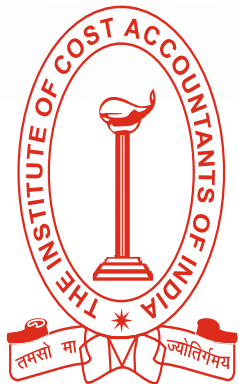


March, 2026

TAX Bulletin

Volume - 203

02.03.2026



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1. Preparation of Suggestions and Analysis of various Tax matters for best Management Practices and for the professional development of the members of the Institute in the field of Taxation.
2. Conducting webinars, seminars and conferences etc. on various taxation related matters as per relevance to the profession and use by various stakeholders.
3. Submit representations to the Ministry from time to time for the betterment and financial inclusion of the Economy.
4. Evaluating opportunities for CMAs to make way for further development and sustenance of the opportunities.
5. Conducting and monitoring of Certificate Courses on Direct and Indirect Tax for members, practitioners and stake holders and also Crash Courses on GST for Colleges and Universities.

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Modalities

Description	Course Name						
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Mode of Class	Offline/ Online	Online					
Course Fee* (₹)	10,000	14,000	12,000	10,000	10,000	12,000	10,000
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Modalities

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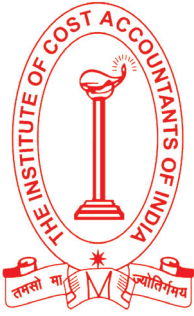
- ▲ B.Com/ BBA pursuing or completed
- ▲ M.Com/ MBA pursuing or completed

Description	Courses for Colleges and Universities	
	GST Course	Income Tax
Batch Size	Minimum 50 Students per Batch per course	
Course Fee* (₹)	1,000	1,500
Exam Fee* (₹)	200	500
Duration (Hrs)	32	32

For enquiry about courses, mail at: trd@icmai.in

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Behind every successful business decision, there is always a **CMA**



Chairman's Message



CMA Rajendra Singh Bhati
Chairman Direct Taxation Committee

The direct taxation landscape in India continues to progress towards a more transparent, accountable, and growth-oriented framework, reflecting the Government's commitment to fostering voluntary compliance and promoting socially impactful investments. Recent notifications and policy measures indicate a balanced approach between revenue mobilisation and incentivising key sectors such as scientific research and innovation.

The approval granted to Sri Ramachandra Institute of Higher Education and Research under Section 35 of the Income-tax Act, 1961, for scientific research is a noteworthy development. Such recognitions play a vital role in encouraging institutional research by enabling donors to avail tax benefits, thereby channelising funds into areas of national importance including healthcare, education, and innovation.

At the same time, the emphasis on compliance and reporting requirements, including timely filing of statements in Form 10BD and issuance of certificates in Form 10BE, reflects the administration's commitment to ensuring transparency, accountability, and proper audit trails in claiming deductions. The structured compliance calendar, including due dates for TDS/TCS payments, advance tax obligations, and statutory filings, further underscores the importance of discipline and timely adherence within the direct tax framework.

The evolving regime continues to be supported by digitisation, faceless proceedings, and simplified processes, which collectively reduce litigation and enhance ease of doing business. The focus remains on creating a balanced system that safeguards revenue interests while providing clarity and certainty to taxpayers.

As part of the ongoing Income Tax Series 2025, a series of insightful webinars were conducted to deliberate

upon key provisions under the evolving Income-tax framework.

A technical session on "Rectification of Mistakes, Revision of Orders Prejudicial to Revenue, and Revision of Other Orders under the Income-tax Act, 2025" was delivered on 17.02.2026 by Shri Nilay Som Baran. The session provided a comprehensive understanding of the legal provisions governing rectification and revision, with emphasis on procedural aspects, jurisdictional boundaries, and practical challenges faced by taxpayers and authorities. It also highlighted safeguards against arbitrary revision and the importance of maintaining procedural fairness.

Further, a session on "TDS-TCS Provisions with respect to the Income-tax Act, 2025 & Draft Rules" was conducted on 24.02.2026 by CMA Vikash Mundhra. The webinar focused on the updated framework of tax deduction and collection at source, covering key amendments, compliance requirements, and implications of the proposed draft rules. Practical insights were shared to help professionals and stakeholders navigate evolving TDS-TCS provisions effectively.

These sessions formed an integral part of the series, aimed at enhancing professional competence and fostering a deeper understanding of contemporary direct tax developments.

CMA Rajendra Singh Bhati
Chairman – Direct Taxation Committee
The Institute of Cost Accountants of India
02.03.2026



Chairman's Message

CMA Dr. Ashish P. Thatte

Chairman Indirect Taxation Committee



The indirect taxation framework in India is witnessing a phase of calibrated transformation, grounded in the principles of transparency, efficiency, and global alignment. The recent policy measures and reform initiatives undertaken by the Central Board of Indirect Taxes and Customs (CBIC) reflect a conscious shift towards a trust-based compliance regime supported by advanced digital infrastructure and stakeholder-centric governance.

A key highlight of this evolving landscape is the rapid digitisation of customs processes through initiatives such as SWIFT 2.0 and the Customs Integrated System (CIS), facilitating a faceless, paperless, and contactless environment. These measures have significantly streamlined cross-border trade procedures, reduced dwell time, and improved predictability for businesses. India's achievement of 100% compliance under the WTO Trade Facilitation Agreement and its movement towards "TFA Plus" standards in association with the World Trade Organization further underscore its commitment to adopting global best practices.

The Government's focus on strengthening trade facilitation is also evident from its emphasis on integrated digital ecosystems, including the Single Window Interface, Risk Management Systems, Authorised Economic Operator (AEO) Programme, and electronic cargo tracking mechanisms. These initiatives collectively enhance inter-agency coordination, promote transparency, and reduce compliance burdens, particularly for MSMEs and emerging exporters.

The introduction of the Eligible Manufacturer Importer (EMI) Scheme for deferred payment of customs duty marks a significant step towards improving liquidity and working capital management for manufacturers. By enabling monthly duty payments and encouraging progression towards higher AEO accreditation, the scheme reinforces a compliance-driven and facilitative approach while

boosting domestic manufacturing and exports.

Further, reforms such as liberalisation of courier exports, simplified e-commerce export procedures, and ease of living measures relating to baggage and personal imports reflect a balanced policy outlook addressing both trade and citizen-centric concerns. The National Symposium on Customs Reforms and India's active participation in global forums highlight the importance of continuous dialogue, knowledge sharing, and capacity building.

In line with these developments, a webinar in 'Kar Kranti Series' titled "Walkthrough of the GSTAT Procedure Rules, 2025" was conducted on 25.02.2026 by CMA Dipak N Joshi. The session provided valuable insights into the procedural framework of the Goods and Services Tax Appellate Tribunal (GSTAT), focusing on filing procedures, documentation requirements, timelines, and practical aspects of litigation before the Tribunal. The webinar served as a useful platform for professionals to enhance their understanding of the newly introduced appellate mechanisms under GST.

In conclusion, the indirect tax ecosystem in India is steadily evolving into a modern, technology-driven, and globally competitive framework. Continued emphasis on policy stability, digital innovation, and collaborative engagement with stakeholders will be instrumental in sustaining this momentum and reinforcing India's position as a leader in trade facilitation and tax administration.

Ashish Thatte

CMA (Dr) Ashish P Thatte

Chairman – Indirect Taxation Committee

The Institute of Cost Accountants of India

02.03.2026

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Please send the articles to
trd@icmai.in / trd.dd2@icmai.in

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Instakart Judgment: Reinforcing Trust in GST by Safeguarding Bona Fide Transactions Beyond Section 16(2)(c)



CMA Bhogavalli Mallikarjuna Gupta

Cost Accountant

Serial No	Particulars	Details
1	Applicant / Respondent	Applicant: M/s Instakart Services Private Limited; Respondents: Union of India & Others
2	In the Court of	High Court of Karnataka at Bengaluru
3	Issue / Grounds of Appeal	<p>The present matter pertains to a challenge to the constitutional validity of Section 16(2)(c) of the CGST/KGST Act and Rule 36(4). The principal issue for consideration was whether Input Tax Credit (ITC) can be denied to a bona fide purchaser solely on account of the supplier's failure to deposit tax with the Government.</p> <p>The Petitioner assailed the validity of the aforesaid provisions on the ground that they impose an impossible and impracticable condition upon the recipient, by effectively requiring the purchaser to ensure statutory compliance by the supplier, an obligation that lies beyond the recipient's control.</p> <p>It was contended that such provisions are manifestly arbitrary, unreasonable, and disproportionate, and consequently violative of the fundamental rights guaranteed under Articles 14, 19(1)(g), 265, and 300A of the Constitution of India. The Petitioner submitted that the impugned provisions, in their present form, fail to maintain a rational nexus with the object of the legislation, and result in undue hardship to bona fide taxpayers, thereby rendering them constitutionally unsustainable.</p>
4	Grounds raised by Petitioner	<p>The Petitioner contended that Section 16(2)(c) of the CGST Act imposes an impossible and unworkable obligation upon the recipient, insofar as it requires the purchaser to ensure that the supplier has duly deposited the tax with the Government, an act which is manifestly beyond the control of the recipient.</p> <p>It was submitted that such a stipulation is contrary to the well-established doctrine of impossibility, and consequently renders the provision arbitrary and unreasonable in its application. The Petitioner further asserted that the entitlement to Input Tax Credit (ITC) attains the character of a vested and indefeasible right once the recipient has fulfilled all primary statutory conditions, including possession of a valid tax invoice, actual receipt of goods or services, and payment of consideration.</p>

