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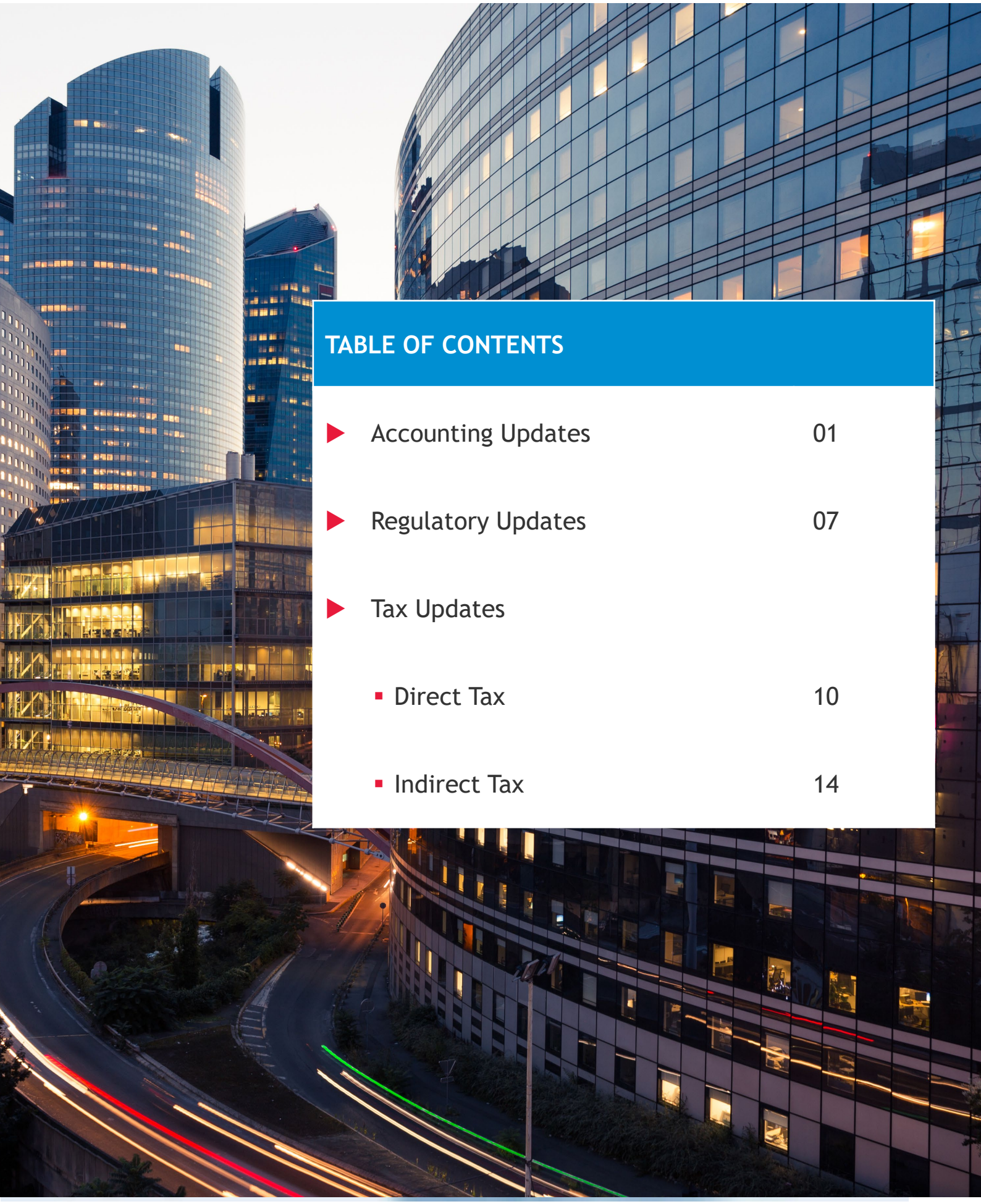

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ACCOUNTING UPDATES

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Institute Of Chartered Accountants Of India (ICAI)

EAC Opinion on:

(i) Accounting treatment of interest cost arising on fair valuation of interest-free subordinate debt provided by the Government of India (GoI), Government of National Capital Territory of Delhi (GNCTD) and other government agencies for the construction of metro projects, and

(ii) Accounting treatment of interest income earned on temporary investment of aforementioned interest-free subordinate debt funds in flexi deposits till their utilisation in the project.

The Company is a joint venture company with equal equity participation from GOI and GNCTD. Further, the Company is engaged in the construction and operation of a rail-based Mass Rapid Transit System (MRTS) for the Delhi/NCR areas (hereinafter referred to as "the Project"). The funding pattern for execution of the project is in the form of equity, grants, loans from Japan International Cooperation Agency (JICA) through GoI, interest-free subordinate debts from GoI, GNCTD and other government agencies. Interest-free subordinate debt is for the specific purpose of financing land, rehabilitation & resettlement, central taxes and state taxes, which are repayable in 5 equal instalments after completion of the JICA repayment period, which is 30 years.

The Company has measured subordinate debt at fair value by adopting the applicable G-sec rate on the date of sanction or date of transition to INDAS, whichever is later. Accordingly, the difference between carrying value and fair value is being recognised as a government grant and amortised over the balance of the useful life of the Project for which debt has been obtained. The construction is in phases, out of which I, II & III of the MRTS Project have been completed, and phase IV is under construction.

Points of consideration include — Interest cost resulting from fair valuation being booked under head Capital work in progress (CWIP) and capitalised as a part of the cost of the asset, and interest income earned on temporary deployment of subordinate debt funds being accounted for in the statement of profit /loss in the annual accounts for the FY 2023-24.

The Committee noted that the stated funds received (interest-free subordinate loan) should be measured subsequently at financial liabilities — amortised cost using the effective rate of interest, as in the extant case, referring to para 4.2.1 and 4.2.1 of INDAS 109, there is no requirement to measure otherwise.

The Committee further adds that interest accrued in the financial statements as per the effective interest rate is due to accounting as per INDAS 109 and should not be considered as notional interest. INDAS 23 specifies that borrowing cost includes interest expenses calculated using the effective interest method. Further, INDAS 23 states that costs directly attributable to the acquisition, construction or production of qualifying assets are to be capitalised and other borrowing costs are to be recognised as expenses. In the extant case, the metro project usually takes a substantial period to get ready for intended use, thus these are qualifying assets as per the requirements of INDAS 23. Therefore, the Committee notes that interest expenses calculated using the effective interest method on interest-free subordinate loans should be capitalised.

The Committee has noted that funds borrowed would incur associated borrowing costs before some / all of the funds are used for expenditure on the qualifying asset, and in those cases, these funds could temporarily be invested pending being spent as expenses on the qualifying asset. Hence, the Committee notes interest income earned on temporary investment of subordinate debt funds, which is yet to be applied in the construction of the Phase IV projects (specific borrowing), is to be adjusted with borrowing cost of interest-free subordinate loan calculated using the effective interest method, which is to be capitalised in the cost of project as per requirements of INDAS 23.

REGULATORY UPDATES

Institute of Chartered Accountants of India (ICAI)

Research Report - Accounting for Digital Assets

ICAI has published its research report titled "Accounting for Digital Assets", which presents a comprehensive analysis of the current global landscape, incorporating perspectives from IFRS, FASB, and Ind AS, while also addressing notable gaps within India's regulatory framework. The research also aims to provide policy recommendations for developing a comprehensive and robust framework for digital asset accounting. The report identifies and synthesises the key challenges faced by accounting professionals, particularly focusing on different challenges of classification, recognition, measurement and disclosure under existing standards where such assets do not align fully with traditional categories. The research proposes actionable solutions and a tailored approach for the accounting treatment of digital assets, advocating for a dedicated, standalone accounting standard. Furthermore, the research provides evidence-based recommendations for standard-setting bodies, regulators, and businesses to foster transparency, comparability, and faithful representation in financial reporting within the evolving digital asset ecosystem.

The study concluded that all the findings support the view that a dedicated accounting standard for digital assets is necessary. Existing frameworks provide only partial guidance, leading to inconsistencies in practice and interpretation. A hybrid valuation model, which combines fair value with alternative approaches, can be a practical solution for more accurate and consistent reporting. The study also emphasises the need for enhanced disclosures to reflect the financial impact, risks, and volatility associated with digital assets.

Technical Guide on GST Reconciliation Statement (Form GSTR-9C) and GST Annual Return (Form GSTR 9)

ICAI has released updated editions of the "Technical Guide on Annual Reconciliation Statement (Form GSTR-9C)" and the "Technical Guide on Annual Return (Form GSTR-9)" reflecting amendments up to 30 November 2025 and up to 4 December 2025.

Key coverage in the updated Guides includes:

- Form GSTR-9C: Detailed guidance on reconciliation of financial statements with annual GST returns, identification of common mismatches, documentation requirements, and clarification of frequent filing errors to support accurate compliance.
- Form GSTR-9: Specific instructions on reporting input tax credit, ITC reversals, IGST on imports, interest and penalties, original invoice disclosures, and payments through the Electronic Credit Ledger, with a structured approach to annual return filing.

Professionals and taxpayers shall align with the latest statutory amendments while preparing and filing annual GST returns.

FAQs on GSTR-9/9C for FY 2024-25

The GST Network (GSTN) has issued a new set of FAQs on GSTR-9 and GSTR-9C, dated 4 December 2025, to address common taxpayer queries and clarify reporting requirements across the various tables of the annual returns.

Key highlights of the FAQs include:

- **RCM paid in a later year:** GST on RCM for FY 2024-25 paid in GSTR-3B of FY 2025-26 must be reported along with ITC in GSTR-9 of FY 2025-26, according to CBIC clarification.
- **Ineligible ITC from FY 2023-24:** ITC availed in FY 2024-25 but relating to FY 2023-24 should be reported in Table 6A1, reversals of such ITC are not reported in Table 7, which covers only the current year.
- **Table 12B mismatches in GSTR-9C:** Differences may arise as this table captures ITC booked in earlier years but claimed in the current year, explanations can be provided in Table 13.
- **Mismatch between GSTR-3B Table 4C and GSTR-9 Table 7J:** Only current-year ITC is reflected in Table 7J, prior-year ITC reported in FY 2024-25 GSTR-3B may cause expected differences.
- **ITC reversals of FY 2023-24:** Reversals in FY 2024-25 are not reported in GSTR-9, as Table 7 only covers current-year reversals.
- **Goods received in FY 2024-25 but ITC in 2B of 2023-24:** Report in Table 6A1, any differences in Table 12F can be explained in Table 13.
- **Non-GST purchases:** Not required to be reported in GSTR-9.
- **Table 4G1 of GSTR-9:** Applicable only to e-commerce operators liable under Section 9(5) of CGST Act.

