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Tax Street

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

July 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 July 2026.

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

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

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

Warm regards,
The Nexdigm Team

Focus Point

Navigating Transfer Pricing Adjustments in UAE: Key Insights from the FTA's Clarification on TP adjustments

The UAE Federal Tax Authority (FTA) has issued Corporate Tax Public Clarification (CTP011), providing important guidance on the treatment of downward transfer pricing adjustments made by taxpayers in their Corporate Tax Returns. The clarification reinforces the application of the arm's length principle to related party transactions and outlines the compliance and disclosure expectations where transfer pricing adjustments are made.

Transfer pricing continues to be a central pillar of the UAE Corporate Tax framework. As businesses gain practical experience with compliance requirements, questions frequently arise regarding the ability to make corrections that reduce taxable income. The latest clarification seeks to address these concerns while simultaneously enhancing taxpayer accountability. Key takeaways from the clarification are summarized below:

Arm's Length Compliance Remains Paramount

The clarification reiterates that all transactions and arrangements with Related Parties must comply with the arm's length principle. Where financial statements do not reflect arm's length pricing, taxpayers are required to make appropriate transfer pricing adjustments in their Corporate Tax Returns to align taxable income with arm's length outcomes.

Such an adjustment may be either an upward adjustment or a downward adjustment, depending on whether the recorded transaction value is below or above the arm's length price.

Self-Assessment Creates Flexibility but Also Responsibility

Taxpayers are responsible for self-assessing whether transfer pricing adjustments are required and may determine and implement such transfer pricing adjustments without obtaining prior approval from the FTA. However, such adjustments remain subject to review during audits and therefore require strong technical support and defensible analysis.

Earlier, according to the UAE transfer pricing framework, taxpayers were generally required to seek prior FTA approval to obtain relief through a downward adjustment.

Enhanced Disclosure Requirements for Downward Adjustments

One of the most important aspects of the clarification is the requirement to disclose all Related Party transactions resulting in a downward adjustment, regardless of transaction value, nature, or applicable reporting thresholds. This is a stricter disclosure requirement than that generally applicable to Related Party transactions, and the FTA portal has already been updated to that extent to include disclosure requirements for transactions involving downward adjustment. Businesses should therefore review reporting processes carefully before filing Corporate Tax Returns.

Robust Documentation Becomes a Critical Defense Tool

The FTA expects taxpayers making downward adjustments to maintain adequate supporting documentation explaining why an adjustment was necessary, including:

- Commercial rationale explaining why the original pricing was not at arm's length;
- Arm's length analysis supported by benchmarking studies;
- Reconciliation between financial statement values and tax return values; and
- Evidence of symmetrical corresponding adjustments by the relevant related parties.

Notably, an important distinction made by the FTA is that this clarification applies only to adjustments required under Article 34(1) of the Corporate Tax Law, which governs compliance with the arm's length principle. The clarification does not address corresponding adjustments available under:

- Article 34(10), where the FTA makes a corresponding adjustment for a related party following an arm's length correction; or
- Article 34(11), where a foreign tax authority has made an adjustment and a UAE taxpayer seeks a corresponding adjustment from the FTA.

Taxpayers should therefore avoid conflating self-initiated downward adjustments with formal corresponding adjustment mechanisms.

Our Comments

The clarification places increased emphasis on taxpayer accountability in ensuring that related party transactions comply with the arm's length principle. While taxpayers now have the flexibility to self-assess and rectify the transfer pricing outcomes through downward adjustments, the FTA expects such positions to be supported by comprehensive documentation and appropriate disclosures in the CT return, along with disclosure of such transactions for which downward adjustment is made.

While the clarification offers greater flexibility through a self-assessment approach, it also places increased emphasis on documentation, transparency, and disclosure, highlighting the FTA's expectation that taxpayers should be able to demonstrate the technical basis for every adjustment made. Taxpayers with intercompany transactions should proactively review their transfer pricing arrangements, assess whether any adjustments are required before filing their Corporate Tax Returns, and ensure that sufficient contemporaneous documentation is maintained to support their tax positions and withstand potential scrutiny during an FTA tax audit, along with analyzing the disclosure requirements.

TP Adjustment in Tax Return Does Not Disqualify a Qualifying Free Zone Person (QFZP)

One of the most significant transfer pricing clarifications under the UAE Corporate Tax regime relates to the interaction between the arm's length principle and the Qualifying Free Zone Person (QFZP) status. Historically, many Free Zone businesses were concerned that any deviation from arm's length pricing in their financial statements could potentially result in the loss of valuable Free Zone tax benefits, even while making a suo moto adjustment in the tax return. The latest clarification provides welcome certainty for taxpayers.

The guidance confirms that a Free Zone Person that has not recorded transactions at arm's length in its financial statements can still qualify as a QFZP, provided that an appropriate transfer pricing adjustment is made in the Corporate Tax Return. In other words, the arm's length principle does not necessarily need to be reflected in the accounting records themselves, as long as the correct taxable position is ultimately reported for Corporate Tax purposes.

This clarification is arguably one of the most important developments in the UAE transfer pricing framework because it provides practical flexibility while preserving the integrity of the arm's length principle and also the QFZP status of the taxpayers. It recognizes that accounting entries and tax positions may not always be perfectly aligned and allows taxpayers to rectify transfer pricing outcomes through the tax compliance process.

The clarification provides comfort that:

- Transfer pricing compliance can be achieved through adjustments in the Corporate Tax Return, even when arm's length pricing has not been fully reflected in the financial statements.
- Errors or inconsistencies in financial statement pricing do not automatically result in the loss of QFZP status, provided the taxpayer makes the necessary tax adjustments and otherwise meets the qualifying conditions.
- Free Zone businesses should continue to maintain robust transfer pricing documentation and support, demonstrating how the arm's length outcome was determined and substantiating any adjustments made in the tax return.

The clarification offers a practical compliance mechanism for Free Zone entities engaged in related-party and connected person transactions. Businesses should nevertheless view tax return adjustments as a corrective measure rather than a substitute for effective transfer pricing governance. Tax authorities may still expect taxpayers to maintain comprehensive transfer pricing policies, contemporaneous documentation, and sufficient evidence supporting the arm's length nature of their transactions.

Our Comments

The clarification reinforces that QFZP status is not automatically lost merely because related-party transactions were not recorded at arm's length in the financial statements. Where taxpayers make appropriate transfer pricing adjustments in their Corporate Tax Return and can support those adjustments with adequate documentation, they may continue to benefit from the Free Zone tax regime while remaining compliant with the UAE's transfer pricing requirements.

From the Judiciary

Direct Tax

Whether ESOP costs cross-charged by a foreign parent company to its Indian subsidiary are allowable as a business expenditure under Section 37(1)?