Serial No	Particulars	Details
		<p>The denial of ITC on account of default by the supplier, it was argued, results in double taxation and leads to the unjust enrichment of the State, which is impermissible in law. It was also contended that such denial disrupts the seamless flow of credit, which is the cornerstone of the GST framework, and thereby runs contrary to the very scheme and object of the legislation.</p> <p>It is also pertinent to note that the Petitioner, in the alternative, sought a reading down of Section 16(2)(c) rather than outright invalidation, thereby urging the Court to harmonize the provision with practical business realities and constitutional safeguards.</p> <p>The Petitioner also emphasized that once primary conditions under Section 16(2) are fulfilled, the burden cannot be extended to policing the supplier's compliance, as such an interpretation would render the provision commercially unworkable.</p>
5	Department Contention	<p>The Department contended that the entitlement to Input Tax Credit (ITC) is in the nature of a concession and not an indefeasible or vested right, and is therefore subject to the conditions and restrictions prescribed under the statute. In this regard, reliance was placed upon Section 16(2)(c) of the CGST Act, which unequivocally mandates that tax must be actually paid to the Government as a pre-condition for availing ITC.</p> <p>It was further argued that the said statutory requirement is integral to the scheme of GST, particularly in ensuring the sanctity of the credit chain and safeguarding government revenue. The authorities emphasized the necessity of preventing fraudulent or ineligible ITC claims, which, if left unchecked, could result in substantial revenue leakage and systemic abuse of the GST framework.</p> <p>The Department also submitted that permitting availment of ITC in the absence of actual tax remittance by the supplier would undermine the foundational design of the GST regime, leading to potential misuse and distortion of the input tax credit mechanism.</p> <p>Accordingly, it was maintained that the impugned statutory provisions are constitutionally valid, fall squarely within the legislative competence of Parliament, and warrant strict enforcement in the interest of revenue protection and fiscal discipline.</p> <p>The Department's position, in essence, seeks to preserve the integrity of the credit chain by placing reliance on strict statutory compliance, even if such compliance extends beyond the practical control of the recipient.</p>
6	Court Reasoning	<p>The Hon'ble Court, in arriving at its conclusions, has placed reliance upon a catena of judicial precedents, including authoritative decisions rendered under the erstwhile VAT regime, wherein it has been consistently held that a bona fide purchaser cannot be denied credit on account of default by the selling dealer.</p> <p>(a) On Reading Down</p> <p>Significantly, the Court opted not to strike down Section 16(2)(c). Instead, it read down the provision, thereby preserving its constitutional validity while limiting its application to circumstances involving fraud, collusion, or lack of due diligence.</p>



Serial No	Particulars	Details
		<p>(b) On Burden of Proof</p> <p>The judgment implicitly establishes a two-stage test. First, the recipient is required to demonstrate the genuineness of the transaction, including the invoice, receipt of goods or services, and payment. Upon satisfying this requirement, the burden of proof shifts to the Department, which must then substantiate allegations of fraud, collusion, or wilful misstatement.</p> <p>(c) On Practical Impossibility</p> <p>The Court emphasized that the GST framework cannot impose impracticable compliance obligations. Specifically, it is unreasonable to require a purchaser to monitor or verify the tax payment behavior of independent suppliers, as such expectations exceed the bounds of reasonable compliance.</p> <p>(d) On Supplier vs. Recipient Liability</p> <p>Reaffirming a foundational principle of tax jurisprudence, the Court held that tax recovery should be directed against the defaulting supplier rather than being shifted to a compliant recipient merely for administrative convenience. This interpretation safeguards the integrity of the Input Tax Credit (ITC) mechanism and promotes equitable tax administration.</p> <p>It has been categorically held that the denial of Input Tax Credit (ITC) to genuine taxpayers, in the absence of any wrongdoing on their part, would be arbitrary in nature and violative of Article 14 of the Constitution of India, which guarantees equality before the law.</p> <p>The Court has also reiterated that the appropriate course of action for the tax authorities is to proceed against the defaulting supplier, rather than seeking to penalize the compliant recipient. Accordingly, the relevant statutory provisions have been read down so as to protect bona fide transactions and uphold constitutional principles.</p>
7	Order	<p>The Hon'ble High Court, while not striking down the statutory provisions, has effectively read them down to align with principles of fairness and practicality. The Court has categorically held that Input Tax Credit (ITC) cannot be denied to a bona fide purchaser who has duly complied with all prescribed statutory requirements and where the underlying transactions are genuine and substantiated.</p> <p>It has been further clarified that a recipient cannot be penalized for any default attributable to the supplier, particularly in circumstances where there is no evidence of collusion, fraud, or wilful misstatement. Accordingly, the Court has directed that any enforcement or recovery action, where warranted, must be initiated against the defaulting supplier, rather than the compliant recipient.</p>
8	Trade Implications	<p>The judgment confers substantial relief upon businesses operating within the GST regime, particularly those engaged in large-scale procurement and complex supply chain operations. From a trade and commercial standpoint, the ruling effectively mitigates the uncertainty and exposure arising from vendor non-compliance, a factor that historically lay beyond the control of bona fide purchasers.</p>

Serial No	Particulars	Details
		<p>In contemporary business environments, enterprises routinely transact with multiple vendors across diverse jurisdictions, rendering it impracticable to monitor or ensure tax compliance at each level of the supply chain. The present decision, therefore, provides much-needed clarity by safeguarding the entitlement to Input Tax Credit (ITC)—a critical element of working capital management—for taxpayers acting in good faith.</p> <p>The judgment reinforces the foundational principle that tax incidence and liability ought not to be unfairly transferred within the supply chain, particularly in a manner prejudicial to compliant recipients. In doing so, it facilitates greater certainty in commercial transactions, reduces the scope for protracted litigation, and enhances overall confidence in the GST framework.</p> <p>At the same time, the ruling underscores the continued necessity for businesses to maintain robust documentation, undertake appropriate due diligence, and adhere to established compliance protocols. While companies may still be required to implement vendor risk assessment mechanisms, the regulatory burden is now more equitably distributed between taxpayers and the administration.</p> <p>Significantly, the decision aligns the Indian GST framework with international best practices, wherein credit mechanisms are not denied on account of factors beyond the taxpayer’s control. Consequently, it contributes meaningfully to improving the ease of doing business in India, while ensuring that the GST system operates in a fair, predictable, and commercially viable manner.</p>
9	Implications for Authorities	<p>From the standpoint of tax administration, the present judgment reinforces the imperative for authorities to direct enforcement measures against defaulting suppliers, rather than proceeding against bona fide recipients who have acted in good faith.</p> <p>The ruling clearly emphasizes that the statutory framework ought not to impose impractical or onerous obligations on taxpayers, particularly in requiring them to ensure compliance by independent third parties, which lies beyond their control. Consequently, the onus shifts upon the administration to strengthen its audit, investigation, and recovery mechanisms in respect of non-compliant suppliers.</p> <p>This would necessarily entail the adoption of advanced data analytics, robust cross-verification systems, and the initiation of timely and targeted action against fraudulent or fictitious entities. The judgment further underscores the necessity of maintaining an appropriate balance between revenue protection and adherence to constitutional principles of fairness and equity.</p> <p>It is incumbent upon tax officers to ensure that assessments and enforcement actions are grounded in cogent evidence, particularly in cases involving fraud, collusion, or wilful misstatement, rather than being predicated upon mere technical or procedural defaults attributable to suppliers.</p> <p>The decision may warrant a re-evaluation of prevailing administrative practices, alongside the issuance of clear and unambiguous guidelines, with a view to minimizing avoidable litigation and ensuring consistency in enforcement.</p>



Serial No	Particulars	Details
		<p>Additionally, the judgment places a corresponding responsibility upon the authorities to enhance transparency within the GST ecosystem, thereby facilitating efficient tracking and verification of compliance across the supply chain.</p> <p>In essence, the ruling advances a more equitable and rational framework of tax administration, one that appropriately targets actual defaulters while safeguarding compliant taxpayers from undue hardship.</p>
10	Author's Views	<p>The present judgment exemplifies a balanced and pragmatic approach to the implementation of the Goods and Services Tax (GST) regime. It duly acknowledges the commercial realities of contemporary business operations, wherein a purchasing entity is not in a position to exercise control over the conduct of its suppliers.</p> <p>By extending protection to bona fide recipients, the Hon'ble Court has reaffirmed the cardinal principle that tax legislation must be fair, reasonable, and capable of practical application. Simultaneously, the judgment does not extend immunity to fraudulent or collusive transactions, expressly preserving the authority of the tax administration to initiate appropriate action in cases involving misconduct, collusion, or tax evasion.</p> <p>The ruling effectively bridges the disconnect between statutory provisions and ground-level business realities, thereby reinforcing the foundational character of GST as a value-added tax system, rather than a punitive fiscal instrument. It further underscores that constitutional mandates, including equality before law and fairness in taxation, must be adhered to in both interpretation and enforcement of tax statutes.</p> <p>That said, the judgment cannot be construed as a dilution of compliance obligations. Businesses are expected to continue exercising robust vendor due diligence, maintain adequate documentation, and adhere to prescribed compliance standards to safeguard their positions.</p> <p>From an administrative standpoint, the decision presents an opportunity for tax authorities to enhance enforcement efficiency, adopt a risk-based approach, and minimize avoidable litigation.</p> <p>In summation, this judgment lays down an important judicial precedent, contributing significantly to the development of a stable, predictable, and equitable tax framework in India.</p>

Search and seizure: Understanding ‘reason to suspect’ Vs ‘reason to believe’



Advocate Tapas Kumar Mujumdar

Tax Practitioner

The term ‘Reason to suspect’ and also the term ‘Reason to believe’ are prima facie seems to be akin and also being the hierarchical progression in terms of logic. However before going through the judiciary views the term ‘Reason to suspect’ means that there are facts which, either alone or taken together with others, lead you to think that the person which may be caused by certain specific information or even general information without any kind of parameter under logic or any evidence which includes any primary or secondary in nature. And under the Income Tax perspective it

- may have been under-assessed to or may have underpaid tax or
- may have been claimed or been given excessive tax relief. And these facts will need to be disclosed
- Having a reason to suspect that tax may have been under-assessed, and so on, does not mean that you already have to be in a position to make an assessment. You will use the information power to enable you to decide what, if any, assessment must be made.