Financial Reporting Review Board (FRRB) deficiencies dashboard

FRRB has launched a digital repository portal to host the deficiencies observed during the FRRB review. The observations relate to Ind AS, Schedule III of the Companies Act, 2013, Standards on Auditing and Companies Auditors Report Order (CARO). The dashboard incorporates Volume I to III publications on 'Study on Compliance of Financial Reporting Requirements (Ind AS Framework). Link: https://frrbinsights.icai.org/

Exposure Draft of Ind AS 119, Subsidiaries without Public Accountability: Disclosures

ICAI has issued the Exposure Draft of Ind AS 119 – Subsidiaries without Public Accountability: Disclosures, aligned with IFRS 19 issued by the IASB in 2024.

The draft proposes reduced disclosure requirements for a subsidiary that does not have public accountability, and which has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with Ind ASs. The objective of the Standard is to alleviate the reporting burden for eligible subsidiaries without public accountability, thereby making the preparation of financial statements simpler and less costly for eligible subsidiaries while maintaining the usefulness of those financial statements for their users.

The standard is expected to be effective for annual periods beginning on or after 1 April 2027. Public comments on the Exposure Draft are invited up to 5 March 2026.

FAQs on key accounting implications arising from the New Labour Codes

The Government of India has consolidated 29 labour laws into four Labour Codes, i.e., Code on Wages, 2019, Code on Social Security, 2020, Industrial Relations Code, 2020, and Occupational Safety, Health and Working Conditions Code, 2020, effective 21 November 2025. The Rules are yet to be notified. In this context, the ICAI has released FAQs outlining the key accounting implications arising from the New Labour Codes.

Key Highlights:

- Gratuity liability is expected to increase due to the broader definition of wages, which now requires at least 50% of total remuneration (Basic + DA + Retaining Allowance) to qualify as "wages," and the eligibility of fixed-term employees for gratuity after one year of service. Under Ind AS 19, this increase represents a past service cost and is recognised immediately in the Statement of Profit and Loss. Under Indian GAAP (AS 15), vested past service cost is recognised immediately, while unvested cost is amortised over the vesting period.
- Where salary structures are revised to comply with the new wage definitions, any increase in gratuity or leave obligation purely due to restructuring is treated as a plan amendment and recorded as past service cost. If the revision also changes due to the estimated salary increase, the impact must be separated into actuarial gain or loss and plan amendment cost.
- For interim financial reporting, any additional gratuity obligation for employees exiting on or after 21 November 2025 must be recognised in interim results, following year-to-date measurement principles under Ind AS 34 or AS 25. For periods ending before 21 November 2025, the impact of the New Labour Codes is considered a non-adjusting event, requiring disclosure of the nature of the change and estimated financial impact where determinable.
- Leave obligations impacted by the Codes, also create past service cost, which must be recognised immediately in the Statement of Profit and Loss under both Ind AS 19 and AS 15. The resulting increase in gratuity and leave cost may be presented as an exceptional item if it is material and non-recurring, with appropriate disclosures explaining the impact.
- No special tax provisions apply to the incremental liability arising from the Codes. Deductibility for funded and unfunded gratuity contributions or leave encashments continues under existing tax rules. Any incremental obligations that are deductible in future periods may result in a deferred tax asset under Ind AS 12 or a timing difference under AS 22, subject to prudence.

Invitation for Comments on the Exposure Draft of Information Systems Audit Standards (ISAS)

ICAI has released the Exposure Draft of Information Systems Audit Standards (ISAS) and invited public comments. Stakeholders can submit their feedback through the link provided by ICAI, with the last date for submission set as 25 January 2026.

Deferment of Phase IV of Peer Review Mandate

The Peer Review Board of ICAI has announced, on 31 December 2025, the deferral of Phase IV of the Peer Review mandate from 1 January 2026 to 31 December 2026. Phase IV applies to practice units planning audits of branches of Public Sector Banks, for which a Peer Review Certificate is a prerequisite, and to practice units with three or more partners providing attestation services, who must hold a Peer Review Certificate before accepting any statutory audit.

Exposure Draft of Amendments to Ind AS 21-Translation to a Hyperinflationary Presentation Currency

The Accounting Standards Board (ASB) of ICAI has released an Exposure Draft of Amendments to Ind AS 21 – Translation to a Hyperinflationary Presentation Currency for public comments. This is part of the ongoing convergence of Ind AS with IFRS issued by the IASB. Stakeholders can submit their feedback, with the last date for submission set as 25 January 2026.

Exposure Draft on Risk Mitigation Accounting-Proposed amendments to IFRS 9 and IFRS 7.

The Accounting Standards Board (ASB) of ICAI invites public comments on the Exposure Draft on Risk Mitigation Accounting – Proposed amendments to IFRS 9 and IFRS 7, issued by the IASB. The draft proposes a risk mitigation accounting model for companies managing repricing risk on a net basis and requires disclosure of the company's strategy and the effects of its risk management activities. Feedback is also sought on the proposed withdrawal of IAS 39. The Exposure Draft is open for comments until 22 May 2026.

Updates from Accounting Standard Board-Tentative Agenda Decisions

ICAI invites public comments on six Tentative Agenda Decisions on IFRS/IAS matters, including business activity assessment, derivative gains/losses, fair presentation, tax/charge presentation, expense disclosure, and committee updates – comments due by 22 January 2026.

Reserve Bank of India (RBI)

Reserve Bank of India (Commercial Banks and Small Finance Banks - Income Recognition, Asset Classification, Provisioning and Prudential Norms on Capital Adequacy) Amendment Directions, 2025

RBI has issued updates to the Income Recognition, Asset Classification, and Provisioning (IRACP) norms and Prudential Norms on Capital Adequacy, effective 1 January 2026.

1. Income Recognition, Asset Classification, and Provisioning:
    - Commercial Banks: Earlier, banks were required to make an additional 3% provision (over the normal requirement) on the portion of total banking system exposure that exceeded the normally permitted lending limit for specified large borrowers. This requirement for extra provision has been removed, and the relevant paragraph has been accordingly deleted. Banks can now reverse previously released provisions or transfer them to the General Reserve.
    - Small Finance Banks: provisioning norms paragraph has been deleted with the same effect.
2. Prudential Norms on Capital Adequacy:
    - Commercial Banks: Paragraph related to the calculation of Risk Weighted Assets ('RWA'), has been deleted to align with updated concentration risk management guidelines.
    - Small Finance Banks: RWA paragraph has been deleted for the same purpose.

These changes allow banks more flexibility in managing provisions and capital while aligning RWA calculations with updated regulatory guidance.

Master Direction - Reporting under Foreign Exchange Management Act, 1999.

RBI has updated the aforesaid Master Direction on the daily reporting process for the Liberalised Remittance Scheme (LRS). The changes shall come into effect from 1 January 2026.

Key changes:

- Previously, only AD Category-I banks submitted the LRS Daily Return in RBI's Centralised Information Management System (CIMS), including transactions of AD Category-II banks, entities, and Full-Fledged Money Changers (FFMCs) affiliated with them.
- From 1 January 2026, AD Category-II banks, entities, and FFMCs will directly submit LRS Daily Returns in CIMS and will have their own access.
- These entities can verify cumulative LRS remittances PAN-wise before processing new transactions.
- Returns must be submitted daily, including 'nil' reports.
- Reporting via AD Category-I banks is no longer required.

National Stock Exchange of India (NSE), BSE Ltd (BSE)

Update on single filing system through API-based integration between Stock Exchanges

NSE has updated its single filing system through API-based integration between stock exchanges. Building on the earlier circular of September 2024, the system now covers Integrated Filing for Financial Results under Regulation 33 of SEBI LODR, effective 3 January 2026. Under this framework, listed entities are required to make a single filing which will automatically be shared across exchanges, eliminating the need for separate filings. Currently, this applies to equity and equity-plus-debt listed entities, while applicability for exclusively debt-listed entities, REITs, and InvITs will be communicated separately. The single filing system already includes other disclosures such as corporate governance reports, annual secretarial compliance reports, shareholder meeting disclosures, voting results, and reconciliation of share capital audit reports. Listed entities are advised to avoid duplicate filings, and any clarifications post-submission need only be addressed to the exchange raising the query.

Submission of Half-Yearly Reporting for the usage of Software as a Service (SaaS) based solutions/applications

The National Stock Exchange (NSE) has issued a circular on half-yearly compliance reporting for Software as a Service (SaaS) applications, following the SEBI advisory dated 3 November 2020. The requirement applies to all NSE trading members, regardless of whether they use SaaS solutions. For the period 1 July 2025 to 31 December 2025, members must submit their SaaS compliance details by 31 January 2026 through the Member Portal, including those not availing any SaaS services. For members registered with multiple exchanges, NSE will share the submitted details with the other exchanges, as per earlier circulars. A user manual (Annexure A) is provided to guide members, and any clarifications can be addressed to regional NSE offices or the Central Help Desk.

Quarterly Cyber Incident reporting under Cyber Security & Cyber Resilience Framework for Regulated Entities (REs)

NSE has issued a circular on quarterly cyber incident reporting under the SEBI Cyber Security and Cyber Resilience Framework for Regulated Entities, referencing SEBI's circular dated 20 August 2024 and NSE's circular of 21 August 2024. All trading members are required to submit the Quarterly Cyber Incident Report for the quarter ending 31 December 2025 by 15 January 2026 through the NSE Member Portal using the ENIT New Trade module. Members must indicate whether any cyber incidents occurred during the quarter; even in the absence of incidents, submission of the report is mandatory. The system allows draft saving, and digital signatures are not required for quarterly or immediate reporting. Immediate reporting obligations, where applicable, are governed separately by the NSE SOP circular dated 8 January 2025. Non-submission or delayed submission may attract disciplinary action, including escalating monetary penalties, restrictions on new client registrations, and potential disablement of trading facilities for continued violations.

Ministry of Corporate Affairs (MCA)

Companies (Specification of definition details) Amendment Rules, 2025

The MCA, vide notification dated 1 December 2025, has revised the definition of a *small company* under Section 2(85) of the Act by increasing the paid-up capital limit to INR 10 crore and the turnover limit to INR 100 crore, from the earlier limits of INR 4 crore and INR 40 crore, respectively. All other provisions of Section 2(85) remain unchanged, and the amendment is effective from 1 December 2025.