Linde Engineering India Private Ltd [TS-1093-ITAT-2026(Ahd)]

Facts

The assessee, a subsidiary of Linde Plc, participated in the Group's Long-Term Incentive Plan (LTIP), under which stock options of the parent company were granted to eligible employees of the assessee. During AY 2021-22, the assessee recorded ESOP expenses of INR 37.0 million in its books but claimed a tax deduction of only INR 5.17 million, representing the actual liability crystallized upon employees' exercise of stock options. The Assessing Officer (AO) disallowed the claim on the ground that the expenditure was related to the issuance of shares by the parent company and, therefore, constituted capital expenditure not allowable as a deduction. The CIT(A) upheld the disallowance, following which the assessee preferred an appeal before the ITAT.

Assessee's Arguments

- The ESOP expenditure represented employee compensation incurred wholly and exclusively for business purposes and was allowable as a revenue expenditure under Section 37(1).
- The assessee did not issue any shares; the foreign parent company issued the shares, while the assessee merely reimbursed the cost attributable to stock options exercised by its employees.
- The expenditure did not result in the acquisition of any capital asset or enduring benefit to the assessee.
- Reliance was placed on judicial precedents, including the Karnataka High Court's decision in Biocon Ltd., wherein ESOP discount was held to be an allowable business expenditure.

Revenue’s Arguments

- The ESOP expenditure was intrinsically connected with the issue of shares and was therefore capital in nature.
- Since the expenditure related to the share capital of the parent company, it could not be regarded as revenue expenditure deductible under Section 37(1).
- The AO and the CIT(A) were justified in disallowing the claim as the payment was not incurred for the assessee's business operations but in connection with issuance of shares.

Held

The Ahmedabad ITAT held in favor of the assessee and deleted the disallowance towards ESOP expenditure. The ITAT placed reliance on the case of Biocon Ltd., 121 taxmann.com 351 (Karnataka High Court), which recognized ESOP discount as an allowable employee compensation expense. The grounds of the judgment are as follows:

- The Tribunal observed that the shares under the ESOP scheme were issued by the foreign parent company and not by the assessee; therefore, the expenditure could not be regarded as one incurred towards raising the assessee's share capital.
- The cross-charged amount represented employee compensation paid in respect of employees of the assessee and was incurred wholly and exclusively for its business.
- The expenditure did not result in acquisition of any capital asset or confer any enduring capital advantage upon the assessee.

- ESOP cost incurred under a cross-charge arrangement constitutes revenue expenditure and is allowable under Section 37(1).
- Accordingly, the disallowance made by the AO and sustained by the CIT(A) was held to be unsustainable and was directed to be deleted.

Our Comments

This ruling reaffirms that the deductibility of ESOP expenditure depends on its true commercial character rather than the entity issuing the shares, thereby treating cross-charged ESOP costs as employee compensation and not capital expenditure.

Can a non-resident be subjected to further profit attribution in India when its Indian affiliate has already been remunerated in excess of the profits attributable to the Permanent Establishment (PE)?

Sabre Asia Pacific Pte. Ltd [TS-994-ITAT-2026(Mum)]

Facts

Sabre Asia Pacific Pte. Ltd., a Singapore tax resident, operates a Computerized Reservation System (CRS)/Global Distribution System (GDS) for airline bookings. Its wholly owned Indian subsidiary, Sabre Travel Network India Pvt. Ltd. (STNIPL), acts as the National Marketing Company (NMC) and markets the Sabre GDS in India.

For AY 2020-21, the assessee earned gross receipts from Indian bookings amounting to INR 1.65 billion and paid marketing service fees of INR 1.11 billion to STNIPL.

The AO held that the assessee had a PE in India and attributed 10% of gross receipts INR 165.1 million to the Indian PE, treating the same as taxable in India. The assessee contended that since the marketing fees paid to STNIPL exceeded the profits attributable to the PE, no further income could be taxed in India.

Revenue's Arguments

- The assessee had a business connection and a PE in India through STNIPL.
- The entire gross receipts from Indian operations were attributable to the Indian PE.
- Income attributable to India should be computed at 10% of gross receipts, resulting in taxable income of INR 165.1 million.
- Marketing service fees paid to STNIPL related to the entire Indian business and could not be adjusted against only the profits attributed to the PE.
- Since income was determined on a gross basis, no deduction for marketing fees was allowable.
- Alternatively, the balance amount of INR 544.3 million (gross receipts minus marketing fees) represented income attributable to India and should be taxed.

Assessee's Arguments

- The issue of PE was already covered against the assessee by earlier Tribunal decisions, but those same decisions also governed profit attribution.
- As per earlier ITAT rulings, only 10% of gross receipts from Indian bookings could be attributed to Indian operations.
- The income attributable to the PE worked out to INR 165.1 million, whereas marketing service fees paid to STNIPL amounted to INR 1.11 billion.
- Since the remuneration paid to the Indian subsidiary exceeded the profits attributable to the PE, no further income remained taxable in India.
- Reliance was placed on earlier decisions in the assessee's own case and other judicial precedents supporting the principle that no further profit attribution is warranted where the Indian entity has already been adequately compensated.

Held

- The ITAT upheld the existence of a PE in India, following its earlier decisions in the assessee's own case.
- However, the Tribunal held that profit attribution must be determined in accordance with the consistent view adopted in earlier years.
- Where the marketing fees/commission paid to the Indian subsidiary exceed the income attributable to the PE, no further income can be taxed in India.
- Since STNIPL received marketing fees of INR 1.11 billion, which was substantially higher than the attributed income of INR 165.1 million, no additional profits were taxable in India.
- Accordingly, the addition of INR 165.1 million made by the Revenue on account of profit attribution to the PE was deleted.

Our Comments

The ruling reaffirms that no further profits can be attributed to an Indian PE where the remuneration paid to the Indian affiliate exceeds the income attributable to such PE.

OECD publishes new analysis on the economic impacts of the Global Minimum Tax

Excerpts from oecd.org, dated 15 July 2026

The OECD released the 2026 Economic Impact Assessment of the Global Minimum Tax (GMT), providing new estimates of the expected effects of the GMT and presenting preliminary evidence from its first year of implementation. The findings were presented during an OECD webinar.

The updated assessment incorporates more recent data, improved modeling, and information on the current state of GMT implementation and the recently agreed Side-by-Side Package. It examines the expected effects of the GMT on effective tax rates, tax rate differentials, profit shifting and tax revenues.

The OECD also released a separate analysis, MNE Responses to the GMT, based on 2024 consolidated financial statement data, providing an initial assessment of outcomes following the first year of GMT implementation. The preliminary evidence suggests increases in effective tax rates among in-scope multinational enterprises relative to out-of-scope firms, while finding no statistically significant evidence of reductions in investment or employment among in-scope firms during the first year of implementation.