On the other hand ‘reason to suspect’ does not allow you to make speculative enquiries, seeking information merely in the hope that something relevant will crop up where you must be able to identify specific risks.

Similarly the term specifically called as ‘Reason to believe’ implies there are facts which, either alone or taken together with others, lead you to think that the person which may be caused by certain specific information or even general information with any kind of parameter under logic or any evidence which includes mostly under primary in nature and partly under secondary in nature. And under the Income Tax perspective it

- may have been under-assessed to or may have underpaid tax either on the behest of the source documents or from any application of income or
- may have been claimed or been given excessive tax relief. And these facts will need to be disclosed.

The transition from the Income Tax Act, 1961, to the newly enacted Income Tax Act, 2025, represents a paradigm shift in India’s direct tax administration. Among the most critical updates are the Search and Seizure provisions, previously housed under Section 132 and now codified under Section 247 of the new Act. While the 2025 Act substantially broadens the jurisdictional reach of tax authorities—expressly empowering them to access virtual spaces, emails, social media accounts, encrypted data, and digital assets—the foundational legal doctrines governing the initiation of these severe actions remain strictly intact. Central to these safeguards is the critical distinction between the administrative thresholds of “reason to suspect” and “reason to believe”.

The Fundamental Dichotomy: Reason to Believe vs. Reason to Suspect

To initiate proceedings under Section 247, the competent authority must possess information that leads to a “reason to believe” that there has been a misrepresentation of income declared to the Tax Authorities. Once this primary jurisdictional threshold is crossed, the authorizing official may authorize an entry and search of any building, place, vessel, vehicle, or aircraft where they have a “reason to suspect” that



relevant assets, books of account, electronic information, or computer systems are hidden.

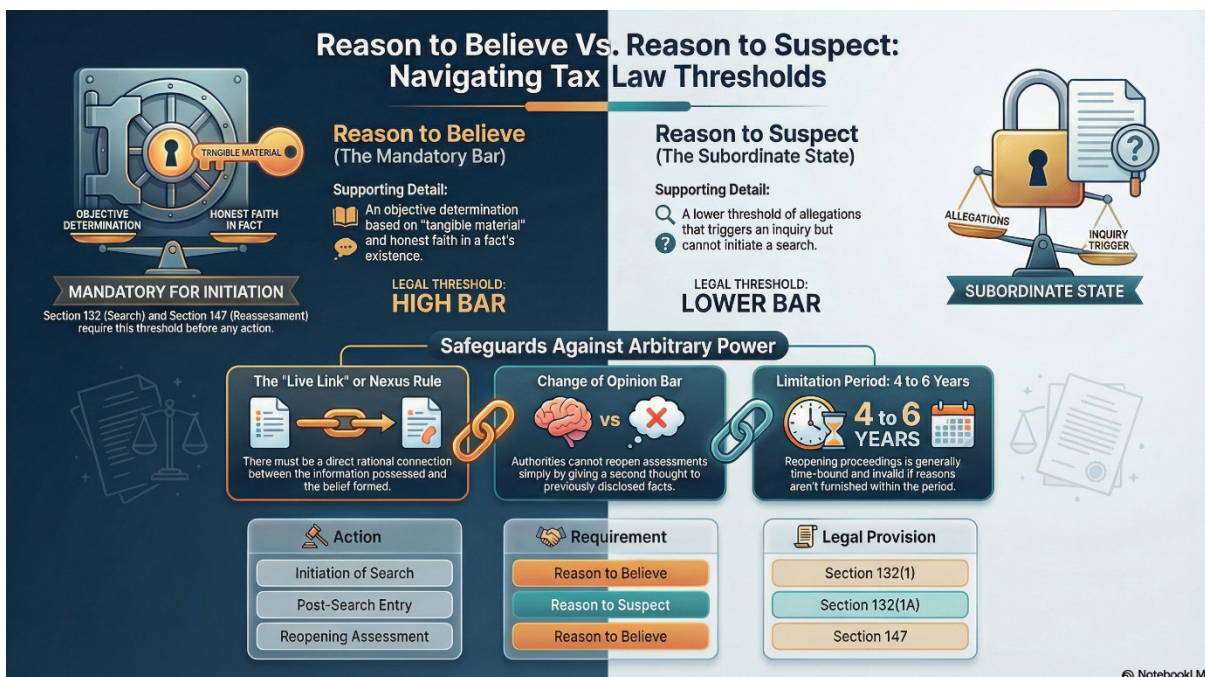
Understanding the nuances between these two expressions is critical for both tax practitioners and assesses:

- **Subordination:** “Reason to suspect” is legally subordinate to “reason to believe”.
- **Equivalency:** The two concepts cannot be

equated; they represent vastly distinct levels of administrative satisfaction.

- **Hierarchy in Action:** For the initiation of a search operation, having a “reason to believe” is absolutely mandatory.
- **Subsequent Suspicion:** Conversely, once a search has validly commenced, mere “reason to suspect” is sufficient to enter a specific building or to search any individual for digital or physical assets.

The Evolution from Suspicion to Belief:



The administrative journey from an initial tip-off to a full-fledged search operation involves a sequential escalation of evidentiary standards. Information received by the department, no matter how highly placed the source, initially only raises suspicion.

1. **Receipt of Information:** The process begins with the department receiving some definite information regarding tax evasion or non-disclosure.
2. **Initial Suspicion:** This raw information is, at best, a set of allegations that can raise a suspicion in the minds of the authorities.
3. **Formation of Reason to Suspect:** The information leads to the formation of a “reason to suspect” regarding potential breaches, non-compliance with

summons, or the non-disclosure of income and assets.

4. **Independent Inquiry:** Based on this initial suspicion, a targeted enquiry can be triggered. The designated authority is required to undertake an independent inquiry and exercise strict due diligence.
5. **Collection and Analysis:** This inquiry necessitates both the rigorous analysis of the initial information and the systematic collection of additional material.
6. **Crystallization into Belief:** Through this process, the officer must reach a level of satisfaction where the initial suspicion is fully transformed. The additional material must compel the officer to

believe that the information in their possession justifies a legally valid “reason to believe”. There must be a coherent basis and a live link between the initial information and the ultimate reason to believe.

- It is not a purely subjective satisfaction; the reasons for the belief must have a rational connection and a relevant bearing, absolutely free from extraneous or irrelevant considerations.

Judicial Interpretation of “Reason to Believe”

Because search operations constitute a serious invasion of a taxpayer’s rights, privacy, and freedom, the recording of “reason to believe” serves as the most salutary safeguard against the arbitrary exercise of executive power.

The expression itself comprises two distinct words: “reason” (meaning cause or justification) and “to believe” (meaning to accept as true or to have faith in). Therefore, before an officer accepts a fact as true, there must be a tangible justification for it. The expression postulates both the actual belief and the concrete existence of reasons for that belief.

Mandatory Precedent and Legal Thresholds

The non-negotiable condition precedent for any search under the Act is “reason to believe”. While there is no absolute bar to acting on suspicion for certain minor actions, a massive undertaking like a search cannot be initiated purely on the basis of a reason to suspect.

In the landmark case of **Mahesh Kumar Agarwal v. Deputy Director of Income Tax, the Calcutta High Court** clearly mapped out this operational hierarchy.

- The primary test of “reason to believe” must be successfully crossed before any subordinate provisions reliant on “reason to suspect” are attracted.
- “Reason to believe” remains the mandatory requirement of law for search and seizure.
- The belief must be held in good faith and cannot be merely a pretence to go on a fishing expedition.

Actionable Information and Nexus

The plain language of the statute dictates that the designated officer must possess actionable information. The Delhi High Court in *L. R. Gupta v. Union of India* emphasized that this “information” must transcend mere rumour, gossip, or a hunch. There must be concrete material existing on the file.

Furthermore, the Calcutta High Court in *Sumermal Jain* established the vital “nexus” test.

- The “reason to believe” must actively point towards a likelihood of a breach or apprehension of non-compliance.
- It must be founded on information strictly in the possession of the relevant high official before authorization is granted.
- The real test is the discernible nexus between the information and the anticipated evasion scenario.
- Ultimately, it is the extent and depth of the information that will tell upon the “reason to believe”.