Ministry of Labour and Employment - Draft Rules & FAQ's

The Ministry of Labour and Employment has released draft rules under the four Labour Codes, including the Draft Code on Wages (Central) Rules, 2025, Draft Social Security Code (Central) Rules, 2025, Draft Occupational Safety, Health and Working Conditions Code (Central) Rules 2025 and Draft Industrial Relations Code (Central) Rules, 2025.

The draft notifications will be taken into consideration after the expiry of forty-five days from the date on which the Official Gazette containing the notification is made available to the public, except for the Draft Industrial Relations Code (Central) Rules 2025, for which the consultation period is thirty days. Any objections or suggestions are to be addressed to the relevant authority as mentioned in the draft rules. In addition, the Ministry has issued a set of FAQs to clarify key provisions of the Labour Codes, including FAQs on Labour Codes dated 30 December 2025, Code on Wages, 2019 dated 24 December 2025, Myths and Realities of the Industrial Relations Code, 2020 dated 23 December 2025, and Occupational Safety, Health and Working Conditions Code, 2020 dated 19 December 2025. These FAQs aim to address common questions and concerns, explain regulatory requirements, and provide guidance to ensure uniform understanding and effective compliance by both employers and employees.

Relaxation of additional fees and extension of time for filing of Financial Statements and Annual Returns under the Companies Act, 2013.

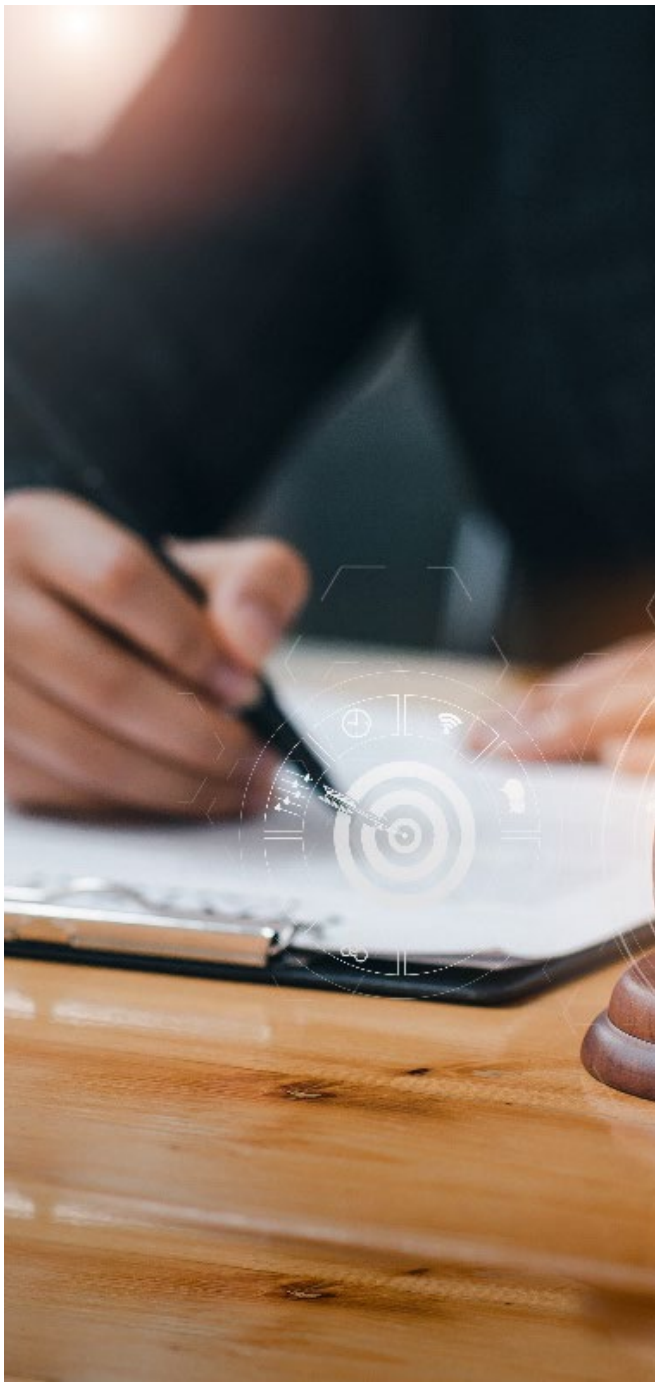
MCA has issued a circular providing relaxation of additional fees and extension of time for filing annual returns and financial statements under the Companies Act, 2013. Building on General Circular No. 06/2025 and in response to stakeholder representations, companies may now file specified e-forms for FY 2024-25 up to 31 January 2026 without payment of additional fees. All other provisions and requirements of the earlier circular remain unchanged.

Companies (Appointment and Qualification of Directors) Amendment Rules, 2025

MCA has notified the Companies (Appointment and Qualification of Directors) Amendment Rules, 2025, effective 31 March 2026. The amendments streamline the Director KYC framework by replacing all references to e-forms DIR-3-KYC and DIR-3-KYC-WEB with a single Form DIR-3 KYC-Web, updating the designation of the Regional Director for the Northern Region, and revising Rule 12A. Under the revised rules, directors holding a DIN as of 31 March must file KYC in DIR-3 KYC-Web once every three consecutive financial years by 30 June and update any changes in mobile number, email ID, or residential address within 30 days, along with the prescribed fee.

Companies (Removal of Names of Companies from the Register of Companies) Amendment Rules, 2025

MCA has notified the Companies (Removal of Names of Companies from the Register of Companies) Amendment Rules, 2025, amending the 2016 Rules. Effective from the date of publication in the Official Gazette, the amendment allows that for Government Companies or their subsidiaries, the indemnity bond (Form STK-3A) for directors appointed or nominated by the Central or State Government may be signed by an authorised representative not below the rank of Under Secretary or equivalent in the relevant administrative Ministry or Department.



OTHER REGULATORY MATTERS

National Financial Reporting Authority (NFRA)

NFRA has issued a circular for all the Statutory Auditors of Public Interest Entities covered under Rule 3 of NFRA Rules. The circular reinforces compliance with Standards on Auditing (SAs 200, 230, and 500) and SQC 1.

Key highlights:

- Audit firms should have required policies, procedures and controls around maintaining the sanctity of audit files and ensuring completeness and timely archival, including controls around authorised access to archived files.
- Reiterates mandatory documentation of nature and extent of audit procedures, evidence obtained, matter of professional judgement and discussion of significant matters with TCGW.
- Highlights maintenance of strict vigil over assembly and archival of audit file and placement of policies to ensure integrity, confidentiality, safe custody, accessibility and retrievability of engagement documentation.
- NFRA observes unreasonable extensions to submit audit files, even extended time sought to convert formats or even create fresh or additional documentation after the prescribed timelines, thereby delaying NFRA's proceedings.
- NFRA notes improper conversion or alteration of audit files—such as printing electronic records and rescanning them into unsearchable PDFs—violating SAs and SQC 1, that causes loss of metadata, embedded documents, formulas, and other electronic features, and undermines the authenticity, integrity, and evidentiary value of audit documentation while increasing regulatory scrutiny.
- The circular mentions that in case any legal/ regulatory proceedings have been instituted by any court or authority, audit files have to be retained beyond the timelines prescribed under SQC-1 or SAs.
- NFRA underscores that audit firms are required to note that audit files requisitioned by NFRA must be submitted in complete form and in the prescribed manner within 7 days of receipt of NFRA's communication. Further, the Authority specifies that, in exceptional circumstances necessitating an extension, any request for extension of time must be made within 7 days of receipt of such communication.

Risk & Response Memorandum: ROMM Assessment at Assertion Level for Revenue - A Sample Document

NFRA has issued a Staff Series document titled "Risk & Response Memorandum: ROMM Assessment at Assertion Level for Revenue – A Sample Document." The document serves as an educational guide and reinforces the requirements of SA 315 by illustrating a structured approach to assessing and responding to Risks of Material Misstatement (ROMM) at the assertion level.

Key Highlights: -

- Emphasises risk assessment under SA 315 as the foundation of audit planning, requiring an understanding of the entity, its environment, financial reporting framework, and internal controls, including IT systems.
- Reiterates the need to identify and document ROMM at both financial statement and assertion levels, with clear articulation of "what could go wrong" for relevant assertions.
- Highlights scenarios where reliance on controls is necessary, particularly in automated, high-volume transaction environments.
- Demonstrates ROMM assessment for revenue under Ind AS 115 using a hypothetical pharmaceutical company, focusing on variable consideration, cut-off risks, and management estimates.

Illustrates linkage between identified risks and audit responses, including control reliance and targeted substantive procedures.

Good and Service Tax ('GST')

Advisory & FAQ on Electronic Credit Reversal and Reclaimed Statement & RCM

The GST Network (GSTN) has clarified reporting requirements for the Electronic Credit Reversal and Reclaimed Statement (Reclaim Ledger) and the RCM Liability/ITC Statement (RCM Ledger). The Reclaim Ledger, introduced from August 2023 for monthly taxpayers and July-September 2023 for quarterly taxpayers, tracks ITC that was temporarily reversed and subsequently reclaimed. The RCM Ledger, introduced from August 2024 for monthly filers and July-September 2024 for quarterly filers, captures Reverse Charge Mechanism liabilities and the corresponding ITC claimed. Taxpayers can access both ledgers on the GST portal under Dashboard → Services → Ledger. Multiple opportunities have been provided to report opening balances for previously reversed ITC or RCM transactions, ensuring correct reporting and reconciliation.

Going forward, GSTR-3B filing will be blocked if the ITC claimed exceeds the available balances in these ledgers. For negative closing balances in the Reclaim Ledger, taxpayers must reverse excess ITC in the current period or, if unavailable, add it to the current liability. For negative RCM Ledger balances, taxpayers must either pay the outstanding RCM liability or reduce the claimed ITC accordingly. These measures are aimed at avoiding clerical errors and ensuring accurate reporting of ITC and RCM liabilities. Detailed guidance and advisories are available on the GST portal.

REGULATORY UPDATES

REGULATORY UPDATES:

SEBI Introduces SWAGAT-FI Framework to Ease Access for Trusted Foreign Investors. Amendment to SEBI (Foreign Portfolio Investors) Regulations, 2019

SEBI, vide notification dated 1 December 2025[1], has notified the SEBI (Foreign Portfolio Investors) (Second Amendment) Regulations, 2025, amending the SEBI (Foreign Portfolio Investors) Regulations, 2019 ("FPI Regulations").

The amendments seek to streamline market access for trusted foreign investors, rationalise compliance requirements, and enhance regulatory clarity under the foreign portfolio investment framework. The Amendment Regulations shall come into force 180 days from the date of publication in the Official Gazette.