Key findings

Relative to a hypothetical scenario where the GMT was not implemented anywhere, the analysis found the following expected effects, noting these may take time to be realized.

- Average jurisdiction-level effective tax rates are estimated to increase by 2.8-3.7% points on average under the current GMT framework, with effective tax rates in investment hubs estimated to rise by 5.5-6.9% points.
- Effective tax rate differentials between jurisdictions are estimated to decline by 19-25%, potentially improving capital allocation.
- The GMT is estimated to reduce profit-shifting substantially, with an estimated reduction of between 22.6-44.6%.
- Global CIT revenues are estimated to rise by 3.2-5.4% per year.
- Initial post-implementation 2024 data suggests positive effective tax rate impacts of the GMT and finds no evidence of negative effects on investment or employment.

Today's webinar outlined the methodology, assumptions and results of the updated assessment and provided stakeholders with an opportunity to discuss the analysis and its implications. The webinar highlighted the role of the GMT in strengthening international tax co-operation, reducing BEPS activity, and enhancing stability in the international tax system.

The OECD will continue to monitor the implementation and impacts of the GMT as additional data become available. The updated assessment and accompanying analysis are intended to support the ongoing evaluation of the GMT and its effects over time.

Indirect Tax

Whether the Gujarat High Court is correct in holding that no GST is applicable on assignment/transfer of leasehold rights in an industrial plot having a building constructed thereon?

Union of India vs Gujarat Chamber of Commerce and Industry [(2026) 44 Centax 280 (S.C.)]

Facts

- Gujarat Industrial Development Corporation (GIDC) had allotted industrial plots on long-term lease, whereby lessees/assignors, having acquired leasehold rights and constructed buildings on such plots, transferred or assigned those rights to third-party purchasers (assignees) for a lump-sum consideration.
- The Gujarat High Court observed that leasehold rights in the industrial plot constitute benefits arising out of immovable property and when a lessee transfers/assigns such rights to another person, the assignee merely steps into the shoes of the original lessee.
- Such transaction amounts to assignment/sale/transfer of rights in immovable property and does not amount to a taxable "supply" under Section 7 of the GST law. Accordingly, GST is not chargeable on the lump-sum consideration received for the assignment of leasehold rights in the industrial plot.
- The Union of India challenged the said High Court judgment before the Supreme Court by filing Special Leave Petitions.

Ruling

- The Supreme Court noted that it had already dismissed a similar Special Leave Petition against the judgment given by the Bombay High Court in the case of Assistant Commissioner (Anti Evasion) vs Aerocom Cushions (P.) Ltd. [(2026) 42 Centax 414 (S.C.)]
- Since the matter was similar, the Court found no reason to interfere with the Gujarat High Court judgment.
- Consequently, the SLPs filed by the Union of India were dismissed.

Our Comments

The Supreme Court's refusal to interfere with the Gujarat High Court ruling reinforces the view that assignment of leasehold rights in land is not liable to GST, and it provides significant relief to businesses transferring industrial plots allotted by development authorities.

The Courts acknowledged that leasehold rights constitute a valuable interest in immovable property and assignment of such rights amounts to a transfer of that interest and is therefore distinct from a supply of goods or services. This approach is consistent with established principles under the Transfer of Property Act, 1882.

Whether Section16(2)(c) of the CGST Act, 2017, which lays down the condition for availment of Input Tax Credit (ITC) upon actual payment of tax by the supplier to the Government, is unconstitutional?

Bhandari Scrap Traders vs Union of India & Ors [SLP (C) Nos. 23931, 24088 & 24103 of 2026 | Supreme Court | Order dated 24 July 2026]

Facts

- The petitioner before the Gujarat High Court contended that a bona fide purchaser who has paid GST to the supplier and fulfilled all statutory compliances should not be denied ITC merely because the supplier failed to deposit tax with the Government and thus Section 16(2)(c) is arbitrary and violates Articles 14, 19(1)(g), 265 and 300A of the Constitution.
- Alternatively, the provision should be read down and applied only in cases involving fraud, collusion or connivance between the purchaser and supplier.
- While providing judgment on the issue, the Gujarat High Court emphasized on the judgment provided by the Kerala High Court in case of M. Trade Links vs. Union of India [(2024) 19 Centax 131 (Ker.)], wherein the Hon'ble Court analyzed a scenario where, without Section 16(2)(c), the inter-state supplier's supplier in the originating State defaults payment of tax (CGST + SGST collected) and the inter-state supplier is allowed to take credit based on their invoice, the originating State Government will have to transfer the amounts it never received in the tax period in a financial year to the destination States, causing loss to the tune of several crores in each tax period. This renders the whole GST law and schemes unworkable. Therefore, as contended, the conditions cannot be said to be onerous or in violation of the Constitution, and Section 16(2)(c) is neither unconstitutional nor onerous on the taxpayer.
- The Gujarat High Court further observed that considering the overall scheme of the Act, any "reading down" (narrow interpretation) of Section 16(2)(c) would trigger cascading fiscal consequences. The legal position under the former VAT regime was materially different, as input tax credit was confined within the originating state. In contrast, the GST regime is destination-based; therefore, input tax credit must

operate seamlessly across state lines for inter-State supplies, requiring strict compliance to maintain fiscal balance.

- The Court analyzed clause 5(b) of the Statement of Objections and Reasons underlying the GST statute, which emphatically mentions about “input tax credit making it available in respect of taxes paid”. Thus, availing of ITC is intrinsically connected with the factum of “taxes paid”.

Ruling

- The Supreme Court dismissed the Special Leave Petitions and expressed agreement with the Gujarat High Court's judgment upholding the constitutional validity of Section 16(2)(c) of the CGST Act.
- The Apex Court held that the GST framework is materially different from the erstwhile VAT regime and, therefore, decisions rendered under the Delhi VAT Act cannot automatically be applied to GST.
- The Court highlighted the mechanism under Section 41 read with Rule 37A which permits re-claiming of ITC once the supplier discharges the tax liability, thereby balancing the interests of revenue and recipients. Thus, the statutory mechanism does not permanently deprive the purchasing dealer of ITC; rather, the credit is restored upon payment of tax into the Government treasury. Mere delay or hardship in availing ITC, therefore, cannot constitute a valid ground for reading down Section 16(2)(c) of the CGST Act.
- The judgment reaffirmed that ITC is not a constitutional or vested right, but a statutory concession, subject to the conditions and restrictions prescribed under the Act.

