject to tax violations and penalties established under Electronic Invoicing Law No. 32-23.

## Transfer Pricing

### Australia: ATO Practical Compliance Guideline on Inbound Distributors

Excerpts from various sources

In April 2026, the Australian Taxation Office (ATO) updated Practical Compliance Guideline (PCG) 2019/1 on transfer pricing for inbound distribution arrangements. While the core risk-based framework remains unchanged, the update reflects evolving business models, current economic conditions, and the ATO's compliance experience. It also clarifies that the guideline applies to both goods and certain digital products or services where the relevant intellectual property is held offshore.

The update revises EBIT profit markers across general and industry-specific categories, including life sciences, ICT, and motor vehicles, and places greater emphasis on value-adding activities when assessing expected returns. As a result, some taxpayers may move between risk categories even if their pricing policies have not changed. The ATO continues to stress that these markers are risk indicators, not safe harbors.

The ATO has retained its four-tier risk framework while continuing to use five-year weighted average EBIT margins. Distributors outside the low-risk zone, particularly persistent loss-makers, can expect greater scrutiny. The update also highlights Advance Pricing Arrangements (APAs) as a means of managing risk and obtaining certainty. Overall, the changes modernize the existing framework rather than overhaul it, and taxpayers should reassess their transfer pricing positions against the revised benchmarks and ATO expectations.

### Quotes & Coverage

Filed ITR for AY 2026-27? Here are 6 AIS mismatches that can trigger an income tax notice

Financial Express | Viral Kotak

19 May 2026

<https://tinyurl.com/ydmpfe4h>

Taxation of Corporate Guarantees under GST - Light At The End Of The Tunnel?

Taxsutra | Prabhat Ranjan & Jinesh Shah

13 May 2026

<https://lnkd.in/d4T4uq3C>



# Compliance Calendar

- Direct Tax
- Indirect Tax

## 7 June 2026

- Due date for deposit of Tax deducted/collected for the month of May 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.
- Declaration under section 394(2) of the Income-tax Act 2025 to be made by a buyer for obtaining goods without collection of tax in the month of May 2026.

## 14 June 2026

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

## 15 June 2026

- Due date for furnishing the statement of income distributed by the Securitization Trust to the investors.
- Furnishing of statement of income paid or credited by an investment fund to its unit holder for the previous year 2025-26.
- 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 May 2026.
- Due date for furnishing of the prescribed Form by an office of the Government where TDS/TCS for the month of May 2026 has been paid without the production of a challan.
- Quarterly TDS certificates (in respect of tax deducted for payments other than salary) for the quarter ending March 2026.
- Monthly statement by stock exchange in respect of transactions in which client codes have been modified after registering in system for the month of May 2026.
- Certificate of tax deducted at source to employees in respect of salary paid and tax deducted during Financial Year 2025-26.
- Due date for furnishing the statement of income distributed by the Securitization Trust to the investors.

## 10 June 2026

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

## 11 June 2026

- GSTR-1 for the month of May 2026 to be filed by all registered taxpayers not under the 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
- Uploading B2B invoices using the Invoice Furnishing Facility (IFF) under the QRMP scheme for the month of May 2026 by taxpayers with aggregate turnover of up to INR 50 million

## 20 June 2026

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

## 29 June 2026

- Electronically submission of information pertaining to any transfer of the share of, or interest in, a foreign company/entity as referred to in Explanation 5 to section 9(1)(i) (Income-Tax Act 1961) which takes place during the Financial Year 2025-26.
- Due date for e filing of a statement in Form No. 3CEK (Income-tax Rules, 1962) by an eligible investment fund under section 9A (Income-Tax Act 1961) in respect of its activities in the financial year 2025-26

# Compliance Calendar

- Direct Tax
- Indirect Tax

## 30 June 2026

- Due date for furnishing statement by Alternative Investment Fund (AIF) to unit holders in respect of income distributed during the previous year 2025-26.
- Furnishing of statement containing the particulars of expenditures specified under section 35D(2)(a) (Income-Tax Act 1961) (if the assessee is required to submit return of income by 31 July 2026).
- Challan-cum-statement of deduction of tax under section 393(1) [Table Sl. No. 2(i), 3(i), 6(ii) & 8(vi)] in the month of May 2026.
- Return in respect of securities transaction tax for the financial year 2025-26.
- Quarterly return of non-deduction of tax at source by a banking company from interest on time deposit in respect of the quarter ending 31 March 2026.
- Annual statement pertaining to income distributed during financial year 2025-26 by a securitization trust.
- Furnishing of statement containing the particulars of expenditures specified under section 35D(2)(a) (Income-tax Act 1961) (if the assessee is required to submit return of income by 31 July 2026).

## 20 July 2026

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

## 07 July 2026

- Securities Transaction Tax - Due date for deposit of tax collected for the month of June, 2026
- Commodities Transaction Tax - Due date for deposit of tax collected for the month of June, 2026

## 10 July 2026

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

## 11 July 2026

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

## 13 July 2026

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

# Easy Remittance Tool

by Nexdigm



## Form 15CA/CB Automation



Review of tax position by experts



Issuance of bulk certificates through Automated tool



Repository - Access to entire set of documents



Access to Detailed transaction wise reports



Representation Support



Generation 15CA bulk files & utility to generate Form A2

# 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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