Key Highlights

1. **Introduction of SWAGAT-FI Framework:**
   - SEBI has introduced a new category of trusted foreign investors termed **"Single Window Automatic and Generalised Access for Trusted Foreign Investor" ("SWAGAT-FI")**, covering:
     - Government and government-related investors; and
     - Public retail funds, subject to conditions specified by SEBI.
2. **Relaxation in Eligibility Conditions for SWAGAT-FI:**
   - For SWAGAT-FIs, the condition under Regulation 4(c)(ii) requiring the aggregate contribution of NRIs, OCIs and resident Indian individuals to remain below 50% of the corpus has been expressly relaxed.
3. **Expansion of Eligible Constituents of FPIs:**

   The scope of entities permitted to be constituents of an FPI has been widened:
   - SEBI-registered mutual funds are now permitted to be constituents of FPIs, subject to conditions specified by SEBI.
   - For IFSC-based structures:
     - Retail Schemes, in addition to AIFs, set up in IFSCs and regulated by the IFSC Authority, are permitted as constituents.
     - The reference to "Sponsor or Manager" has been replaced with "fund management entity or its associate," aligned with the IFSCA (Fund Management) Regulations, 2025.
4. **Extended Registration Fee Cycle for SWAGAT-FI:**

   A significant compliance relief has been introduced for SWAGAT-Fis.
   - Registration and renewal fees are payable **once** every ten years, instead of every three years.
   - Such fees shall be **collected in advance for each ten-year block**, for the validity of the registration.

Amendment to SEBI (Foreign Venture Capital Investors) Regulations, 2000 - Introduction of SWAGAT-FI

SEBI vide notification dated1 December 2025[2] has notified the SEBI (Foreign Venture Capital Investors) (Amendment) Regulations, 2025, amending the SEBI (Foreign Venture Capital Investors) Regulations, 2000 ("FVCI Regulations").

[1] SEBI Notification no. SEBI/LAD-NRO/GN/2025/279 dated r 1December 2025
[2] SEBI Notification no. SEBI/LAD-NRO/GN/2025/280 dated 1 December 2025

The amendments extend the Single Window Automatic and Generalised Access for Trusted Foreign Investor ("SWAGAT-FI") framework to Foreign Venture Capital Investors ("FVCIs"), with a view to easing regulatory requirements for trusted foreign investors and aligning the FVCI regime with the FPI framework. The amendments shall come into force 180 days from the date of publication in the Official Gazette.

Key Highlights

1. **Extension of SWAGAT-FI Framework to FVCIs:**
   - The definition of SWAGAT-FI has been introduced in the FVCI Regulations, aligned with the definition under the SEBI (Foreign Portfolio Investors) Regulations, 2019.
2. **Relaxation of Registration-related Conditions:**
   - Certain registration conditions applicable to FVCIs have been expressly relaxed for SWAGAT-Fis.
3. **Rationalisation of Renewal Fee Framework:**
   - SWAGAT-FIs are required to pay renewal fees once every ten years.
   - Such renewal fees are to be paid in advance for each ten-year block, commencing from the beginning of the eleventh year from the date of registration.
4. **Exemption from Investment Concentration Limits:**
   - The existing investment concentration requirements under the FVCI framework (i.e., the 66.67% / 33.33% investment split) shall not apply to SWAGAT-Fis.

SEBI Circular on Migration to AI-only Schemes and Relaxations for Large Value Funds

SEBI, vide circular dated8 December 2025[3] ("Circular"), has prescribed modalities for migration of existing Alternative Investment Fund ("AIF") schemes to Accredited Investor-only ("AI-only") schemes and granted additional regulatory relaxations to Large Value Funds ("LVFs"), pursuant to the amendments notified to the SEBI (Alternative Investment Funds) Regulations, 2012 on 19 November 2025.

The Circular aims to enhance the ease of doing business for AIFs by offering greater operational and compliance flexibility for schemes that cater exclusively to accredited investors.

Key Highlights

1. **Introduction of AI-only Schemes and LVF Relaxations:**
   - AIFs may launch schemes exclusively for Accredited Investors (AI-only schemes) with reduced investor protection-related compliance.
   - Additional regulatory and operational flexibilities have been extended to LVFs.
2. **Naming Convention for Schemes:**
   - Any new or converted scheme shall include the words 'AI only fund' or 'LVF,' as applicable, at the end of the scheme name.
3. **Migration of Existing Schemes:**
   - Existing eligible AIF schemes may migrate to AI-only or LVF schemes, subject to positive consent from all investors.
   - Post conversion, the manager is required to:
     - Update the scheme name;
     - Report the conversion and name change to SEBI within 15 days; and
     - Intimate depositories within 15 days for necessary system changes.
4. **Accredited Investor Status:**
   - An investor qualifying as an Accredited Investor at the time of onboarding shall continue to be treated as such **for the entire life of the scheme**, even if the investor subsequently ceases to meet the criteria.
5. **Tenure Extension for AI-only schemes:**
   - AI-only schemes may have a **maximum extension of up to five years**, inclusive of any extensions granted prior to conversion.
6. **Applicability and Compliance:**
   - Trustees/sponsors are required to ensure compliance with this Circular is captured in the Compliance Test Report
   - The Circular is effective immediately.

Amendment to SEBI (Real Estate Investment Trusts) Regulations, 2014 – Expansion of Investor Definitions

SEBI, vide notification dated 9 December 2025[4], has notified the SEBI (Real Estate Investment Trusts) (Third Amendment) Regulations, 2025, amending the SEBI (Real Estate Investment Trusts) Regulations, 2014 ("REIT Regulations"). The amendments are effective from the date of publication in the Official Gazette.

The amendments seek to broaden the investor base for REITs and other SEBI regulations.

Key Highlights

1. **Expanded Definition of "Institutional Investor":**
   - The term institutional investor has been expanded to include:
     - Qualified Institutional Buyers (QIBs); and
     - Family trusts and SEBI-registered intermediaries having a net worth exceeding INR 500 crore, based on the latest audited financial statements.
2. **Alignment of QIB Definition:**

   The definition of Qualified Institutional Buyer (QIB) has been aligned with the meaning assigned under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, ensuring consistency across SEBI frameworks.

[3] SEBI Circular no. HO/19/34/11(5)2025-AFD-POD1/I/188/2025 dated 8, December 2025
[4] SEBI Notification no. SEBI/LAD-NRO/GN/2025/287 dated 9 December2025

3. **Broadened scope of "Strategic Investor":**

   - The definition of strategic investor has been widened to include.
     - Foreign Portfolio Investors are not covered under the institutional investor category;
     - Institutional investors;
     - RBI-registered NBFCs (middle, upper and top layer); and
     - Other entities as may be specified by SEBI from time to time.

     Such investors must invest at least 5% of the total REIT offer size (or such amount as may be specified by SEBI), subject to compliance with applicable FEMA and RBI requirements.

Amendment to SEBI (Infrastructure Investment Trusts) Regulations, 2014 – Expansion of Investor Definitions

SEBI, vide notification dated 9 December 2025[5], has notified the SEBI (Infrastructure Investment Trusts) (Fourth Amendment) Regulations, 2025, amending the SEBI (Infrastructure Investment Trusts) Regulations, 2014 ("InvIT Regulations"). The amendments are effective from the date of publication in the Official Gazette.

The amendments seek to broaden and rationalise investor participation in InvITs, align key definitions with other SEBI regulations, while ensuring compliance with RBI and FEMA requirements.

Key Highlights

1. **Revised definition of "Institutional Investor":**

   The scope of institutional investors has been updated to include family trusts and SEBI-registered intermediaries having a net worth exceeding INR 500 crore, based on the latest audited financial statements.

2. **Alignment of QIB definition:**

   The definition of Qualified Institutional Buyer (QIB) has been aligned with the meaning assigned under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, ensuring consistency across SEBI frameworks.

3. **Broadened scope of "Strategic Investor":**

   - The definition of a strategic investor has been widened to include:
     - Institutional investors;
     - Foreign Portfolio Investors are not covered under the institutional investor category;
     - RBI-registered NBFCs (middle, upper and top layer); and
     - Other entities as may be specified by SEBI from time to time.

     Such investors are required to invest at least 5% of the total InvIT offer size (or such amount as may be specified by SEBI), subject to compliance with applicable FEMA and RBI provisions.

[5] SEBI Notification no. SEBI/LAD-NRO/GN/2025/286 dated 9 December2025

DIRECT TAX

Circulars/ Notifications/ Press Release

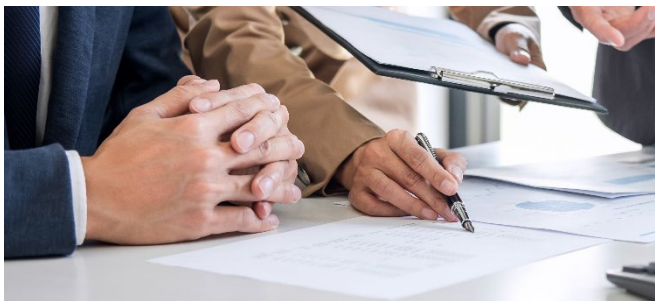
CBDT NUDGEs taxpayers against the claims of bogus deductions and encourages taxpayers to review and correct ineligible deduction and exemption claims

The Central Board of Direct Taxes (CBDT) recently acted against several intermediaries involved in filing income-tax returns (ITRs) with bogus claims of deductions and exemptions. Investigations revealed that some intermediaries have established a network of their agents all over India for filing returns with incorrect claims on a commission basis. It was observed that a huge amount of bogus claims have been made on account of donations to Registered Unrecognised Political Parties (RUPPs) and certain charitable trusts, and taxpayers have reduced their tax obligations and have also claimed bogus refunds.

In this regard, CBDT has issued Press Releases outlining the key findings of its actions and encouraging taxpayers to voluntarily review deduction and exemption claims identified as potentially ineligible through risk analytics. The key points highlighted in the Press Releases are as follows:

- **Action against bogus deduction claims and intermediaries -** Many RUPPs were found to be non-filers, non-operational, or not engaged in any political activity, yet were issuing donation receipts and used as conduits for fund routing, hawala transactions and cross-border remittances.
- **Strengthened data-driven risk identification -** CBDT has enhanced its data analytics framework to enable early detection of suspicious claims and identification of high-risk behaviour patterns. One such pattern relates to taxpayers claiming deductions under Section 80G[1] and 80GGC[2] of the Income-tax Act, 1961 (IT Act), where donations were made to suspicious entities or where adequate information was not furnished to establish the genuineness of such entities.
- **Launch of targeted 'NUDGE' Campaign for voluntary compliance -** As a taxpayer-friendly compliance measure, the CBDT has launched a targeted "Non-intrusive Usage of Data to Guide and Enable (NUDGE)" campaign, providing taxpayers an opportunity to voluntarily correct their ITRs by revising them before 31 December 2025 and withdraw wrong claims.
- **Advisory and further compliance options -** Taxpayers with genuine and correct claims are not required to take any further action. Further, taxpayers who do not avail of this opportunity may file an updated return from 1 January 2026, subject to payment of additional tax liability.