Our Comments

The decision is a significant ruling on the ITC framework and strengthens the Revenue's position in disputes involving supplier tax defaults. The Court has effectively distinguished decisions in case of Arise India, On Quest Merchandising and Shanti Kiran, rendered on the basis of the Delhi VAT Act from the GST regime.

The ruling will impact the bona fide purchasers in a view that mere possession of invoices, receipt of goods/services, and payment of GST to the supplier may not, by themselves, safeguard ITC where supplier tax payment requirements remain unfulfilled.

Taxpayers may need to strengthen vendor-compliance monitoring and contractual safeguards, as the risk associated with supplier defaults continues to have direct implications for ITC eligibility.

The Gujarat High Court observed that while Section 16(2)(c) is intended to protect the GST system and prevent revenue leakage, genuine buyers should not suffer because of their suppliers' tax payment defaults. The Court suggested that the Government implement a real-time, technology-based system to verify whether suppliers have paid tax against specific invoices. It also emphasized that tax authorities should first recover dues from defaulting suppliers instead of forcing bona fide purchasers to pursue complex alternative remedies.

Alerts

What employees need to know about ITR filing for FY 25-26
13 July 2026
https://tinyurl.com/bdvv5r9a

Key Highlights of GST Notification and Clarification Circulars in June 2026
3 July 2026
https://tinyurl.com/mwmbnb28

Transfer Pricing

Delhi ITAT: Goodwill Booked on Demerger Was a Revenue-Neutral Accounting Entry, Not an 'International Transaction'; Section 271AA Penalty Deleted

TPV Technology India Pvt. Ltd.[1] (Taxpayer) for AY 2015-16

Facts

The Taxpayer, an Indian wholly owned subsidiary of Top Victory Investments Ltd., Hong Kong (TVIL HK), markets TPV group products in India. For AY 2015-16, the jurisdictional Assessing Officer (AO) referred the case to the TPO, who noted that a goodwill entry of INR 1.90 billion had not been disclosed in Form 3CEB and treated it as an international transaction.

Under a High Court-approved demerger, TVIL-IBO was merged with the Taxpayer at written-down value. Since liabilities exceeded assets, the Taxpayer booked INR 1.90 billion as goodwill under AS-14. INR 1.50 billion was written off but added back for tax purposes; therefore, no tax benefit was claimed. The Taxpayer argued this was only a balancing entry, not an asset acquisition or transfer under section 92B.

The AO rejected this and imposed a section 271AA penalty, relying on Smifs Securities and Explanation (e) to section 92B to treat the demerger as an international transaction.

The CIT(A) deleted the penalty, holding that no goodwill was actually acquired and was merely a book entry, the entry was revenue-neutral, going by Whirlpool of India Ltd. (Delhi HC), an international transaction must first be shown to exist under Chapter X, Smifs Securities was distinguishable (as it dealt with depreciation under section 32, not transfer pricing), and the penalty notice was vague (as it did not spell out the actual default and even referred to section 271(1)(c) rather than 271AA). The CIT(A) also held that reasonable cause under section 273B had been established. Aggrieved by the CIT(A) order, the Revenue appealed to the ITAT.

Taxpayer's Contention

The Taxpayer argued that the CIT(A) rightly deleted the penalty because the goodwill was only an accounting entry, had no revenue impact, and the Taxpayer had disclosed everything honestly, both in its notes to accounts and to its tax accountant.

Revenue's Contention

The Revenue argued that the demerger increased the Taxpayer's assets and therefore fell within analyze 92B, especially Explanation (e) on business reorganizations.

Held

The ITAT upheld the CIT(A)'s order, noting the revenue-neutral nature of the goodwill entry and dismissing the Revenue's appeal. However, it did not independently analyze whether the demerger could fall within Explanation (e) to section 92B.

Our Comments

The ruling reinforces that Chapter X applies only where an international transaction first exists. Revenue-neutral treatment and full disclosure can support reasonable cause under section 273B, and a vague penalty notice may itself be invalid.

However, the decision is fact-specific and should not be read as a broad rule that demerger-related goodwill can never fall within section 92B.

Mumbai ITAT: Coca-Cola India Branch Debt-Free status

Coca-Cola India Inc[2] (Taxpayer) for AY 2002-03

Facts

The Taxpayer, an Indian branch of Coca-Cola Inc., USA, provides consultancy and support services to Indian group entities and charges a 5% mark-up on relevant costs, while receiving certain reimbursements at cost.

The TPO noted delayed recoveries from AEs, with an average credit of 537 days and sundry debtors of INR 1.15 billion against consultancy fees of INR 463.3 million. Treating this as an interest-free funding benefit, the TPO made a working capital adjustment, resulting in an adjusted margin of 21.83%.

Taxpayer Contention

The Taxpayer argued that it was debt-free, funded entirely by its Head Office, and incurred no borrowing or interest cost. Therefore, delayed AE recoveries created no opportunity cost and did not warrant a working capital adjustment.

The Taxpayer relied on the decisions in Bechtel India Pvt. Ltd., which held that no adjustment for receivables or working capital was justified where the taxpayer is debt-free and does not incur interest costs.

1. ITA No. 1947/Del/2023

2. ITA No. 8275/DEL/2018

Revenue's contention

The Revenue argued that the Taxpayer allowed delayed, interest-free recoveries exceeding 530 days and earned only a 2.98% margin despite claiming a 5% mark-up. It supported the TPO's method by relying on Bechtel India and Apache Footwear.

Held

The ITAT accepted that the Taxpayer was effectively debt-free, funded by its Head Office, and had no interest cost. It followed the favorable Bechtel India ruling for AY 2013-14, affirmed by the Delhi High Court, and declined to follow the Revenue-favorable Bechtel India ruling for AY 2012-13, since the same High Court had stayed that ruling.

The ITAT held that a working capital adjustment can be made only where the Taxpayer has borrowings and incurs borrowing costs. Since the Taxpayer had no borrowings and no interest expenditure, the adjustment made by the TPO was based merely on assumptions.

Our Comments

This ruling confirms that working capital or receivables adjustments require proof of actual borrowing or opportunity cost. Where a branch is Head Office-funded and debt-free, delayed AE recoveries alone should not justify an adjustment.

Past Webinars & Events

GST in Action: A Practical Perspective - Chennai

24 July 2026

Achromic Point | Sanjay Chhabria, Aditya Nadkarni

Managing Customs Challenges in Global Trade Operations

21 July 2026

Taxsutra | Prabhat Ranjan

Tax Talk

Indian Developments

Indirect Tax

Customs

Temporary Import Duty Exemption for Goods Imported for Approved Events

Notification No. 24/2026-Customs (Tariff) dated 3 July 2026

The Government has introduced a temporary import scheme allowing specified goods to be brought into India duty-free for approved exhibitions, trade fairs, conferences, and similar events. Importers must furnish a bond and, in most cases, provide a bank guarantee or cash deposit equivalent to 110% of the applicable customs duty. Goods must remain at the approved venue, be identifiable for re-export, and generally be re-exported within six months. Alternatively, importers may clear the goods for home consumption by paying applicable duties and interest. Certain government entities, diplomatic missions, and international organizations are eligible for an extended re-export period of up to two years.