Procedural Safeguards: Recording and Challenging Reasons

While Section 247 of the 2025 Act drastically modernizes operational mechanics by bringing computer systems, uncooperative digital platforms, and cloud infrastructure under the ambit of search, the procedural imperatives regarding the recording of reasons remain strongly governed by Supreme Court precedents.



Recording of Reasons

Historically, Rule 112(2) mandated the recording of reasons for issuing a warrant of authorization. Although updated rules do not strictly require it, courts vehemently insist on the recording of reasons. The Supreme Court in *Spacewood Furnishers (P.) Ltd* laid down definitive principles regarding this:

- The authority must have information in its possession to form a reasonable belief regarding non-compliance or undisclosed assets.
- This information must be possessed before the opinion is officially formed.
- There must be an honest, bona fide application of mind to the material.
- Consideration of irrelevant or extraneous material will completely vitiate the satisfaction.
- Despite the repeal of explicit rules, the reasons for the belief found should still be comprehensively recorded.

meticulously examine the information to decide for itself, but it will legitimately check if the authorization is arbitrary, mala fide, or shows a lack of application of mind.

3. **Mathematical Precision:** The court assesses the nexus but does not evaluate it with mathematical precision or by placing itself in the shoes of the authorizing official.
4. **Objective Assessment:** As noted in *Ganga Prasad Maheshwari v. CIT*, while the belief itself may be subjective, the reason for it is inherently objective. The final subjective conclusion is immune from challenge, but the objective reason leading to it can always be examined. If the satisfaction is not based on material or cannot withstand the test of reason, the court is empowered to strike it down.
5. **Interdiction:** The court will interdict the process if it appears the subjective satisfaction could not have logically been arrived at based on the possessed information.

Challenging the Authorization

When challenged in a writ court, a petitioner can contend that no reasonable person could have concluded that search action was called for based on the disclosed facts or information.

1. **Limited Jurisdiction:** The court’s jurisdiction to interfere is limited because the opinion formed is subjective.
2. **Arbitrariness and Application of Mind:** The court will not act as an Appellate Authority to

Communication to the Assessee

Statutory explanations explicitly prohibit the disclosure of recorded “reasons to believe” or “reasons to suspect” to the assessee, any person, any authority, or the Appellate Authority. They do not need to be communicated to the person against whom the warrant is issued at that stage. However, there is absolutely no bar on providing these recorded reasons to the courts. In the event of a challenge, these reasons must be placed before the Court (exercising jurisdiction under Article 226) to examine their relevance.

Comparative Analysis: Suspicion vs. Belief

Parameter	Reason to Suspect	Reason to Believe
Legal Status	Subordinate; cannot trigger an initial search on its own	The primary and mandatory jurisdictional hurdle

Parameter	Reason to Suspect	Reason to Believe
Foundation	Based on raw information, initial tips, or bare allegations	Based on concrete material, due diligence, and formal inquiry
Nature of Evidence	Can be subjective hunches or unverified intelligence	Must be much more than rumour; requires an objective, tangible basis
Operational Role	Sufficient to authorize entry into specific locations or search digital devices after a search has legally commenced	Strictly required to officially issue the warrant and initiate the Section 247 proceedings
Judicial Scrutiny	Mere reproduction of statutory words is treated only as suspicion, which is completely invalid for initiating a search (e.g., Khem Chand Mukim case)	Must robustly demonstrate a clear, live nexus between the physical/digital information held and the anticipated tax evasion

Further based on the old regime in the case of **Principal Commissioner of Income-Tax v Laxman Industrial Resources Ltd [(2017) 88 taxmann.com 648 / 397 ITR 106 (Delhi)]**

Similar view has been unanimously upheld by various Benches of High Courts and Income-tax Appellate Tribunal across the Country wherein the issuance of a notice for reassessment on the basis of mere suspicion and without any independent application of mind has not been held to be valid some of which are listed below:

- ▶ Commissioner of Income-tax v. Smt Paramjit Kaur [[2008] 168 Taxman 39 / (2009) 311 ITR 38 (Punjab & Haryana)];
- ▶ Commissioner of Income-tax v. SFIL Stock Broking Ltd [(2010) 325 ITR 285 (Delhi)];
- ▶ PCIT v. N C Cables Pvt Ltd [(2017) 88 taxmann.com 649 / 391 ITR 11(Delhi)];

Such discussions might convey a lop-sided unilateral and may be even biased view on the issue, nevertheless the need for the Assessing Officer to adopt a cautious, calibrated and informed approach before commencing reassessment proceedings seems to be the intent of law, something which has also received judicial affirmation. Of course, whether there has actually been an independent application of mind with adequate enquiry to arrive at a “reason to believe” will have to be judged in each case.

Under Section 247 of the new Income Tax Act, 2025, while the technological avenues for tax evasion and subsequent departmental investigation have expanded

drastically, the statutory checks and balances remain firmly anchored. Tax authorities wield immense power, but this power is not arbitrary; it must withstand stringent judicial examination and remain deeply tethered to an objectively justifiable “reason to believe”.

Digital data privacy during tax raids: Modernizing Tax Raids

It is completely understandable why the intersection of tax enforcement and digital privacy has sparked such intense debate recently. Balancing the state’s need to investigate sophisticated, tech-enabled tax evasion with a citizen’s fundamental right to privacy is incredibly complex.

Because the specific powers granted by the Income Tax Act, 2025, and the recent judicial reactions to them are deeply intertwined, the best way to understand the current landscape is to look at both. Here is a detailed breakdown of what the new law actually allows and how the Supreme Court has responded.

The Scope of Section 247 of ITA, 2025:

The Income Tax Act, 2025, which came into effect on April 1, 2026, replaces the outdated 1961 Act. Section 247 essentially modernizes the old search and seizure



provisions (formerly Section 132) to account for the realities of the digital age.

Here are the specific digital access powers introduced:

- **Broadening the Search Perimeter:** The law explicitly allows authorized tax officers (like Assistant Commissioners or Directors) to search and seize assets within a “computer system” and “virtual digital space.” This legally brings personal laptops, mobile phones, emails, WhatsApp chats, social media accounts, remote servers, and cloud-stored data into the investigative net.
- **Mandatory Technical Assistance & Password Overrides:** Taxpayers and IT administrators are legally bound to provide “reasonable technical assistance,” which includes handing over passwords and access credentials. Crucially, if a taxpayer refuses to cooperate, the statute explicitly authorizes tax officials to disable, circumvent, or override security features and access controls to extract the data.
- **“Anticipatory” Search Triggers:** The law permits digital searches if an officer has “reason to believe” that a person possesses undisclosed income, or even on the apprehension that a person would not produce digital documents if summoned normally.

Government Clarifications in this aspect:

The Finance Ministry clarified in the Lok Sabha that Section 247 does not grant routine surveillance powers. Digital access is strictly limited to formally authorized search and seizure operations (tax raids). Furthermore, the government explicitly debunked rumours that the law allows officials to use Artificial Intelligence (AI) to indiscriminately scan or monitor taxpayers’ personal digital accounts.

The Supreme Court Challenge (Early 2026)

The expansive nature of Section 247 immediately triggered legal pushback, culminating in a Public Interest Litigation (PIL) filed by entrepreneur Vishwaprasad

Alva, which reached the Supreme Court in February and March of 2026.

The Privacy Argument (Article 21): The petitioner argued that allowing full-scale digital searches—including bypassing passwords for personal and cloud data—without prior judicial authorization constitutes a disproportionate invasion of informational privacy under Article 21 of the Constitution. The core argument was that a phone or cloud drive contains deeply personal information entirely unrelated to taxation, and “anticipatory” searches leave room for harassment.

The Supreme Court’s Stance: A bench led by Chief Justice Surya Kant and Justice Joymalya Bagchi examined the challenge but ultimately declined to strike down the provisions at this stage. Their rationale established a significant precedent for digital privacy during investigations:

- **The “Destruction of Evidence” Reality:** The Court acknowledged that in the digital era, evidence can be wiped from devices or cloud servers with a single keystroke. Therefore, requiring authorities to give advance notice or stick to less intrusive summons would likely frustrate legitimate tax investigations.
- **Rational Nexus:** Justice Bagchi noted that as long as there is a “rational nexus” between the material the authorities possess and their recorded belief that tax evasion is occurring, the search is justified.
- **Adequate Remedies Exist:** The Court maintained that it cannot invalidate a statutory provision based merely on the apprehension of misuse. If a specific “roving search” is conducted illegally, existing legal remedies allow the taxpayer to challenge the validity of that specific raid after the fact.

Following the Court’s reluctance to intervene, the petition was withdrawn in March 2026, with the petitioner opting to approach the Union government directly to advocate for stronger internal safeguards, such as independent oversight mechanisms. The assessee and also the Practitioners would be well advised to seek complete information whether by inspection of the file or using the different provisions as to the nature of enquiry conducted and the extent of application of mind by the Assessing Officer in order to successfully mount a legal challenge to the institution of reassessment proceedings.

GST 2026: A Shift Towards Automated Compliance



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Introduction

The year 2026 marks a watershed moment in India's indirect taxation journey. Nearly a decade since its inception, the Goods and Services Tax (GST) has transitioned from a “trust-based” self-assessment model to a “system-enforced” automated regime. Commonly referred to as “GST 2.0,” the present system is defined by automation, real-time data validation, and system-enforced compliance mechanisms that leave increasingly system-driven framework.