[Press Release dated 13 December 2025 and 23 December 2025]



[1] Section 80G of the IT Act provides for deduction in respect of donations to certain funds, charitable institutions, etc.
[2] Section 80GGC of the IT Act provides for deduction in respect of contributions given by any person to political parties.

Judicial Updates

Supreme Court holds that "exclusive expenditure" incurred on Indian branches by foreign companies will be subject to section 44C of the IT Act

Multinational enterprises operating in India through branches or Permanent Establishments often incur significant administrative and managerial costs at their overseas head offices that relate, directly or indirectly, to Indian operations. Section 44C of the IT Act is a special provision that restricts the deduction of head office expenditure incurred by a foreign company towards its Indian branch office operations. Taxpayers have frequently contended that expenses with a direct, exclusive nexus to India should not be subject to the statutory cap prescribed under section 44C of the IT Act.

In this regard, the Hon'ble Supreme Court had an occasion to analyse whether expenditure incurred by the head office of a non-resident taxpayer exclusively for its Indian branches falls within the ambit of section 44C of the IT Act, thereby limiting the permissible deduction to the statutory ceiling specified therein. To read our detailed analysis, please go to: https://www.bdo.in/en-gb/insights/alerts-updates/direct-tax-alert-supreme-court-holds-that-exclusive-expenditure-incurred-indian-branches

[M/s. American Express Bank Ltd. V DIT, C. A. No. 8291 of 2015 with C. A. No. 4451 of 2016 (Supreme Court)]

Supreme Court holds non-compete fee as revenue expenditure for Income-tax purposes

The issue of the allowability of a non-compete fee as a deductible expenditure has been an area of dispute for decades between the taxpayer and the tax authorities, despite principles being laid down by Courts on several occasions. The tax authorities have often sought to treat the non-compete fee as capital expenditure, coupled with a denial of depreciation. In this regard, recently, the Supreme Court has held that payment of a non-compete fee does not result in acquisition of a capital asset or alteration of profit-making structure of the business and is allowable as revenue expenditure under section 37(1)[3] of the IT Act. To read our detailed analysis, please go to: https://www.bdo.in/en-gb/insights/alerts-updates/direct-tax-alert-supreme-court-holds-non-compete-fee-as-revenue-expenditure-for-income-tax-purpose

[Sharp Business System v. CIT, C. A. No. 4072 of 2014 (Supreme Court)]

Delhi High Court holds that without a specific provision, "virtual presence"/"virtual PE" cannot be read into a Tax Treaty

In an evolving digital and globally integrated economy, issues surrounding the taxation of cross-border services, the scope of Permanent Establishment (PE), and the relevance of physical presence have gained unprecedented significance. As businesses increasingly deliver services through virtual platforms, tax authorities often find themselves navigating the tension between traditional Treaty principles and modern business realities to establish a PE in a country.

Certain Double Taxation Avoidance Agreements (DTAAs) provide for a 'Service PE' which is established if the non-resident provides services for a period longer than the prescribed threshold. Traditionally, a Service PE requires the physical presence of employees of the non-resident in the source country. However, with the advent of the digital economy, this understanding is being challenged by the tax authorities.

In the past, the Delhi Tax Tribunal had an occasion to analyse whether the condition of the physical presence of employees or other personnel of a foreign enterprise in India is necessary to constitute a Service PE as per Article 5(6)[4] of India-Singapore DTAA, or it will get attracted even if the services are provided remotely. To read our detailed alert, please click here. The tax authorities challenged the Tribunal order before the Delhi High Court. Recently, the Hon'ble Delhi High Court has passed its ruling on the said matter in favour of the taxpayer by reaffirming that the tax authorities cannot tax virtual presence in the absence of specific provisions in the DTAA. The said ruling reinforces the principle that India cannot tax foreign businesses unilaterally when a DTAA exists. To read our detailed analysis, please go to: https://www.bdo.in/en-gb/insights/alerts-updates/direct-tax-alert-delhi-high-court-holds-that-without-a-specific-provision-virtual-presence

[Clifford Chance PTE Ltd. v. CIT, I.T.A. No.s 353/2025 & 354/2025 (Delhi High Court)]

Bombay High Court allows tax treaty rate for Dividend Distribution Tax

Under the Dividend Distribution Tax (DDT) regime, the Company declared the dividend, paid DDT and the dividend was exempt in the hands of shareholders. The DDT was levied at 15% (excluding surcharge and cess), under section 115-O of the IT Act. As the dividend under the DTAA was taxable at a rate less than the DDT rate, a debate was ongoing as to whether the DTAA rate could be applied instead of DDT.

In this regard, recently, the Hon'ble Bombay High Court pronounced a significant ruling wherein it examined the interplay between the DDT and DTAA. The Court analysed whether the DDT rate could be limited to the tax rate prescribed in the DTAA or whether the statutory DDT should apply. It also deliberated over the true nature of DDT, the extent of DTAA override under section 90(2)[5] of the IT Act, and whether the DDT is paid by the Company in its own capacity or as a withholding agent for the foreign shareholder. The Bombay High Court's ruling provides significant clarity on the long-standing controversy surrounding the taxability of DDT vis-à-vis the beneficial DTAA rate. The Court has reaffirmed that DDT is, in substance, a tax on the dividend income of the shareholder, irrespective of the fact that its incidence is shifted to the distributing Company. This interpretation directly supports the view that DDT falls within the scope of "income tax" referred to in Article 2 of the India-UK DTAA and is therefore subject to DTAA-mandated rate limitations.

To read our detailed analysis, please go to: https://www.bdo.in/en-gb/insights/alerts-updates/direct-tax-alert-bombay-high-court-allows-tax-treaty-rate-for-dividend-distribution-tax

[M/s. Colorcon Asia Pvt. Ltd. v. JCIT, T.A. No. 5 OF 2024 (Bombay High Court)]

[3] Section 37(1) of the IT Act provides for deduction of business expenditure that is wholly and exclusively incurred for business purposes and is neither capital nor personal in nature and not covered by sections 30-36 of the IT Act.
[4] Article 5(6) of the India-Singapore DTAA provides that an enterprise shall be deemed to have a permanent establishment in the contracting state through its employees or other personnel only if the activities within the contracting state continue for a period aggregating to 90 days in a FY.
[5] Section 90(2) of the IT Act provides that where India has entered into a DTAA with another country, a taxpayer may apply the provisions of the IT Act or the DTAA, whichever are more beneficial to the taxpayer.

Delhi High Court upholds the validity of the CBDT circular and sanction for prosecution in a tax evasion case

Over time, CBDT has issued detailed guidelines to ensure that prosecution is invoked in a calibrated and proportionate manner, distinguishing between minor, technical defaults and cases involving substantial tax implications or evidence of deliberate concealment. As the Income Tax Department continues to strengthen its enforcement mechanisms, particularly in cases involving large-scale financial irregularities, the threshold for initiating prosecution and the safeguards available to taxpayers have emerged as important areas of debate. Questions relating to the timing of prosecution, the role of administrative approvals, and the balance between revenue protection and taxpayer rights frequently come to the forefront, requiring careful examination of statutory provisions, departmental policies, and broader principles of fairness and due process.

In this regard, recently, the Delhi High Court had an occasion to analyse the validity of Circular No.24 of 2019, dated 9 September 2019, and Circular No.05 of 2020, dated 23 January 2020, issued by the CBDT and the validity of the notice issued in case of prosecution. This ruling significantly strengthens the tax authority's ability to move swiftly with prosecution in high-value cases, particularly those arising from search and seizure operations. The High Court has upheld the validity of CBDT's prosecution policy and confirmed that cases involving tax demands exceeding INR 2.5mn do not require collegium approval or prior confirmation of penalty by appellate authorities. To read our detailed analysis, please go to: https://www.bdo.in/en-gb/insights/alerts-updates/direct-tax-alert-delhi-high-court-upholds-the-validity-of-the-cbdt-circular-and-sanction

[Saumya Chaurasia v. Union of India & Others, W.P.(C) 8191/2025 CM APPL. 35871/2025 CM APPL. 64534/2025 (Delhi High Court)]

Delhi Tax Tribunal rules that salary reimbursement for seconded employees is not fee for technical services

Entering into secondment arrangements is a standard practice among multinational enterprises, which involves the temporary move of skilled employees to another organisation for a specific period. While these arrangements may seem commercially straightforward, they are not free from litigation. Typically, in secondment arrangements, salary reimbursement is often made by the Indian entity to the foreign entity, where the home country (foreign entity) payroll is continued during the secondment period. The core dispute is whether the reimbursement of seconded employee costs received by a foreign entity is taxable in India.

In this regard, recently, the Delhi Tax Tribunal had an opportunity to analyse whether payments made by the Indian entities to the Japanese taxpayer in respect of salaries paid to the seconded employees in Japan are in the nature of reimbursement of the salary for the services rendered in India or are in the nature of Fee for Technical Services (FTS). The Delhi Tax Tribunal has upheld the principle that reimbursements without markup, when backed by genuine employment control and documentation, shall be outside the purview of FTS. To read our detailed analysis, please go to: https://www.bdo.in/en-gb/insights/alerts-updates/direct-tax-alert-delhi-tax-tribunal-rules-that-salary-reimbursement

[Toshiba Corporation v. DCIT (I.T.A. No.2587/DEL/2023) (Delhi Tax Tribunal)]

Delhi Tax Tribunal holds that consideration for provision of testing services constitutes 'royalty' under the India-Netherlands DTAA

The taxpayer company, registered under the law of the Netherlands, is engaged in improving vegetable varieties and solutions and the vegetable value chain for consumers worldwide. The taxpayer received consideration on account of testing services rendered to its associate enterprise (AE), namely Nunhems India Private Limited (Nunhems India), to improve plant varieties. The taxpayer filed its return of income declaring NIL taxable income and claimed such receipts as non-taxable. However, the tax authorities denied the claim of exempt income to the taxpayer.