Customs Notifications 25/2026, 26/2026 and 27/2026: Strengthening India's Electronics and Energy Storage Manufacturing Ecosystem

Notification 25/2026-Customs (Tariff) dated 8 July 2026
Notification 26/2026-Customs (Tariff) dated 8 July 2026
Notification 27/2026-Customs (Tariff) dated 8 July 2026

The three customs notifications issued on 8 July 2026 signal a continuing policy push toward domestic manufacturing of electronics, advanced components, and battery technologies. Together, they expand duty concessions for critical inputs and production equipment while aligning Customs policy with India's broader manufacturing and import-substitution objectives.

Notification 25/2026-Customs (Tariff)

- Government has inserted a new entry providing a nil customs duty benefit for specified components used in manufacturing display assemblies falling under heading 8524 for automotive, medical and industrial applications. Eligible items include cells, flexible printed circuit assemblies (FPCA), backlight units, frames and anisotropic conductive films (ACF).
- The notification carefully excludes display assemblies for mobile phones, smart watches, smart meters, television panels and interactive flat panel display modules. The concession remains available until 31 March 2029.

Notification 26/2026-Customs (Tariff)

A new entry has been inserted, granting nil customs duty on specified inputs used in the manufacture of inductor coil modules for wireless charging in cellular mobile phones.

Eligible goods include:

- Nano-crystalline assemblies, E-shields, PET liners, PC shims, stranded coils, NFC coils and neodymium magnets.

Importantly, the notification provides detailed technical definitions of each component. By incorporating these descriptions, the Government appears to be reducing classification disputes and ensuring that the concession is confined to clearly identify manufacturing inputs. The benefit is also available up to 31 March 2029.

Notification 27/2026-Customs (Tariff)

- The most extensive change comes here, which substitutes existing entries to significantly expand the list of machinery eligible under the customs exemption framework for lithium-ion cell manufacturing. The revised list covers a broad spectrum of production, coating, winding, welding, testing, formation, packaging and quality-control equipment.

- The notification effectively updates the exemption architecture to reflect the increasingly sophisticated machinery requirements of modern battery manufacturing facilities.

India-UK CETA - Preferential Duty Concessions Implemented

Notification No. 29/2026-Customs (Tariff) dated 10 July 2026

The Government has operationalized the first phase of tariff concessions under the India-UK Comprehensive Economic and Trade Agreement (CETA), effective 15 July 2026. Eligible UK-origin goods can avail preferential rates of Basic Customs Duty (BCD), Agriculture Infrastructure and Development Cess (AIDC), and Health Cess.

Certain products are also covered under a Tariff Rate Quota (TRQ) regime, allowing lower duties within specified quota limits. The benefits are available only upon submission of valid proof that the goods qualify as UK-origin under the applicable Rules of Origin.

Pan-India Implementation of SCMTR, 2018

Notification No. 61/2026-Customs (Non-Tariff) dated 1 July 2026, and Circular No. 29/2026 dated 1 July 2026

CBIC has implemented the Sea Cargo Manifest and Transhipment Regulations (SCMTR), 2018, across India, mandating electronic filing of sea cargo and transhipment-related messages. To support a smooth transition, CBIC has extended the prescribed compliance/transitional deadline from 30 June 2026 to 31 August 2026, thereby providing additional time for stakeholders to comply with electronic filing and reporting requirements under the SCMTR framework.

India-UK CETA Rules of Origin Notified: A Detailed Framework for Preferential Trade Begins

Notification No. 62/2026-Customs (Non-Tariff) dated 1 July 2026

The Government has notified the Customs Tariff (Determination of Origin of Goods under Comprehensive Economic and Trade Agreement between India and the United Kingdom of Great Britain and Northern Ireland) Rules, 2026, laying down the legal framework for determining whether imported or exported goods qualify for preferential tariff treatment under the India-UK Comprehensive Economic and Trade Agreement (CETA). The Rules come into force from 15 July 2026 and represent one of the most comprehensive origin frameworks adopted by India under a bilateral trade arrangement.

By combining detailed product-specific origin requirements, digital authentication mechanisms, structured verification procedures and data-governance safeguards, the framework attempts to balance trade facilitation with revenue protection. For businesses seeking to leverage the tariff advantages under the agreement, origin compliance is likely to become as important as tariff classification itself.

Anti-Dumping Duty (ADD) updates July 2026

Notification No.	Date	Product	Action Taken	Country/Countries Involved
18/2026-Customs (ADD)	27 July 2026	Low Ash Metallurgical Coke	Definitive Anti-Dumping Duty imposed	Australia, China PR, Colombia, Indonesia, Japan and Russia.
17/2026-Customs (ADD)	10 July 2026	Arylides	ADD extended till 13 January 2027	China PR
16/2026-Customs (ADD)	6 July 2026	Seamless Tubes, Pipes and Hollow Profiles of Iron/Steel	ADD extended till 13 January 2027	China PR
15/2026-Customs (ADD)	3 July 2026	Normal Butanol (N-Butanol)	ADD continued	Malaysia, South Africa and USA
14/2026-Customs (ADD)	3 July 2026	Glufosinate and its salts	Provisional assessment ordered pending anti-absorption review	China PR
13/2026-Customs (ADD)	3 July 2026	Insoluble Sulphur	Provisional assessment ordered pending anti-absorption review	China PR

CBIC ends divergent practices on Customs Drawback and Refunds linked to Duty Credit Scrips

Circular No. 30/2026 dated 3 July 2026

The Central Board of Indirect Taxes and Customs (CBIC) has moved to resolve a long-standing procedural inconsistency in the treatment of customs drawback and refund claims where import duties were originally discharged through duty credit scrips. The Board has clarified that where duty was paid wholly or partly through duty credit scrips, any subsequent drawback under Section 74 or refund under Section 27 of the Customs Act, 1962 must ordinarily be granted through re-credit and not in cash.

CBIC has prescribed an alternative mechanism where direct electronic re-credit may not be feasible in legacy schemes such as MEIS and SEIS. Customs authorities will issue a re-credit certificate containing details of the utilized scrip, import transaction, and amount originally debited. This certificate can then be used for obtaining revalidation of duty credit scrips from DGFT.