This transformation reflects a fundamental shift in philosophy. Compliance is no longer a retrospective activity carried out after transactions occur; instead, it is embedded within business processes themselves. The GST portal, once a passive platform for filing returns, has become an active gatekeeper that enforces rules, validates data, and prevents errors before they occur. In this new environment, accuracy, transparency, and technological readiness are not optional—they are essential.

The Evolution: From Trust-Based to System- Enforced

In its early years, GST operated on a self-assessment model where taxpayers were trusted to report their liabilities accurately. Businesses could file returns, identify discrepancies later, and make corrections in subsequent periods. While this approach provided flexibility, it also exposed the system to misuse, including fraudulent Input Tax Credit (ITC) claims and fake invoicing networks.

Over time, the government introduced several reforms to strengthen compliance. E-invoicing, return matching, and stricter ITC rules gradually reduced the scope for manipulation. By 2026, these incremental changes have culminated in a fully automated ecosystem where compliance is enforced by the system itself rather than through manual scrutiny. Errors are detected instantly, mismatches are blocked at the source, and non-compliance triggers immediate consequences.

This shift from a trust-based to a verification-based model has significantly enhanced the integrity of the tax system while increasing the level of discipline required from taxpayers.

The New Architecture:

1. System-Enforced Compliance

The cornerstone of GST in 2026 is the transition from periodic compliance to continuous digital oversight. Compliance is no longer confined to monthly return filing; it is now an ongoing process integrated into daily business operations.

2. Hard-Stop Validations and Filing Controls

One of the most defining features of the new system is the introduction of hard-stop validations. The GST portal now validates data before allowing returns to be filed, effectively eliminating the possibility of incorrect submissions.

► **Zero Mismatch Policy:** Under the zero-mismatch policy, if the ITC claimed in



GSTR-3B exceeds the amount reflected in the auto-generated GSTR-2B beyond a minimal threshold, the system blocks the filing entirely. This ensures that businesses can claim credit only on verified transactions.

- ▶ **Ledger Synchronisation:** Returns are frozen if the Electronic Cash Ledger does not support liabilities under the Reverse Charge Mechanism (RCM) or if critical details such as bank account verification remain incomplete.

These controls have transformed the filing process from a flexible exercise into a strictly regulated procedure where accuracy is enforced at every step.

3. The Invoice Management System (IMS)

The IMS has revolutionized how businesses handle credit. It functions as a digital clearinghouse where recipients must actively “Accept,” “Reject,” or “Keep Pending” every invoice uploaded by their suppliers in real-time. This ensures that ITC is only claimed on verified transactions, substantially curbing fake invoicing practices.

GSTN has issued a new advisory for Invoice Management System (IMS) users. A new section for “Import of Goods” is now added on the IMS functionality on the GST portal. Accordingly, the Bill of Entry (BoE) filed by the taxpayer for import of goods including import from SEZ, is now available in the IMS. Taxpayers can take suitable action on individual BoE from October 2025 period onwards.

The GSTN has launched an MS Excel-based offline tool to simplify the invoice management system (IMS). This tool speeds up record processing for GSTR-1, GSTR-1A, or the IFF. It allows taxpayers to perform bulk actions, such as accepting, rejecting, or keeping records pending, without needing to stay logged in to the GST portal.

This real-time validation mechanism ensures that ITC is claimed only on authenticated transactions. It has effectively dismantled fraudulent practices such as fake invoicing and shell company operations. The IMS also promotes accountability

across the supply chain, as both suppliers and recipients must ensure the accuracy of their data.

4. The Three-Year Permanent Block

One of the most stringent measures introduced in 2026 is the permanent blocking of returns that remain unfiled for more than three years. This rule eliminates the possibility of retrospective compliance and underscores the importance of timely filings.

GSTN has issued an advisory on October 2025, recommending taxpayers to file any pending GST returns whose due date was three years back or more and hasn't been filed till November tax period. Accordingly, returns of period October 2022 (monthly returns), July-Sept 2022 quarter (GSTR-1/3B Quarterly), FY 2021-22 (GSTR-4), and FY 2020-21 (GSTR-9/9C) will not be allowed for filing from 1st December 2025.

Key Pillars of the 2026 Automated Regime

The automated GST ecosystem in 2026 is built on several technological and regulatory pillars that collectively define its functioning.

- **E-Invoicing and the 30-Day Rule**

E-invoicing has become a mandatory requirement for a large segment of businesses. Under the 30-day rule, invoices must be uploaded to the Invoice Registration Portal (IRP) within a specified timeframe. Failure to do so renders the invoice invalid for ITC claims.

This rule enforces strict reporting discipline and ensures that transaction data is captured in real time. It also reduces the scope for backdated entries and manipulation of records.

- **AI-Driven Risk Scoring**

Artificial intelligence plays a central role in GST compliance. Advanced algorithms analyze transaction patterns, vendor histories, and credit

claims to assign a compliance score to each taxpayer.

This risk-based approach enables the system to identify high-risk entities and prioritize scrutiny accordingly. Businesses with consistent compliance records benefit from faster processing and fewer interventions, while those with irregular patterns face increased monitoring.

- **Auto-Calculated Interest and Liability**

The automation of interest and tax liability calculations has eliminated manual discretion. The system now computes interest on delayed payments automatically using predefined rules and integrates it into the return filing process.

Table 5.1 of GSTR-3B now auto-computes interest on late payments using net-tax liability logic, leaving no manual discretion.

This ensures uniformity and accuracy while reducing disputes related to calculations.

- **Multi-Factor Authentication (MFA)**

Security has become a critical aspect of the GST ecosystem. Multi-factor authentication is now mandatory for all portal activities, reducing the risk of identity theft and unauthorized access.

This measure is particularly important in preventing the creation of fake invoicing chains and ensuring the authenticity of transactions.

Feature	Impact on Business Operations
30-Day E-Invoicing Rule	Invoices not uploaded to the IRP within 30 days are deemed invalid for ITC, enforcing strict reporting discipline.
AI-Driven Risk Scoring	Predictive algorithms assign a “Compliance Score” to every GSTIN based on vendor history and credit spikes.
Auto-Calculated Interest	Table 5.1 of GSTR-3B now auto-computes interest on late payments using net-tax liability logic, leaving no manual discretion.
Multi-Factor Authentication	MFA is mandatory for all portal actions to prevent identity theft and the creation of “fake” invoicing chains.

The Role of Artificial Intelligence and Predictive Scrutiny

In 2026, the GST system leverages advanced data analytics and machine learning to enhance compliance monitoring. The GST network is integrated with multiple databases, including income tax records, customs data, and vehicle registration systems.

This interconnected ecosystem enables the government to cross-verify data and identify discrepancies with unprecedented accuracy. Predictive scrutiny has replaced traditional audit methods, allowing authorities to detect potential issues before they escalate.

Taxpayers are categorized into different risk segments, such as “Green Track” and “Red Track.” Businesses in the Green Track category, characterized by consistent compliance, benefit from faster refunds and minimal

intervention. In contrast, Red Track entities face stricter controls, including automated suspension of registration for even minor discrepancies.

This shift toward predictive compliance has made the system more efficient and targeted, reducing the need for broad-based audits.

Impact on Businesses:

- **Shift from Reactive to Proactive Compliance**

The automated GST system requires businesses to adopt a proactive approach to compliance. Instead of correcting errors after filing, companies must ensure accuracy at the data entry stage itself.

This has led to the adoption of real-time



reconciliation practices and continuous monitoring of transactions.

- **Increased Dependence on Technology**

Automation has made technology an indispensable part of GST compliance. Businesses are investing in Enterprise Resource Planning (ERP) systems, API integrations, and specialized compliance software to manage their obligations effectively.

Manual processes and spreadsheet-based systems are no longer sufficient to meet the demands of the new regime.

- **Vendor Dependency and Supply Chain Impact**

The interlinked nature of the GST system means that the compliance behaviour of one entity directly affects others. Businesses must now evaluate their vendors based on compliance performance, as any lapse can impact ITC claims.

This has led to the emergence of vendor compliance scorecards as a critical tool in procurement decisions.

- **Reduction in Tax Evasion**

The introduction of real-time validation and AI-driven monitoring has significantly reduced tax evasion. Fraudulent practices such as fake invoicing have become increasingly difficult to execute, resulting in higher tax collections and improved compliance rates.

Benefits of Automated GST Compliance

The shift toward automation has brought several benefits to the GST ecosystem. Accuracy has improved significantly due to the elimination of manual errors and the introduction of system validations. Compliance processes have become faster and more efficient, saving time and resources for businesses.

For the government, automation has enhanced revenue collection and enabled real-time monitoring of economic activity. The system's transparency and consistency have also reduced disputes and increased trust among stakeholders.

Challenges of the Automated Era

Despite its advantages, the automated GST system presents several challenges.

- **Technical Constraints**

The increased reliance on technology means that system glitches or server downtime can disrupt compliance activities. Businesses must be prepared to handle such challenges and maintain backup processes.

- **Compliance Complexity**

The strict nature of the system can be overwhelming, particularly for small and medium enterprises (SMEs). Even minor errors can result in blocked filings or penalties, increasing the pressure on businesses to maintain accuracy.

- **Cost of Technology Adoption**

The need for advanced systems and skilled professionals has increased the cost of compliance. SMEs, in particular, may find it challenging to invest in the required infrastructure.