Aggrieved, the taxpayer filed objections before the Dispute Resolution Panel (DRP), however, the DRP held that the consideration on account of testing services rendered should be treated as Royalty taxable as per applicable rates as prescribed under India-Netherlands DTAA, read with section 9(1)(vi)[6] of the IT Act. Further aggrieved, the taxpayer filed an appeal before the Delhi Tax Tribunal, which made the following observations while ruling in favour of the tax authorities:

- As per the Service Agreement between the taxpayer and Nunhems India, the nature of service rendered by the taxpayer to Nunhems India is to support the breeding programs in India by providing marker analysis services[7] and producing doubled haploids (DH).
- Nunhems India sends dried leaves to the taxpayer for marker analysis by placing a request for testing of such leaves through a common tool called "Nautilus", which is available to Nunhems group entities.
- Thereafter, all samples shared with the taxpayer are tested at the taxpayer's Research and Development Centre (R&D) centre with the use of required chemicals and technologies, and once the samples are tested, results are shared with Nunhems India through "Nautilus". Since Nunhems India lacks the technology & resources, the samples are sent to the taxpayer for marker analysis services.
- Moreover, another type of service is provided called DH Services. A DH[8] is a genotype formed when haploid cells undergo chromosome doubling. Nunhems India sends seeds to taxpayer for DH conversion and the taxpayer grows these seeds in poly houses till the time they become a plant, and out of that plant, a tissue/cell is extracted in R&D centre, and new plant is formed, which is called a DH plant. Further, seeds are extracted again by the R&D centre from DH plant and sent back to Nunhems India.
- As per Article 12(4) of the India-Netherlands DTAA, the term 'Royalty' has two segments. In one segment, 'Royalty' is payments of any kind received as a consideration for the use of, or the right to use, any copyright, literary, artistic or scientific work, including cinematograph films, any patent, trademark, design or model, plan, secret formula or process. The other segment comprises payment of any kind received as a consideration for information concerning industrial, commercial or scientific experience.
- The two segments are segregated by 'or', which is primarily a coordinating conjunction. The use of the expression 'or' for information concerning industrial, commercial or scientific experience, therefore, signifies a distinct and separate category than the 'copyright' of 'literary, artistic or scientific work, including cinematograph films, any patent, etc.

[6] Section 9(1)(vi) of the IT Act provides for income by way of royalty payable to a non-resident that is deemed to accrue or arise in India.
[7] Marker analysis services means examination of seeds and leaves for deciding breeding.
[8] DH technology enhances "forward breeding" by allowing hybrids to be bred with new traits and gives the taxpayer an earlier look at new lines and greater knowledge about their environmental adaptability before they are fully tested, developed and marketed.

- Accordingly, considering the nature of the service provided, the taxpayer is supplying information in the form of scientific experience, which has commercial ramifications for Nunhems India in breeding plant varieties. Further, the taxpayer is bound by agreement to mandatorily support the breeding program in India because the taxpayer possesses and is equipped with the technology and resources.
- Additionally, the taxpayer imparts technology and knowledge to Nunhems India through DH testing by allowing hybrids to be bred with new traits wherein it gets equipped with knowledge to create new lines and greater knowledge about their environmental adaptability.
- These activities demonstrate the scientific and technical knowledge of the taxpayer which is not available with Nunhems India. The taxpayer's knowledge and scientific experience have a direct link in converting an average seed sent into healthy DH seeds that are created by a controlled scientific method to produce offspring with enhanced traits.
- Therefore, the reports sent to Nunhems India are a bank of scientific experience and advice emanating from technological and scientific methods undertaken by the taxpayer. Further, the consideration paid to the taxpayer is not merely for the access to Nautilus software but for the information contained in the marker analysis and report of production of DH, which is uploaded in the Nautilus portal.
- Accordingly, the consideration is for the information and knowledge developed out of technology and scientific experience imparted by the taxpayer to Nunhems India. Further, Article 12(4) of the Indo-Netherlands DTAA nowhere provides that the condition of "make available" be satisfied for determining 'Royalty'. It requires that the consideration be for information concerning industrial, commercial or scientific experience.
- This imparting of scientific experience and knowledge through test reports is independent of the 'make available' clause being satisfied for the purposes of treating it as 'Royalty' under the India-Netherlands DTAA. Therefore, the receipts from testing service satisfy the condition in Article 12(4) of the India-Netherlands DTAA to be considered as 'Royalty' and is accordingly taxable in India

Further, apart from the above matter, ITAT holds that consideration received by the taxpayer on account of reimbursement of IT Support services is not liable for tax as FTS under section 9(1)(vii) of the Act and the India-Netherlands DTAA. The ITAT, after having perusal of the Master Service Agreement between the taxpayer and TCS Netherlands BV, observed that said receipts are merely reimbursement of IT support services, where the third party, TCS Netherlands, charges the taxpayer, the same is recouped from the Indian AE. Noting that the provision of IT support services to the India AE does not satisfy the make available clause. The ITAT opines that, "when the "make available" clause is not satisfied, the receipts for IT support services cannot be brought under the ambit of FTS under Article 12(5) of the India-Netherlands DTAA, by relying on the Delhi HC judgment in Bio-Rad Laboratories. Thus, the addition made towards reimbursement of IT Support services stands deleted.

[Nunhems Netherlands B.V. v. ACIT, I.T.A. No. 3382/DEL/2023 (Delhi Tax Tribunal)]

Mumbai ITAT rules that the taxpayer cannot be treated as an assessee in default for non-deduction of TDS on share purchase from non-residents where tax is deducted in accordance with Section 112(1)(c)(iii) of the IT Act.

The taxpayer, a corporate entity, is engaged in the business of manufacturing and marketing of high-quality animal feeds, innovative agricultural inputs and vegetable oil and allied products. The taxpayer acquired equity shares of an unlisted Indian company and a listed company from their non-resident individual shareholders. The taxpayer remitted the purchase consideration to such shareholders after deducting tax at source (TDS) at 11.54 per cent in terms of section 112(1)(c)(iii)[9] of the IT Act from the gross purchase consideration paid to non-resident shareholders of an unlisted company, and in the absence of a PAN of a shareholder, remittance was made after withholding TDS at 23.07 per cent in terms of section 206AA[10] read with section 195[11] of the IT Act.

However, the tax officer held the taxpayer to be in a "taxpayer in default" under section 201(1)[12] of the IT Act on the ground that the taxpayer failed to consider the first and second provisos to section 48[13] of the IT Act. Aggrieved by the order of the AO under section 201 of the Act, the taxpayer filed an appeal before the CIT(A). The CIT(A) allowed the appeal of the taxpayer. Aggrieved with the order of the CIT(A), the tax authorities filed an appeal before the Mumbai tax Tribunal, which made the following observations while ruling in favour of the taxpayer:

- As per first and second proviso to section 48 of the IT Act, capital gain arising to a non-resident taxpayer from the transfer of capital asset being the share in Indian company shall be computed with the cost of acquisition, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer of capital asset into the same foreign currency as was initially utilised for the purchase of shares or debentures, and the capital gains so computed in such foreign currency shall be reconverted into Indian currency.
- The contention of the tax authorities that the first proviso and the second proviso to section 48 of the IT Act should be taken into consideration by the taxpayer is not justified as the taxpayer adopted the TDS rate of 11.54 per cent in consonance with the rate prescribed in section 112(1)(c)(iii) of the IT Act. Additionally, section 48 of the IT Act was considered by both the payer and the payees.
- Further, the first and second provisos to section 48 of the IT Act are in respect of mode of computation in respect of capital gain by deducting default value of the consideration or accruing in respect of income chargeable under the head and to that effect the TDS rate applied by the taxpayer is taken into account under the provisions of section 48 of the IT Act and all these aspects are categorically governed under section 112(1)(iii) of the IT Act.
- Section 112(1)(iii) of the IT Act categorically mentions that the rate of 10 per cent for any transfer placed before 23 July 2024 should be adopted in case of a non-resident not being a company or a foreign company, and the same has been adopted by the taxpayer. The CIT(A) has categorically given direction to the AO in light of section 112(1)(c)(iii) of the Act, and the same is in consonance with the governing section in respect of TDS deduction as well and therefore directed the AO to verify the remittances of the remaining parties at the rate of 11.54 %. Therefore, ITAT is of the view that there is no need to interfere with the order of the CIT(A).
- Thus, the appeal of the Revenue is dismissed, and the matter is decided in favour of the taxpayer.

[ITO v. Godrej Agrovet Limited, I.T.A. No. 2026/Mum/2025 (Mumbai Tax Tribunal)]

[9] Section 112(1)(c)(iii) of the IT Act pertains to the taxation of long-term capital gains for non-residents.
[10] Section 206AA of the IT Act mandates deduction of TDS at a higher rate where the deductee fails to furnish their PAN subject to specified exceptions.
[11] Section 195 of the IT Act requires deduction of TDS on payments made to non-residents of any interest or other sum chargeable to tax under the IT Act (excluding salaries).
[12] Section 201(1) of the IT Act deems a person who fails to deduct or after deduction fails to pay tax as required under the IT Act to be an "taxpayer in default" in respect of such tax.
[13] Section 48 of the IT Act prescribes the mode of computation of capital gains.

NOTIFICATIONS / CIRCULARS / ADVISORIES

Allotment of Goods and Services Tax Appellate Tribunal ('GSTAT') benches to appointed members

Pursuant to the appointment of various members of the GSTAT, benches have been allotted for the Technical Members (for Centre and/or States) and Judicial Members. These members are requested to join their respective benches on 21 January 2026.

[*Office Order No. 03/2025 dated 26 December 2025*]

Staggered filing of Appeals to GSTAT suspended

Vide Order No. 1499-1502[1], GSTAT had directed for staggered filing of appeals on the common portal. The aforesaid Order has been revoked with effect from 18 December 2025. This revocation shall not affect the validity of appeals filed before 18 December 2025.

[*Order No. 315/3025 dated 16 December 2025*]

Electronic Credit Reversal and Re-claimed Statement and RCM Liability/ITC Statement on GSTN Portal

'***Electronic Credit Reversal and Re-claimed Statement***' ('Reclaim Ledger') captures the details of input tax credit ('ITC') temporarily reversed in Table 4(B)(2) and its subsequent reclaim in Table 4A(5) and 4D(1). Further, the '***RCM Liability/ITC Statement***' ('RCM Statement') tracks liability under reverse charge mechanism, as per Table 3.1(d) of Form GSTR-3B and its corresponding claim of ITC in Table 4A(2) and 4A(3) of Form GSTR-3B for each return period.

In due course, the GSTN will deploy a validation check to ensure that negative balance in these statements i.e., Reclaim Ledger and RCM Statement shall not be allowed. Accordingly, the following validation check is proposed to be implemented:

- Reclaimed ITC in Table 4D(1) shall be lesser than or equal to the combined values of the closing balance of Reclaim Ledger and ITC being reversed in Table 4B(2) of Form GSTR-3B for that period.
- RCM ITC claimed in Table 4A(2) and 4A(3) shall be equal to or less than the combined values of RCM liability paid in Table 3.1(d) of the same GSTR-3B and closing balance of RCM Statement.