Foreign Trade Policy

DGFT Aligns Export Classification Framework with Finance Act 2026

Notification No. 26/2026-27 - DGFT dated 27 July 2026

DGFT has amended the list of ITC (HS) 2022 in the Export Policy to bring it in line with the tariff changes introduced through the Finance Act, 2026. The implications are significant for exporters, customs brokers, logistics operators, and compliance teams that rely upon accurate tariff classification for export documentation and regulatory compliance.

The revised ITC (HS) classification framework is to be made available through the DGFT website and has come into force with immediate effect from 27 July 2026.

Public Notice No.	Date	Trade Agreement	Key Purpose/Impact
22/2026-27-DGFT	20 July 2026	India-UK CETA	Invites applications from eligible importers for allocation of tariff rate quotas (TRQs) for import of Completely Built Unit (CBU) vehicles under concessional duty benefits negotiated under the India-UK CETA.
20/2026-27-DGFT	13 July 2026	India-Oman CEPA	Prescribes procedures for allocation and utilization of TRQs available under the India-Oman Comprehensive Economic Partnership Agreement, including import compliance requirements.
19/2026-27-DGFT	9 July 2026	India-UK CETA	Establishes the procedural framework for allocation, administration, and utilization of tariff rate quotas under the India-UK Comprehensive Economic and Trade Agreement.
18/2026-27-DGFT	1 July 2026	India-UAE CEPA	Extends the validity of Gold TRQ authorizations issued for FY 2025-26 up to 30 September 2026, providing additional time for utilization of quota benefits.

DGFT updates the TRACE Scheme under Niryat Disha

Trade Notice No. 09/2026-27-DGFT dated 1 July 2026

DGFT has substantially revised the operational framework of the Trade Regulations, Accreditation and Compliance Enablement (TRACE) component under the Export Promotion Mission (EPM) - Niryat Disha. The amendments seek to strike a balance between stronger financial support for exporters, particularly MSMEs, and stricter linkage of assistance with actual export performance. The key highlights include

- Lower compliance cost for MSMEs
- Easier access to international certifications and testing requirements
- Higher reimbursement ceiling (INR 5 million) supports multiple export markets
- Encourages actual exports rather than mere certification acquisition
- Greater focus on documentation, export linkage, and compliance monitoring

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Digital Preferential Certificates of Origin for India-UK CETA

Trade Notice No. 11/2026-27 dated 13 July 2026

DGFT has enabled the electronic filing and issuance of Preferential Certificates of Origin (CoO) through the Trade Connect Portal for exports under the India-UK Comprehensive Economic and Trade Agreement (CETA). Effective 15 July 2026, exporters can obtain CoOs online, facilitating smoother access to preferential tariff benefits available under the agreement.

Proposed RCMC Exemption for Low-Value Export Consignments

Trade Notice No. 13/2026-27 dated 20 July 2026

DGFT has invited stakeholder comments on a proposed amendment to Para 2.57 of FTP 2023 to exempt exporters from the requirement of obtaining a Registration-cum-Membership Certificate (RCMC) for export consignments with an FOB value up to INR 10,000, excluding restricted items. The proposal aims to support small-value exports, particularly those routed through courier, postal, and e-commerce channels, by reducing compliance requirements.

Quotes & Coverage

Portal glitches put thousands of GST appeals at risk; experts seek deadline extension
CFO-Economic Times | Prabhat Ranjan
29 July 2026
https://tinyurl.com/4zrm4rvb

Centralised GST administration can cut duplicate audits, compliance costs
Economic Times | Sivakumar Ramjee
22 July 2026
https://tinyurl.com/4wn8v76n

India's Manufacturing Moves: Expert View
NDTV | Aditya Nadkarni
16 July 2026
https://tinyurl.com/23n6drck

GSTAT Token System: Safeguards for Taxpayer Appeal Rights Amid Concerns over Legal Clarity, ETCFO
CFO-Economic Times | Sivakumar Ramjee
15 July 2026
https://tinyurl.com/y4e8tp9t

CBIC allows self-certification for origin declarations under India-UK CETA
CFO-Economic Times | Prabhat Ranjan
14 July 2026
https://shorturl.at/k8jBI

Tax Talk

Global Developments

Indirect Tax

Germany's Action plan for Centralized Tax Data, VAT Real-Time Domestic Reporting and AI to Identify Tax Fraud

Excerpts from various sources

An action plan announced on 16 July 2026 by the Federal Finance Minister and Federal Justice Minister to modernize tax enforcement and combat financial crime.

- Introduction of a central tax data platform to consolidate tax information from federal and state authorities.
- Establishment of a new data analysis center to facilitate data sharing and advanced tax risk analysis.
- Use of Artificial Intelligence (AI) and analytics tools to identify suspicious transactions, VAT fraud, and tax evasion patterns.
- Signals Germany's intention to introduce real-time VAT reporting, building on the ongoing B2B e-invoicing rollout (2025-2027).
- Potential foundation for domestic VAT e-reporting, although implementation details, scope, and timelines are yet to be confirmed.
- Follows a broader European trend of combining e-invoicing, digital reporting, and data-driven tax enforcement.
- Extension of accounting record retention requirements to 15 years.
- Requirement for non-EU businesses to maintain tax-relevant data on mirror servers in Germany.
- Introduction of mandatory registered cash systems in cash-intensive sectors
- Creation of a Joint Centre against Tax and Financial Crime to coordinate investigations between customs and state tax authorities.
- Increased penalties for serious organized tax crimes, including prison sentences of up to 15 years.
- Enhanced cooperation with international enforcement bodies to strengthen cross-border tax investigations.

United Arab Emirates: FTA Issues VAT Guidance on Digital Currency and Life Insurance

Excerpts from various sources

The UAE Federal Tax Authority (FTA) published Directives No. 3/2026 and No. 4/2026 on 17 July 2026, providing VAT guidance on digital currency transactions and life insurance/reinsurance services.

- Businesses supplying digital currency, or accepting digital currency as payment, must convert transaction values into UAE dirhams (AED) for VAT reporting purposes.
- Taxpayers must select three approved digital currency exchange platforms and use them consistently throughout the calendar year.
- The value of digital currency must be calculated using the average exchange rate from the three selected platforms at the time of supply or receipt of payment.
- The guidance confirms that services connected to life insurance and reinsurance contracts generally form part of the VAT-exempt supply of life insurance, subject to applicable conditions.

Ireland: Permanent 9% VAT Rate Introduced for Food, Catering and Hairdressing Services

Excerpts from various sources

- Effective 1 July 2026, Ireland made the 9% VAT rate permanent for food and catering services and hairdressing services, replacing the previous temporary measure.
- The reduced rate applies to catering services provided by hotels, while hotel accommodation remains subject to 13.5% VAT.
- The measure, announced under Budget 2026, is intended to support SMEs, which account for the majority of businesses in the affected sectors.