The Role of GSTN in Driving Transformation

The GST Network (GSTN) has been instrumental in driving the shift toward automated compliance. By continuously upgrading its digital infrastructure, GSTN has enabled the integration of advanced technologies such as AI, data analytics, and real-time validation.

Its efforts have transformed the GST portal into a comprehensive compliance platform that not only facilitates filings but also enforces rules and monitors transactions.

Future Outlook: The Next Phase of GST

The journey toward automation is far from complete.

Future developments may include fully pre-filled returns based on transaction data, real-time tax payments, AI-enabled predictive compliance frameworks and deeper integration with financial systems.

Advancements in artificial intelligence could enable predictive compliance, where potential issues are identified and resolved before they occur. The concept of a monthly return may gradually become obsolete, replaced by continuous compliance mechanisms.

Action Plan for Businesses

Businesses must adopt a proactive and technology-driven approach to ensure effective GST compliance in the evolving digital tax environment. One of the key action points is the real-time reconciliation of GSTR-2B and IMS records to identify mismatches early and avoid Input Tax Credit (ITC) issues. Companies should strengthen internal GST controls by implementing standardized procedures and regular monitoring mechanisms. Vendor compliance monitoring is equally important, as non-compliant suppliers can directly affect a company's ITC eligibility. Organizations should also focus on ERP and API integration to enable seamless data exchange between accounting systems and the GSTN portal, reducing manual errors and improving efficiency. Timely e-invoice reporting is essential to avoid penalties and ensure smooth invoice validation.

In addition, businesses should implement automated ITC validation mechanisms to verify eligibility and accuracy of tax credits. Conducting regular compliance health checks can help identify gaps and ensure adherence

to changing regulations. Staff training on evolving GSTN functionalities is necessary so employees remain updated with new compliance requirements and digital processes. Lastly, maintaining data accuracy at the source level is critical, as accurate and reliable data forms the foundation of successful GST compliance and reporting.

Conclusion

GST in 2026 represents a fundamental shift in India's taxation landscape. The transition from a trust-based system to an automated, system-enforced regime has redefined the concept of compliance.

The GST portal has effectively become a technology-enabled compliance management system, ensuring accuracy, transparency, and accountability at every stage. While this transformation presents challenges, particularly for smaller businesses, it also offers significant long-term benefits in terms of efficiency and revenue growth.

To succeed in this new environment, businesses must move from a reactive approach to a proactive strategy focused on data integrity and real-time validation. Investments in technology, continuous reconciliation, and strong compliance practices are no longer optional—they are essential.

As GST continues to evolve, the shift toward automated compliance will play a crucial role in shaping a more robust, transparent, and digitally integrated economy. The era of "compliance by design" has truly arrived, marking a new chapter in India's tax reform journey.



PRESS RELEASE

INDIRECT TAX

Central Board of Indirect Taxes and Customs (CBIC) introduces deferred Customs Duty payment facility for Eligible Manufacturer Importers as announced in Union Budget 2026-27

CBIC also notifies eligibility and guidelines for Eligible Manufacturer Importer Scheme

EMI Scheme is a Trust-Based Customs Facilitation Scheme to improve cash flow, promote compliance and boost domestic manufacturing, and facilitate Ease of Doing Business

EMI facility will be available from 1st April, 2026 and will remain in force till 31st March, 2028

Applications under the EMI scheme can be submitted online from 1st March, 2026 on the AEO portal at www.aeoindia.gov.in under the tab “Eligible Manufacturer Importer”

Posted On: 01 MAR 2026 10:35AM by PIB Delhi

In pursuance of the Union Budget 2026–27 announcement by the Union Minister for Finance and Corporate Affairs, the Central Board of Indirect Taxes and Customs (CBIC) has introduced a new facilitation measure for trusted manufacturers by enabling the facility of deferred payment of Customs duty to a new category of importers called Eligible Manufacturer Importers (EMIs). CBIC has issued detailed eligibility conditions, application process and operational

guidelines through Circular No. 08/2026-Customs dated 28th February, 2026, in this regard.

Under this initiative, Eligible Manufacturer Importers (EMI) will be able to clear imported goods without paying Customs duty at the time of clearance. Instead, the applicable duty can be paid on a monthly basis as prescribed under the Deferred Payment of Import Duty Rules, 2016, helping manufacturers better manage cash flows and working capital.

The facility will be available from 1st April, 2026 and will remain in force till 31st March, 2028. The deferred payment facility shall be available to EMI meeting prescribed criteria related to Customs and GST compliance, turnover, financial standing and past track record. Existing AEO-T1 entities, including MSMEs, that fulfil the eligibility conditions are also eligible to participate.

The EMI scheme is designed as a trust-based facilitation measure, encouraging compliant manufacturers to benefit from simplified procedures while nudging them towards higher levels of compliance. During the validity period of the scheme, approved Eligible Manufacturer Importers are expected to progressively obtain AEO-T2 or AEO-T3 status, enabling access to enhanced facilitation, faster clearances and priority treatment under the AEO Programme.

Applications under the EMI scheme can be submitted online from 1st March, 2026 on the AEO portal at www.aeoindia.gov.in under the tab “Eligible Manufacturer Importer”.

This reform is expected to significantly improve ease of doing business, strengthen the compliance culture, promote wider participation in the AEO programme and provide a boost to domestic manufacturing. It reflects CBIC’s continued commitment to creating a predictable, efficient and facilitative Customs environment to support India’s manufacturing-led and export-oriented growth.

DIRECT TAX

Monthly review of accounts of Government of India upto January 2026 (FY 2025-26)

Posted On: 27 FEB 2026 4:54PM by PIB Delhi

The Monthly accounts of the Government of India upto January, 2026 has been consolidated and reports published. The highlights are given below: -

The Government of India has received ₹ 27,08,654 crore (79.5% of corresponding RE 2025-26 of Total Receipts) upto January, 2026 comprising ₹ 20,94,218 crore of Tax Revenue (Net to Centre), ₹ 5,57,307 crore of Non-Tax Revenue and ₹ 57,129 crore of Non-Debt Capital Receipts. ₹ 11,39,767 crore has been transferred to State Governments as Devolution of Share of Taxes by Government of India during this period which is ₹ 65,588 crore higher than the previous year.

Total Expenditure incurred by Government of India is ₹ 36,90,061 crore (74.3% of corresponding RE 2025-26), out of which ₹ 28,47,780 crore is on Revenue Account and ₹ 8,42,281 crore is on Capital Account. Out of the Total Revenue Expenditure, ₹ 9,88,302 crore is on account of Interest Payments and ₹ 3,54,861 crore is on account of Major Subsidies.



JUDGEMENT

INDIRECT TAX

Delay condoned for GST appeal as bona fide belief and lack of awareness justified extension under just approach: HC

Facts of the Case :

Vishal Durgadas Jaiwant vs. Joint Commissioner of Commercial Taxes (Appeals) [2026] (Karnataka)

The petitioner challenged the rejection of his appeal against the denial of Input Tax Credit (ITC) arising from a mismatch caused by the supplier's failure to upload the relevant invoice in GSTR-1. It was submitted that ITC had been availed based on the supplier's invoice. He contended that, due to a bona fide belief that the supplier would rectify the error and a lack of awareness and assistance regarding the limitation period, the appeal could not be filed within time. The petitioner, therefore, sought condonation of the delay and adjudication of the appeal on the merits. The matter was accordingly placed before the High Court.

Decision of the Case :

The High Court held that the explanation furnished by the petitioner disclosed a bona fide belief and reasonable cause for the delay. The Court observed that the dispute arose from an assessment under Section 73 of the CGST Act and that the appeals filed under Section 107 of the CGST Act and the Karnataka GST Act required consideration on the merits. It further noted that instructions issued under Section 168 were relevant in cases of ITC mismatch due to supplier non-reporting. Accordingly, the Court set aside the order rejecting the appeal as time-barred and directed that the appeal be treated as filed within time and decided on the merits.

Duplicate GST proceedings on same GSTR-2A/3B mismatch led to double taxation; order quashed, matter remanded: HC

Facts of the Case :

Tvl. Vishagan Traders vs. Deputy State Tax Officer-2 [2026] (Madras)

The petitioner challenged two assessment orders passed for the same tax period concerning mismatch between Form GSTR-2A and Form GSTR-3B. It was submitted that pursuant to a show cause notice, the first authority passed an order on the sole issue of GSTR-2A and GSTR-3B mismatch. Subsequently, another show cause notice (SCN) was issued and the second authority passed an order covering two issues, including the same mismatch, thereby separately quantifying the tax demand for the identical issue in both orders. It was contended that such duplication resulted in double taxation for the same subject matter. The matter was accordingly placed before the High Court.

Decision of the Case :

The High Court held that the proceedings arose from an assessment under Section 73 of the CGST Act and the Tamil Nadu GST Act and that passing two separate orders on the identical issue of mismatch between Form GSTR-2A and Form GSTR-3B for the same period resulted in duplication and double taxation. The Court observed that service of SCN only through portal upload without furnishing the original notice and without granting personal hearing violated the principles of natural justice in the context of Section 75 read with Section 169 of the CGST Act and the Tamil Nadu GST Act. Accordingly, the Court quashed the order. The matter was remanded to the jurisdictional authority for fresh consideration subject to payment of 25% of the disputed tax.