[*GSTN Advisory and FAQs dated 29 December 2025*]

CBIC provides effect to the second tranche of tariff concessions under India-EFTA[2] Trade and Economic Partnership Agreement ('TEPA')

Pursuant to the India-EFTA TEPA which took effect from 1 October 2025, various notifications were issued by CBIC to give effect to the first tranche of tariff concessions committed by India on imports made from Iceland, Norway and Switzerland. In order to give effect to the second tranche of tariff concessions, these notifications have now been amended with effect from 1 January 2026.

[*Notification Nos. 51, 52 and 53/2025-Customs dated 30 December 2025*]

CBIC provides effect to the fifth tranche of tariff concessions under India-Australia Economic Cooperation and Trade Agreement ('ECTA')

Pursuant to the India-Australia ECTA which took effect from 29 December 2022, a notification was issued by CBIC to give effect to the first tranche of tariff concessions committed by India on imports made from Australia. In order to give effect to the fifth tranche of tariff concessions, the said notification has now been amended with effect from 1 January 2026.

[*Notification No. 50/2025-Customs dated 30 December 2025*]

[1] Dated 24 September 2025
[2] EFTA is the intergovernmental organisation of Iceland, Liechtenstein, Norway and Switzerland.

Comprehensive Economic Partnership Agreement ('CEPA') signed with Oman

India and Oman have signed CEPA on 18 December 2025. Under the CEPA, Oman has offered zero-duty access on 98.08% of its tariff lines, covering 99.38% of India's exports to Oman. All major labour-intensive sectors including gems & jewellery, textiles, leather, footwear, sports goods, plastics, furniture, agricultural products, engineering products, pharmaceuticals, medical devices and automobiles will receive full tariff elimination. Out of the above, immediate tariff elimination is being offered on 97.96% Tariff Lines.
On the other hand, India is offering tariff liberalisation on 77.79% of its total tariff lines which covers 94.81% of India's imports from Oman by value. For the products of export interest to Oman and which are sensitive to India, the offer is mostly a tariff-rate quota-based tariff liberalisation.

[*Press Release ID: 2205889 dated 18 December 2025*]

Negotiations concluded with New Zealand for Free Trade Agreement ('FTA')

India and New Zealand announced negotiations for FTA in March 2025. Following several rounds of negotiations, the India-New Zealand FTA was concluded in December 2025, becoming one of India's fastest-concluded FTAs.

Under the FTA, New Zealand would provide duty-free access to 100% of the tariff lines, whereas India is giving duty-free access to 65.60% of the tariff lines (immediately to 30% and phased elimination over prescribed number of years to 35.60% of tariff lines) and tariff reductions/ tariff quotas to 5.03% of the tariff lines. Some of the products exported from New Zealand which are excluded from any benefit are dairy, animal products, vegetable products, etc. The FTA is also opening up pathways for students and professionals from India by easing visa provisions.

[*Press Release ID: 2207300 dated 22 December 2025*]

Import procedure for restricted IT Hardware under HSN 8471 for the calendar year 2026

The following procedure for the implementation of Import Management System ('IMS') for import of restricted IT Hardware (viz. Laptops, Tablets, All-in-one Personal Computers, Ultra small form factor computers and Servers under HSN 8471) for the calendar year 2026 has been prescribed:

- Importers shall apply in the IMS for Import Authorization on the DGFT Website.
- The application portal will be open from 22 December 2025 to 15 December 2026.
- Any Authorization issued for the import of restricted IT Hardware under IMS shall be valid till 31 December 2026.
- An importer is allowed to submit multiple applications in a year.
- Any request for amendment arising during the validity of the Authorization may be submitted on the DGFT website.
- Based on the need, a mid-term review may be undertaken by the Ministry of Electronics and Information Technology to provide updated inputs on the IMS to DGFT.

[*Policy Circular No. 08/2025-26 dated 17 December 2025*]

Judicial Updates

Auroglobal Comtrade Pvt. Ltd. Vs. Joint Commissioner and Ors. [2025-VIL-1336-ORI]

Auroglobal Comtrade Pvt. Ltd. ('Taxpayer') was an exporter of goods who undertook such exports without payment of Integrated Goods and Services Tax ('IGST'). The Taxpayer filed for refund of unutilised input tax credit ('ITC') on such exports.

A show cause notice ('SCN') was issued by the Assistant Commissioner ('AC') for proposing to reject the refund application. After considering the Taxpayer's reply to SCN and reducing the quantum of inadmissible refund, AC issued an order sanctioning refund of INR 14.54 crore, which was duly paid to the Taxpayer.

Pursuant to this, the Commissioner reviewed the order and concluded that refund order was erroneously granted to the Taxpayer. Hence, *vide* Review Order, the Assistant Commissioner ('AC') was directed to file an appeal before the First Appellate Authority ('FAA'). Accordingly, an appeal was filed by AC which was disposed by FAA, thereby upholding the refund claimed by Taxpayer.

Subsequently, another SCN was issued by Joint Commissioner *inter alia* proposing to recover INR 14.54 crore as being the refund amount erroneously sanctioned along with interest and penalty under section 73 of Central Goods and Services Tax Act, 2017 ('CGST Act'). However, the copy of summary of SCN in Form GST DRC-01 was not issued by the tax authorities. Against this, the Taxpayer filed a reply *inter alia* contending that the SCN is not maintainable as it is issued on the same grounds which were subject matter of consideration before FAA and which was decided in Taxpayer's favour.

Despite the reply filed by the Taxpayer, the Joint Commissioner proceeded to issue summary of SCN in Form GST DRC-01. Aggrieved by this, the Taxpayer filed a Writ Petition before Orissa High Court challenging the validity of the SCN and summary thereof. The High Court set aside the SCN and summary thereof by holding that –

- The tax authorities are not remediless to question the legality of the final order passed by the FAA. However, the Joint Commissioner while issuing the SCN under section 73 of CGST Act failed to take cognizance of the findings and observations made by the FAA.

- Adopting the mechanism to adjudicate by issuing SCN under section 73 of the CGST Act to consider an issue which was already decided by the FAA constitutes a procedural irregularity affecting the Taxpayer's right. Such exercise of power is an attempt to circumvent the established legal process.
- The AC and the FAA have duly discharged their quasi-judicial functions and duties being statutory functionaries. Thereafter, on the self-same issues which were considered by the FAA, the Joint Commissioner cannot adjudicate the issue of erroneous sanction of refund by issuing SCN under section 73 of the CGST Act by setting the order by the FAA at naught as the same is impermissible in law.
- Thus, the Joint Commissioner is estopped from raising the same issue relating to grant of refund of ITC emanating from the application for refund made by the Taxpayer which was subject matter of appeal before the FAA.
- Applying the principles of res judicata and estoppel, since the issue of grant of refund by AC was finally decided in appeal before FAA, the recourse to adjudicate the same objection/content under section 73 of the CGST Act without considering the order passed by the FAA is unconscionable.
- Accordingly, the SCN and summary thereof passed by Joint Commissioner contemplating adjudication under section 73 of the CGST Act with respect to the grant of refund was set aside.

M/s. SEIL Energy India Ltd. (Formerly M/s. SEMCORP Energy India Ltd.) Vs. The Principal Commissioner of Central Tax, Guntur and Ors. [TS-1037-HC(AP)-2025-GST]

M/s. SEIL Energy India Ltd. ('Taxpayer') is engaged in the generation and supply of electricity and owns and operates thermal power plants in the State of Andhra Pradesh. The Taxpayer supplies electricity to M/s. Bangladesh Power Development Board ('BPDB') directly and to M/s. Power Trading Corporation India Ltd. ('PTC') for further supply to BPDB.

The supply of electricity from PTC to BPDB was under a power purchase agreement[3] entered into between PTC and BPDB and the procurement of electricity from the Taxpayer by PTC was under a power purchase agreement[4] entered into between the Taxpayer and PTC for supply of electricity. This agreement with the Taxpayer was entered into subsequently, after PTC could not procure electricity from other suppliers and the agreement with BPDB was amended to substitute the name of the Taxpayer as the supplier of electricity to PTC for its onward supply to BPDB.

The Taxpayer sought refund of unutilised ITC accruing on account of procurement of goods/services in the course of generation of electricity, for supply of electricity to BPDB directly as well as through PTC by treating both supplies as exports (i.e., zero rated supplies) under section 16 of Integrated Goods and Services Tax Act, 2017 ('IGST Act').

Accordingly, the Taxpayer filed a refund application under section 54 of CGST Act read with rule 89(4) of Central Goods and Services Tax Rules, 2017 ('CGST Rules'). The refund applications were rejected by tax authorities by *inter alia* holding that –

- Supplies made to PTC (for its onward supply to BPDB) constitutes a domestic supply and hence, must be excluded from the adjusted turnover under rule 89 of CGST Rules.
- Amounts received as reimbursement towards transmission charges of electricity must be excluded from the scope of zero-rated turnover.

Against this, the Taxpayer filed appeals before the FAA which was dismissed, thereby upholding the rejection of refund applications. Aggrieved by the above, the Taxpayer filed Writ Petition before the Andhra Pradesh High Court. The Andhra Pradesh High Court, *inter alia* treating supply of electricity to PTC as domestic supply and supply of electricity directly to BPDB as export of goods partially allowed the writ petition by holding that –

- Supply of goods in the nature of sale of goods, claiming exemption on the ground of being export of goods must meet the requirements of Articles 286(1)(a) or (b) of the Constitution of India ('Constitution'). Further, such supply/sale must also meet the requirements formulated by Parliament under the enabling provision of Article 286(2) of Constitution as formulated in sections 2(5) and 16 of IGST Act.
- On perusal of the definitions for export of goods and export of services under sections 2(5) and 2(6) of the IGST Act respectively, it was held that:
  - A service would be considered as export only when it satisfies all the conditions set under section 2(6). One of the conditions is that the supply of service must be outside India.
  - None of the conditions set out in section 2(6) must be satisfied for treating a supply of goods as exports. The absence of such conditions can only mean that the legislature, in its wisdom has stipulated that mere movement of goods out of India would be sufficient to treat such supplies as 'export of goods'.
  - Thus, the test is not whether the supply of goods occurred in India or outside India. The test is whether the supply was for taking the goods out of India and the goods were taken out of India.
- The difference between the provisions of the Central Sales Tax Act, 1957 ('CST Act') and the IGST Act is that the principles formulated in section 5 of the CST Act would not apply to the GST regime. Accordingly, only such principles as can be discerned from Article 286 of Constitution and sections 2(5) and 16 of the IGST Act have to be applied. Hence, the requirement in the CST Act that only such sales which occasion the movement of goods would be considered as exports would not apply.