Belgium: Mandatory 5-Corner E-Reporting for domestic B2B transactions

Excerpts from various sources

- On 8 July 2026, Belgium's Federal Cabinet approved a draft law introducing mandatory 5-corner e-reporting for domestic B2B transactions from 1 January 2028. The measure builds on the mandatory Peppol-based B2B e-invoicing regime that became effective on 1 January 2026 for Belgian-established VAT taxpayers.
- Invoice data will be reported to the tax authorities near real-time on a transaction-by-transaction basis, providing greater transparency and improving VAT controls.
- The new e-reporting system will replace the annual VAT customer listing, reducing periodic reporting obligations.
- The framework is based on the Peppol network and the EN 16931 European e-invoicing standard, supporting interoperability and alignment with EU digital VAT initiatives.
- Businesses must retain electronic invoices for 10 years, ensuring data integrity, authenticity and accessibility for audits.
- Non-compliance may result in denial of VAT deduction rights and administrative penalties, with fines of up to EUR 5,000 for repeated failures to comply with e-invoicing requirements.
- To encourage digital adoption, Belgium offers a 20% investment deduction for qualifying digital investments and enhanced tax deductions for certain e-invoicing software costs.
- The reform supports Belgium's alignment with the EU's VAT in the Digital Age (ViDA) initiative and future digital reporting requirements.

Portugal's expansion of pre-filled VAT returns for domestic taxpayers based on invoice submissions

Excerpts from various sources

- Portugal will expand its pre-filled VAT return program from July 2027 through a redesigned VAT return framework.
- The changes, introduced under Portaria No. 298/2026/1 (16 July 2026), aim to improve the accuracy of tax authority-generated VAT returns by capturing more detailed transaction data.
- Key updates include additional VAT rate breakdowns, new transaction classifications, and reporting fields for specific transactions and VAT adjustments.
- The revised return also supports Portugal's new VAT Group regime, enabling the tax authority to generate pre-filled consolidated VAT returns for VAT groups.

Spain - Proposal to Increase VAT on Short-Term Tourist Rentals

Excerpts from various sources

- The Spanish government is seeking parliamentary approval to apply the 21% standard VAT rate to short-term tourist rentals of less than 30 days.
- The proposal would end the current VAT exemption for qualifying short-term rentals and align them more closely with commercial accommodation services.
- The measure would result in a significantly higher VAT burden compared to the 10% reduced VAT rate currently applied to hotels and similar accommodation providers.
- The proposal forms part of a broader housing policy aimed at addressing housing shortages, curbing speculative property use, and responding to concerns over over-tourism.
- Short-term rental platforms and property owners, particularly in major tourist destinations, could face increased compliance obligations and higher operating costs if the proposal is enacted.

Transfer Pricing

Vietnam: New Transfer Pricing Decree Effective from 1 July 2026[1]

The Government of Vietnam has issued Decree No. 255/2026/ND-CP on tax administration for related-party transactions of enterprises with related-party relationships (Decree 255). The Decree took effect on 1 July 2026 and applies from the 2026 corporate income tax year. It replaces Decree 132/2020/ND-CP and Decree 20/2025/ND-CP.

While Decree 255 largely retains Vietnam's existing transfer pricing framework, it introduces several notable changes.

Key Changes

Documentation exemption threshold expanded and CbC reporting threshold revision:

The table below summarises the changes in the threshold:

Item	Previous (Decree 132/20)	New (Decree 255)
Documentation exemption revenue threshold	VND 200 billion	VND 500 billion
CbCR threshold	VND 18 trillion	EUR 750 million*
Simple-function requirement for exemption	Required	Removed

Global consolidated revenue and converted using the State Bank of Vietnam's central rate or average cross-exchange rate for December of the prior fiscal year

Related-party definition consolidated

In addition to the existing definition of a related party, the latest decree introduces the following changes

Has carried forward the financing transaction related-party rules (lending or guarantee in any form) introduced by Decree 20, including exclusions for certain arrangements involving credit institutions, and adds a new exclusion for certain wholly state-owned debt trading and debt resolution entities.

Clarification provided for definitions of Ultimate Parent Entity (UPE) and Tax Treaty to align with Global Minimum Tax (GMT) and OECD concepts.

Benchmarking data source hierarchy

Decree 255 has introduced the following data source hierarchy for transfer pricing (TP) benchmarking:

1. Public and official sources first (including newly introduced national databases),
2. Commercial databases,
3. Tax administration and management databases

The decree retains the existing comparables hierarchy (internal, then domestic, then regional).

Industry profit indicators

For the first time, the Decree 255 gives tax authorities power to publish industry profit indicators by sector, geography, or taxpayer group to support compliance and arm's-length determinations.

Requirement for CbC Report notification for foreign-based MNCs

Taxpayers whose CbC Report is filed by an Ultimate/ Surrogate Parent Entity outside Vietnam must notify via new form 01/TB-BCLN, generally once (updated within 90 days of changes); also applies where a Vietnamese entity is the Surrogate Parent Entity.

Tax administration changes

Emphasis on risk-based administration, pre-audit consultation, inter-agency data sharing, voluntary compliance support, and structured use of tax authority data.

Our Comments

Decree 255 signals continuity in Vietnam's core transfer pricing principles while meaningfully raising the compliance-exemption bar and modernizing CbC reporting to align with the EUR 750 million global standard. The introduction of industry profit indicators and a formal data source hierarchy points toward a more data-driven, risk-based audit environment. MNE groups operating in Vietnam should reassess documentation exemption eligibility, confirm CbCR notification and filing obligations under the new thresholds, and refresh benchmarking and documentation for higher-risk transactions (services, royalties, financing, intangibles) ahead of tax year 2026 compliance.

1. https://chinhphu.vn/?pageid=27160&docid=218782&classid=1

Singapore: IRAS Clarifies the Scope of Related Parties for RPT Reporting

The Inland Revenue Authority of Singapore (IRAS) has updated its guidance and FAQs relating to the Reporting of Related Party Transactions (RPT Form), providing clarification on the scope of persons and entities that may be regarded as related parties for RPT reporting purposes.

Key Clarifications

- Broader scope of related parties- Individuals may be regarded as related parties if they exercise control or influence under Singapore tax legislation.[1]
- Implications for financing arrangements- Loans, advances, and other balances involving controlling individuals may warrant closer review.
- Exclusions- Director fees and KMP compensation remain excluded when determining the RPT reporting threshold.[2]

Why These Changes Matter

Enhanced governance over related-party identification, greater focus on shareholder/director transactions, and improved transfer pricing risk assessment. The update reinforces that related-party analysis should extend beyond traditional group-company relationships and may include shareholders, directors and other controlling individuals where statutory control criteria are satisfied.[3]

Our Comments

Taxpayers should revisit related-party identification procedures and review arrangements involving controlling individuals to ensure RPT reporting compliance.