Retrospective penalty under sec. 122(1A) for acts before its insertion barred by Article 20(1): HC

Facts of the Case :

Amit Manilal Haria vs. Joint Commissioner, CGST & Central Excise - [2026] (Bombay)

The petitioners filed a writ challenging penalties proposed and imposed under Section 122(1A) of the CGST Act. A search was conducted on the assessee and

related firms, summons were issued, and statements were recorded and retracted. The show cause notice (SCN) alleged wrongful availment and transmission of ineligible ITC. The adjudicating authority imposed penalties on each petitioner and issued DRC-07. The petitioners contended that they were not taxable persons and had neither retained any benefit from the transactions nor caused them. The matter was accordingly placed before the High Court.

Decision of the Case :

The High Court held that Section 122(1) applied only to taxable persons and mandated dual conditions, namely that a person must have retained the benefit of transactions under clauses (i), (ii), (vii), or (ix) and that such transactions were conducted at their instance. Clauses (i), (ii), (vii), and (ix) targeted violations by taxable persons. No material or finding indicated that the petitioners were taxable persons or had retained benefits or caused the transactions. Furthermore, Section 122(1A) was inserted with effect from 01-01-2021, and penalties could not be retrospectively applied to acts committed before that date, as Article 20(1) of the Constitution of India barred ex post facto penal liability. Consequently, the SCNs and orders imposing penalties on the petitioners were held unsustainable.

Interest u/s 50(3) and penalty u/s 74 justified where ITC demand admitted via DRC-03 but paid belatedly: HC

Facts of the Case :

Geena Garments vs. State Tax Officer - [2026] (Madras)

The petitioner was issued a show cause notice (SCN) alleging wrongful availment of input tax credit (ITC) under the CGST Act. The petitioner accepted the demand proposed in the SCN and proceeded to make payment through Form GST DRC-03 by debiting the Electronic Credit Ledger (ECL). Upon verification, it was noticed by the department that the balance in the ECL was insufficient for the period during which such a debit was made, resulting in the delayed payment of tax liability. Consequently, interest under section 50(3) of the CGST Act was confirmed through the impugned assessment order, and a penalty under section 74 was also levied. Aggrieved by such levy of interest and

penalty, the petitioner filed a writ petition challenging the consequential liability. The matter was accordingly placed before the High Court.

Decision of the Case :

The High Court held that the petitioner had admitted the tax liability and effected payment through Form GST DRC-03, though belatedly and without sufficient balance in the ECL. The Court observed that interest under section 50(3) of the CGST Act was rightly attracted on account of the delayed payment of tax. It further held that the penalty under section 74 was also justified, particularly when the statute provided graded options for a reduced penalty which were not availed by the petitioner. The Court concluded that once the liability stood admitted and payment was effected belatedly, the challenge to consequential interest and penalty was not sustainable. Accordingly, the writ petition was dismissed.

Seizure orders cannot survive once assessment quashed on limitation; prohibition set aside: HC

Facts of the case :

Goal Closures vs. State Tax Officer (Int)-1 - [2026] (Madras)

The petitioner, a registered person, was subjected to inspection and search by the department, pursuant to which goods were placed under Prohibition Order in Form GST INS-03 and Seizure Order in Form GST INS-02. A show cause notice (SCN) in Form GST DRC-01 was thereafter issued alleging belated availment of input tax credit (ITC) under section 16(4) of the CGST Act, which culminated in an assessment order passed in Form GST DRC-07. The said assessment order was subsequently quashed in separate writ proceedings on the ground of limitation. It was also confirmed that no fresh or de novo proceedings had been initiated thereafter and that none of the notices proposed confiscation of the seized goods under section 67(2) of the CGST Act. The petitioner, therefore, challenged the continued operation of the Prohibition and Seizure Orders. The matter was accordingly placed before the High Court.

Decision of the Case:

The High Court held that the continuance of the



Prohibition Order in Form GST INS-03 and Seizure Order in Form GST INS-02 could not be sustained once the assessment order had been quashed and no fresh proceedings proposing confiscation had been initiated. The Court observed that in the absence of any proposal for confiscation as contemplated under section 67(2) of the CGST Act, the very basis for continuation of such

restrictive measures ceased to exist. It further held that mere pendency of remand proceedings, without any substantive action for confiscation, could not justify continuation of seizure or prohibition. Accordingly, the Court concluded that the impugned Prohibition and Seizure Orders were unwarranted and liable to be set aside.

DIRECT TAX

Rejection of sec. 197 nil-TDS certificate citing proposed SLP against binding HC ruling held unsustainable: HC

Facts of the Case :

Godaddy.Com LLC vs. Assistant/Deputy Commissioner of Income-tax, International Taxation - [2026] (Delhi)

The petitioner was engaged in the business of providing domain name services, including domain name registration, web hosting, web designing, SSL certification, etc. It filed an application under section 197 for a certificate of nil rate of tax for the assessment year 2026-27.

The Competent Authority (CA) rejected the petitioner's application under section 197. The rejection was based on the ground that the Department proposed to file an SLP against an earlier Delhi High Court judgment, which had already held that domain registration charges were not taxable in India under the Act read with the India-USA DTAA.

Aggrieved by the order, the petitioner filed a writ petition to the Delhi High Court.

Decision of the Case:

The High Court held that the CA had an obligation to decide the application in accordance with the Act's provisions, while taking into account the treaties between the two countries. He should not be driven or swayed by revenue targets or considerations. However, the CA rejected the application only because the Department proposed to file an SLP against an earlier High Court judgment. No other reason was mentioned in the order.

The Court held that the reason mentioned by the CA cannot be said to be a reason in the eyes of the law,

much less a plausible or sustainable one. The mindset of the authority, for whom revenue collection appears to be the sole objective, was unraveled by the order.

Since no reason was assigned other than the bald assertion that the Department was proposing to file an SLP against the order of the High Court, and the limitation of filing an SLP had passed, the impugned order could not be sustained. Thus, the impugned order and consequential certificate were quashed, and the authority was directed to issue a certificate at a 'nil' rate.

Tribunal erred by not directing refund of excess adjusted refund in violation of stay order; refund with interest directed: HC

Facts of the Case:

Piramal Finance Ltd. vs. Deputy Commissioner of Income-tax - [2026] (Bombay)

The petitioner had filed an application for a stay of recovery of the outstanding demand before the Tribunal for the Assessment Year 2020-21. The Tribunal granted the petitioner a conditional stay. The Tribunal directed that the refund be adjusted to the extent of 20% of the outstanding demand for the Assessment Year 2020-21.

Despite the explicit terms of the Tribunal's Order, the AO adjusted the entire refund due to the Petitioner for the Assessment Year 2005-06 against the outstanding demand for the Assessment Year 2020-21. The petitioner filed a writ petition to the Bombay High Court against the adjustment of the refund.

Decision of the Case :

The High Court held that the AO's action in violating the said order was clearly illegal. The Tribunal had not given any valid reason for refusing to direct the Respondents to refund the illegal adjustment in the refund for the

Assessment Year 2005-06, in response to the demand for the Assessment Year 2020-21. Therefore, the matter was remanded back to the Tribunal to direct the Respondents to refund the amount of Rs. 28,55,26,240/- for Assessment Year 2005-06, along with interest as per law.

Sales-linked payments to group cos. not reimbursements but contractual payments attracting TDS u/s 194C: HC

Facts of the Case:

Deys Medical (U.P.) (P.) Ltd. vs. Principal Commissioner of Income-tax - [2026] (Calcutta)

The assessee, a company, was a unit of the Dey's Medical Stores Group and involved in manufacturing products. It used the Group Companies' infrastructure, marketing, and sales promotion services on a reimbursement basis for incurred expenses. Such expenses were apportioned as a percentage of net sales based on historical data and treated as reimbursements.

The assessee did not deduct tax at source (TDS) on such payments. AO disallowed the reimbursement expenses under section 40(a)(ia) for failure to deduct TDS. On appeal, the CIT(A) deleted the disallowance, but the Tribunal partially restored it. The aggrieved assessee filed the instant appeal before the Calcutta High Court.

Decision of the Case:

The High Court held that the Tribunal rightly emphasised that the payments did not correspond to actual, verifiable expenses incurred by the recipients. Genuine reimbursements are characterised by their nature as payments made post-facto, directly linked to specific, documented expenses supported by bills, vouchers or other tangible evidence.

In contrast, the payments in question lacked such detailed documentation. Instead, they appeared to be structured as fixed commissions or service fees, amounts that are inherently not reimbursements but contractual consideration for services rendered.

While commercial arrangements often involve apportioning costs based on historical data or arm's-length negotiations, such practices cannot override the statutory requirement to deduct TDS at the time of

payment or credit when the transactions are contractual in nature and fall within the scope of Section 194C.

Therefore, the Tribunal's reasoning was sound, well-reasoned and supported by the record evidence. The payments in question, being contractual and not genuine reimbursements, squarely fall within the scope of Section 194C. The failure to deduct TDS in these circumstances justifies the disallowance under Section 40(a)(ia). The assessee's arguments to the contrary lack merit and do not withstand scrutiny.

HC directs AO to issue sec. 197 certificate at NIL rate as airline company's income was exempt under India-UK DTAA

Facts of the Case :

British Airways PLC vs. Assistant Commissioner of Income-tax, (Int. Tax) [2026] (Delhi)

The petitioner, British Airways PLC, was a company and a tax resident of the United Kingdom. The disputed services fall under Airline services, which are essentially "Operation of Airline & Cargo Service". The petitioner was operating in India under a Tax Residency Certificate issued by the UK authorities. The petitioner's income was exempt under Article 8 of the India-UK Double Taxation Avoidance Agreement (DTAA), read with Section 90 of the Income Tax Act.