[3] Dated 9 October 2018
[4] Dated 3 February 2022

- Applying the aforesaid principles, the supply of electricity directly by the Taxpayer to BPDB would be considered as export of goods. However, as regards electricity supplied by the Taxpayer through PTC, the same would be considered as a domestic supply on account of the following:
  - Under both agreements, entered between the Taxpayer and PTC and between PTC and BPDB, electricity would be transferred to PTC at the Bohronpur sub-station in West Bengal. Accordingly, the place of supply of electricity supplied by Taxpayer to PTC would be in India itself.
  - The supply of electricity by Taxpayer to PTC can only be called as a supply for exports and not as an export of goods. Although the Taxpayer's name is mentioned in the agreement between PTC and BPDB, it is not a party to the contract for supply of electricity by PTC.
  - While the supply of electricity by PTC to BPDB is covered under purview 'export of goods', supply of electricity by Taxpayer to PTC is a separate supply and is not integral to the exports.
- Accordingly, the writ petition was dismissed and the Taxpayer was directed to resubmit the refund applications within four weeks and claim refund of unutilised ITC on supply of electricity directly to BPDB. Further, the Taxpayer was also directed to treat the supply of electricity to PTC as domestic supply. The tax authorities were directed to consider such application without going into the limitation and pass orders within six weeks.

M/s. Xiaomi Technology India Pvt. Ltd. Vs. Principal Commissioner of Customs, Chennai VII Commissionerate [TS-733-CESTAT-2025-CUST]

Xiaomi Technology India Pvt. Ltd. ('Importer') is engaged in distribution and trading of consumer electronic products which are either imported by Importer from Xiaomi China and their affiliates (collectively referred to as 'Group Companies') or are manufactured by Contract Manufacturers ('CM') situated in India by importing various parts and components from the Group Companies which are subsequently supplied to the Importer.

The Directorate of Revenue Intelligence ('DRI') conducted an investigation and alleged that the Importer and its CMs were evading Customs duty by not including royalty and license fees paid by Importer to its Group Company being the Intellectual Property right holder.

Consequently, three Show Cause Notices ('SCNs') were issued under Section 28(4) of Customs Act, 1962 ('Customs Act') for the period 1 April 2017 and 30 June 2020 *inter alia* alleging that the Importer and its CMs have short-paid customs duty by not including the value of royalty and license fees (paid by Importer) in the assessable value of imported goods. The allegations pertaining to short payment of customs duties as per the SCNs were confirmed by the Customs Authorities by further holding that the imported goods are liable for confiscation under section 111(m) of the Customs Act and penalties.

Against this, the Importer and CMs filed an appeal before CESTAT. Further, the Customs Authorities have challenged the aforesaid order before CESTAT by contending that the Importer and CMs were liable for payment of higher penalties. CESTAT Chennai, while deciding the appeal in favour of the Customs Authorities *inter alia* held as under:

- Importer **is the '*beneficial owner*' of imported goods i.e., parts and components**
  - Although the possession of the imported goods was with CMs, the constructive possession, ownership and control of the parts and components remain with the Importer through its Group Companies mainly through the Importer basis the following:
    - Price fixation in respect of the imported goods is not negotiated by the CMs.
    - All transaction taxes/indirect taxes are to be paid and later passed on to the Importer[5].
    - Importer grants to CMs, a non-exclusive royalty-free license to use IPR which is either owned or licensed by them solely for the CMs' production of goods only.
    - CMs are not free to fix their own price for the sale of finished goods. The CMs have effectively no control on the inputs and only get paid a manufacturing cost for assembly and hence, they do not enjoy unfettered rights of possession of the imported goods.
  - The main object of the agreement between the Importer and CMs is not for sale by transfer of property but it is one for work and labour. Although the CMs may appear as the apparent owner of goods, they are not their real owners.
  - It is imperative to examine whether the Importer would be construed as a beneficial owner of imported parts and components. For this, the Customs Authorities are required to substantiate that the Importer exercises effective control over the goods being imported or exported.
  - On perusal of the agreement between the Importer and its Group Company, it is evident that failure to pay license fee would lead to cessation of the use of license and would also lead to stoppage of import of parts/components of mobile phones. Thus, prompt payment of license fee is a *sine qua non* for the supply of parts and components to the CMs.
  - Thus, the Importer (and not the CMs) is the 'buyer' of imported parts and components as the Importer is a 'beneficial owner' of the said imported goods.
- **Differential customs duty can be recovered from Importer, being a 'beneficial owner'**
  - Section 28(4) of Customs Act *inter alia* empowers the Customs Authorities to issue an SCN for short-levy/ non-levy/short-payment/non-payment of tax or for erroneous refund. The said provision must be read in a manner that it can effectively include a 'beneficial owner'.

[5] Referred in the ruling as 'ring-fencing clause'

- Once the foundational facts are proved, a purposive interpretation of the term 'beneficial owner' must be considered and hence, SCNs cannot be issued only to a person who filed the Bills of Entry (importer) but can also be issued to a beneficial owner, i.e., the Importer. This is supported from the ring-fencing clause which provides that duty/tax demands are reimbursable to the CMs.

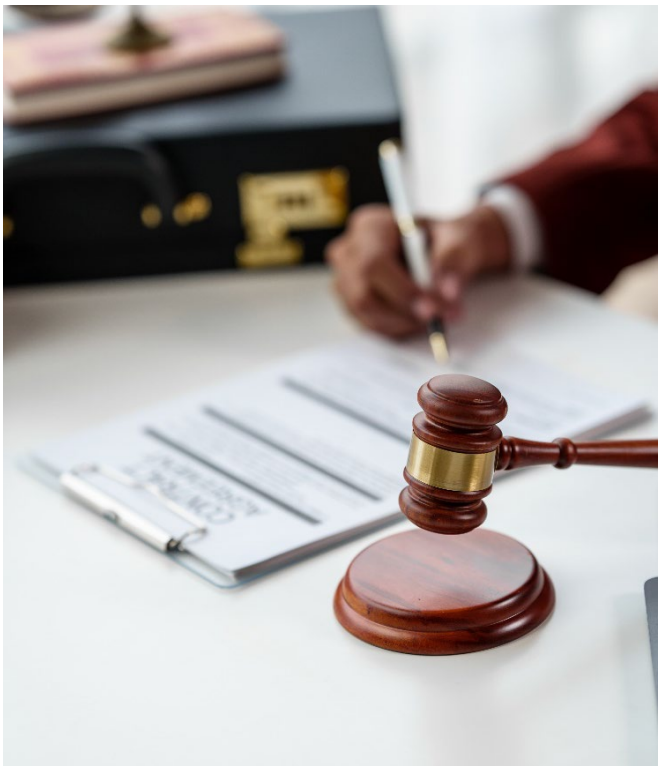
- **Inclusion of Royalty in the assessable value of imported goods**
  - As per rule 10(1)(c) of Customs Valuation (Determination of Price of Imported Goods) Rules, 2007 ('CV Rules'), there are two concepts which operate simultaneously, viz. the price of imported goods and the royalties/license fees paid by the beneficial owner.
  - The imported goods would have no value without a license from IPR-holder. Further, any default in payment of the said license fees would affect the right of CMs to import and use the parts/ components and to make and 'sell' finished mobile phones. Similarly, the Importer would not be able to import finished Xiaomi brand mobile phones.
  - The manufacturing processes for which royalty is paid are inseparably embodied in the finished mobile phones and the phones would be of no use without them. Hence, such royalty is related to the imported goods and is a condition of sale as otherwise, the imports would not happen.
  - The payments of royalties have nexus with the imported goods and hence, the amount of royalty paid is includible in the assessable value of imported goods.

- **Imposition of interest**
  - It is well settled that accrual of interest is automatic and no separate notice of demand was required to be served. Accordingly, relying on the Supreme Court ruling[6], interest is leviable on delayed or deferred payment of duty for whatever reasons.
  - However, in as much as interest, penalty or redemption fine relates to the demand for differential IGST, relying on various precedents[7] and the relevant provisions of section 3(12) of the Customs Tariff Act, 1975 (as amended by Finance (No. 2) Act, 2024), the same cannot be imposed on the Importer and others (i.e., CMs) in respect of demands pertaining to prior periods.

- **Penalty on the Importer**
  - The actions of the Importer and the Group Companies did not demonstrate good faith. The purpose of exerting complete control over CMs must be seen through the "***'Group of Companies' Doctrine***". It is evident that complex ownership structures and contractual arrangements were used intentionally to avoid tax liabilities, including shifting royalty payment responsibilities and failing to disclose key agreements to the Customs Authorities.
  - Since the imported goods are held as being liable for confiscation, penalty is rightly imposable under section 112(a)(ii) of the Customs Act. In the present case, since penalty is imposed under section 114A of the Customs Act, no penalty can be imposed under section 112 as per the fifth proviso to section 114A. Further, considering that non-payment of duty is owing to wilful suppression of facts, the Importer is liable to pay penalty under section 114A which can only be equal to the amount of duty demanded and cannot include the demand of interest.
  - Although suppression of facts is proven *qua* the Importer, the present case does not involve furnishing a declaration, statement or document which is false or incorrect in any material particular which is alleged in the SCN. Hence, a penalty under section 114AA will not be applicable on the Importer.

- **Penalty on the CMs**
  - CMs willingly participated in the layering of transactions to facilitate tax evasion. They failed to disclose the true transaction details and agreements entered into, thereby making the goods liable for confiscation and imposition of penalty under section 112(a) of the Customs Act.
  - In so far as the CMs knowingly made a false declaration relating to transaction value in the Bills of Entry filed by them - by not adding the amount of royalty to arrive at the correct transaction value – thereby leading to a loss of revenue, penalty is imposable under section 114AA of Customs Act.

- The matter was remanded back to the Customs Authorities to redetermine the penalties imposed on the Importer and CMs.



[5] Referred in the ruling as 'ring-fencing clause'
[6] Commissioner of Central Excise, Pune Vs. M/s. SKF India [2009-TIOL-82-SC-CX]
[7] Mahindra & Mahindra Ltd. Vs. Union of India [2022 (10) TMI 212 – Bombay High Court] (affirmed by Supreme Court in 2023 (8) TMI 135 – SC Order) and Flextronics Technology India Pvt. Ltd. Vs. Commissioner of Customs, Chennai-VII [2025 (3) TMI 695 – CESTAT Chennai]

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