1. https://chinhphu.vn/?pageid=27160&docid=218782&classid=1
2. https://www.iras.gov.sg/taxes/corporate-income-tax/specific-topics/transfer-pricing/
3. https://www.iras.gov.sg/docs/default-source/uploadedfiles/pdf/rpt-reporting-requirements.pdf?sfvrsn=4ada94f2_25

Compliance Calendar

Direct Tax

Indirect Tax

07 August 2026

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

11 August 2026

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

14 August 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 June 2026

20 August 2026

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

25 August 2026

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

30 August 2026

- Furnishing of challan-cum-statement in Form No. 141 (Income Tax Rules, 2026) in respect of deduction of tax under section 393(1) [Table Sl. No. 2(i), 3(i), 6(ii) & 8(vi)] of the Income Tax Act, 2025 for the month of July 2026

10 August 2026

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

13 August 2026

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

15 August 2026

- Issuance of TCS certificate in Form No. 133 (Income Tax Rules, 2026) under section 395(4) of the Income Tax Act, 2025 for tax collected at source for the quarter ending 30 June 2026
- Issuance of TDS certificate in Form No. 131 (Income Tax Rules, 2026) for TDS other than on salary, pension or interest income of specified senior citizen under section 393(1) of the Income Tax Act, 2025 for the quarter ending 30 June 2026
- Due date for furnishing Form No. 137 (Income Tax Rules, 2026) by an office of the Government where TDS/TCS for the month of July 2026 has been paid without the production of a challan
- Statement in Form 1 (Income Tax Rules, 2026) by the stock exchange for the month of July 2026, in respect of transactions in which client codes have been modified after registering in the system.

Compliance Calendar

Direct Tax
Indirect Tax

31 August 2026

- Furnishing of statement in Form No. 10-EE (Income Tax Rules, 1962) for exercising the option to claim relief under section 89A (Income Tax Act, 1961) for income arising from retirement benefit account maintained in a notified country at the time of withdrawal or redemption (if the assessee is required to submit the return of income on or before 31 August 2026)
- Furnishing of Form No. 10BBD (Income Tax Rules, 1962) reporting details of funds received from eligible persons, directly or through an Alternative Investment Fund, during the Previous Year 2025-26 (if the assessee is required to submit return of income on or before 31 August 2026)
- Furnishing of declaration in Form No. 10BA (IncomeTax Rules, 1962) by an assessee claiming deduction under Section 80GG (Income Tax Act, 1961) in respect of the rent paid for residential accommodation (if the assessee is required to submit the return of income on or before 31 August 2026)
- Due date for furnishing the return of income for the Assessment Year 2026–27 by the following assessees:
  - An assessee having income from business or profession whose accounts are not required to be audited, and to whom the provisions of Section 92E of the Income Tax Act, 1961 do not apply; and
  - A partner of a firm whose accounts are not required to be audited, or the spouse of such partner (where Section 5A of the Income Tax Act, 1961 applies), to whom the provisions of Section 92E of the Income Tax Act, 1961 do not apply.
- Furnishing of Form No. 10E (Income Tax Rules, 1962) by an employee claiming relief under section 89 (Income Tax Act, 1961) when salary is paid in arrears or in advance, etc. (if the assessee is required to submit the return of income on or before 31 August 2026)
- Furnishing of certificate in Form No. 10CCD (Income Tax Rules, 1962) by a resident individual being an author (including a joint author) claiming deduction under section 80QQB (Income Tax Act, 1961) in respect of royalty income (if the assessee is required to submit return of income on or before 31 August 2026)
- Furnishing of certificate in Form No. 10CCE (Income Tax Rules, 1962) by a resident individual being a patentee claiming deduction under section 80RRB (Income Tax Act, 1961) in respect of royalty income on patents (if the assessee is required to submit return of income on or before 31 August 2026)
- Furnishing of certificate of foreign inward remittance in Form No. 10H (Income Tax Rules, 1962) by a resident individual being an author/ patentee claiming deduction under Section 80QQB/80RRB (Income Tax Act, 1961) in respect of income earned from any source outside India (if the assessee is required to submit the return of income on or before 31 August 2026)
- Furnishing of the certificate in Form No. 10-IA (Income Tax Rules, 1962) from the medical authority certifying 'person with disability', 'severe disability', 'autism', 'cerebral palsy' or 'multiple disability' for sections 80DD and 80U (Income Tax Act, 1961). (If the assessee is required to furnish the return of income on or before 31 August 2026)
- Furnishing of Form No. 3CT (Income Tax Rules, 1962) by the transferor of shares or interests in, a company or an entity that derives its value substantially from assets located in India, duly certified by an accountant for apportionment of income attributable to assets located in India (if the assessee is required to submit the return of income on or before 31 August 2026)
- Furnishing of statement in Form No. 3CFA (Income Tax Rules, 1962) for exercising the option to pay tax at a concessional rate under section 115BBF (Income Tax Act, 1961) for income like royalty arising from a patent developed and registered in India (if the assessee is required to submit return of income by 31 August 2026)
- Furnishing of Form No. 5C (Income Tax Rules, 1962) containing details of attribution of capital gain taxable under section 45(4) (Income Tax Act, 1961) to the capital asset remaining with the firm, AOP, or BOI after reconstitution (if the firm, AOP, or BOI is required to furnish the return of income on or before 31 August 2026)
- Application in Form No. 9A (Income Tax Rules, 1962) for exercising the option available under Explanation to Section 11(1) (Income Tax Act, 1961) to apply income of previous year in the next year or in future (if the assessee is required to submit return of income on 31 October 2026).

  Note: The benefit of a deemed application will not be denied to a trust, even if Form No. 9A is not filed at least two months before the due date for

Compliance Calendar

Direct Tax
Indirect Tax

filing the income tax return. However, Form 9A must be submitted on or before the due date for filing the return to avail of this benefit [Circular No. 6/2023, dated 24-5-2023]

- Statement in Form No. 10 (Income Tax Rules, 1962) to be furnished to accumulate income for future application under Section 10(21) or Section 11(1) (Income Tax Act, 1961) (if the assessee is required to submit return of income on 31 October 2026)

  Note: The benefit of accumulation will not be denied to a trust, even if Form 10 is not filed at least two months before the due date for filing the income tax return. However, Form 10 must be submitted on or before the due date for filing the return to avail of this benefit [Circular No. 6/2023, dated 24-5-2023]

7 September 2026

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

10 September 2026

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

11 September 2026

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

13 September 2026

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

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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