The petitioner applied for a certificate under Section 197 of the Income Tax Act from the competent authority. The application was made for the transactions, which amounted to roughly Rs. 3.98 crores. Surprisingly, a certificate at 0.1% has been issued to it, even though a NIL rate certificate was issued for the earlier part of the current Financial Year (2025-26).

Aggrieved by the order, the petitioner filed a writ petition to the Delhi High Court.

Decision of the Case:

The High Court held that the main reason for issuing the certificate at 0.1% was the fact that there were outstanding demands for assessment years 2013-14, 2014-15, 2015-16 and 2016-17, as per the ITBA portal, which turned out to be incorrect. It was to be noted that the petitioner's assessment had been made, and so far as airline services are concerned, no tax was payable.



Further, it was noted that a certificate at NIL rate had been issued for the last fifteen-sixteen years, and even for part of the current financial year, a certificate at 0.1% cannot be countenanced. It reflected the non-application of mind by the competent authority on the one hand, showed an inconsistent approach by the officers of the country, and thus portrayed an unhealthy picture of the bureaucracy.

Accordingly, the writ petition was allowed, and the impugned order and certificate were set aside. The competent authority was directed to issue a certificate at a NIL rate.

Bank account of director's spouse can't be attached for company tax dues in absence of any role in company's affairs: HC

Facts of the Case :

Manjulaben Mafatlal Shah vs. Tax Recovery Officer-3, Ahmedabad - [2026] (Bombay)

The petitioner was the spouse of a director of Shri Ram Tubes Private Limited. The Income Tax Department issued a notice under section 226(3) directing the petitioner's bank to remit the monies lying in her sole bank account towards recovery of the company's

outstanding tax dues. Consequently, the petitioner's individual bank account was attached.

Aggrieved, the petitioner filed a writ petition before the Bombay High Court, contending that she had no involvement with the company. She was neither a director, shareholder, nor employee of the company and had never held any such position. It was further submitted that the attached bank account stood exclusively in her name and that the attachment was made solely on the ground that she was the wife of a director.

Decision of the Case :

The High Court held that once it was admitted that the petitioner was neither a director nor otherwise connected with the company, the Department could not attach her sole bank account merely because she was the spouse of a director. Although the Department may proceed against the director under section 179 in appropriate cases, such provision was wholly inapplicable to the petitioner.

Accordingly, the notice issued under section 226(3) fastening the company's liability upon the petitioner was without jurisdiction. The impugned notice was quashed, and the attachment was directed to be vacated. The writ petition was allowed in favour of the petitioner.

TAX CALENDAR

GOODS AND SERVICES TAX: MARCH 2026

S. N	Forms	Particulars of Compliance	Due Date
1	GSTR-7	Due date for filing GSTR-7 to be filed by the person who is required to deduct TDS under GST for the month of February 2026	10.03.2026
2	GSTR-8	The due date for furnishing statement by e-commerce companies for the Month of February 2026	10.03.2026
3	GSTR-1	GST Filing of returns by registered person with aggregate turnover exceeding INR 5 Crores during previous year. Registered person, with aggregate turnover of less than INR 5 Crores during the previous year and who has opted for monthly filing of return.	11.03.2026
4	GSTR-1-IFF	Taxpayers who Opted for quarterly filing as per QRMP Scheme	13.03.2026
5	GSTR-6	Return of Input Service Distributor (ISD) return for February 2026	13.03.2026
6	GSTR-5	Every non-resident taxable person file Monthly GST Return Earlier of a. 20 days after the end of the Calendar month (OR) b. within 7 days after the last day of validity period of registration	13.03.2026
7	GSTR-3B	GST return for the month of February 2026 for the taxpayer with Aggregate turnover up to INR 5 crores during previous year and taxpayers who has opted for monthly filing of GSTR-3B (Not opting for QRMP scheme)	20.03.2026
8	GSTR-5A	OIDARS providing service to other then registered person shall file a monthly GST Return	20.03.2026
9	PMT-06	Payment of tax under the QRMP scheme for February 2026 (via challan)	25.03.2026
10	GSTR-11	Statement of inward supply of goods or services or both received by Unique Identity Number (UIN) holders, which is required to be filed by them on a Monthly basis	28.03.2026
10	GST RFD-11	Time limit for renewal of Letter of Undertaking for the Financial Year 2025-26	31.03.2026
11	CMP-02	Composition taxable persons and those interested to opt into the scheme for FY 2025-26 can do so by submitting a declaration on the GST portal	31.03.2026

INCOME TAX ACT: MARCH 2026

S. N	Forms	Particulars of Compliance	Due Date
1	Form 26QB	Furnishing of challan-cum-statement in respect of tax deducted under section 194-IA in the month of January, 2026	02.03.2026
2	Form 26QC	Furnishing of challan-cum-statement in respect of tax deducted under section 194-IB in the month of January, 2026	02.03.2026



S. N	Forms	Particulars of Compliance	Due Date
3	Form 26QD	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194M in the month of January, 2026	02.03.2026
4	Form 26QE	Due date for furnishing of challan cum statement in respect of tax deducted under section 194S in the month of January, 2026	02.03.2026
4	Transaction Tax	Securities Transaction Tax/ Commodities Transaction Tax - Due date for deposit of tax collected for the month of February, 2026	07.03.2026
6	-	Due date for deposit of Tax deducted/collected for the month of February, 2026	07.03.2026
6	-	Fourth instalment of advance tax for the assessment year 2026-27	15.03.2026
7	-	Due date for payment of whole amount of advance tax in respect of assessment year 2026-27 for assessee covered under presumptive scheme of section 44AD / section 44ADA	15.03.2026
8	Form 24G	Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of February, 2026 has been paid without the production of a Challan	15.03.2026
9	Form 3BB	Monthly statement to be furnished by a stock exchange in respect of transactions in which client codes been modified after registering in the system for the month of February, 2026	15.03.2026
10	Form 3BC	Monthly statement to be furnished by a recognised association in respect of transactions in which client codes have been modified after registering in the system for the month of February, 2026	15.03.2026
9	Form 16B	Due date for issue of TDS Certificate for tax deducted under section 194-IA in the month of February, 2026	17.03.2026
10	Form 16C	Due date for issue of TDS Certificate for tax deducted under section 194-IB in the month of February, 2026	17.03.2026
11	Form 16D	Due date for issue of TDS Certificate for tax deducted under section 194M in the month of February, 2026	17.03.2026
12	Form 16E	Due date for issue of TDS Certificate for tax deducted under section 194S (by specified person) in the month of February, 2026	17.03.2026
13	Form 26QB	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA in the month of February, 2026	30.03.2026
14	Form 26QC	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IB in the month of February, 2026	30.03.2026
15	Form 26QD	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194M in the month of February, 2026	30.03.2026
16	Form 26QE	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194S (by specified person) in the month of February, 2026	30.03.2026



E-PUBLICATIONS

Of

TAX RESEARCH DEPARTMENT

Guide Book for GST Professionals

Handbook for Certification for difference between GSTR-2A & GSTR - 3B

Impact of GST on Real Estate

Insight into Customs-Procedure & Practice

Input Tax Credit and In depth Discussion

Taxation on Co-operative Sector

Guidance notes on Preparation and Filing of Form GSTR 9 and 9C

Guidance Note on Anti Profiteering

Handbook on GST on Service Sector

Handbook on Works Contract under GST

Handbook on Impact of GST on MSME Sector

Assessment under the Income Tax Law

Impact on GST on Education Sector

International Taxation and Transfer Pricing

Handbook on E-Way Bill

Handbook on Filing of Returns

Handbook on Special Economic Zone and Export Oriented Units

For E-Publications, Please Visit Taxation Portal
<https://icmai.in/TaxationPortal/>

TAXATION COMMITTEES - PLAN OF ACTION

Proposed Action Plan:

1. Successfully conduct all Taxation Courses.
2. Publication and Circulation of Tax bulletin (both in electronic and printed formats) for the awareness and knowledge updation of stakeholders, members, traders, Chambers of Commerce, Universities.
3. Publication of Handbooks on Taxation related topics helping stakeholders in their job deliberations.
4. Carry out webinars for the Capacity building of Members - Trainers in the locality to facilitate the traders/registered dealers.
5. Conducting Seminars and workshops on industry specific issues, in association with the Trade associations/ Traders/ Chamber of commerce in different location on practical issues/aspects associated with GST.
6. Tendering representation to the Government on practical difficulties faced by the stakeholders in Taxation related matters.
7. Updating Government about the steps taken by the Institute in removing the practical difficulties in implementing various Tax Laws including GST.
8. Facilitating general public other than members through GST Help-Desk opened at Head quarter of the Institute and other places of country.
9. Introducing advance level courses for the professionals on GST and Income Tax.
10. Extending Crash Courses on Taxation to Corporates, Universities, Trade Associations etc.

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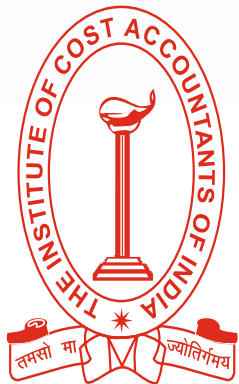
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