

# 19<sup>th</sup> March

## UPDATES

# February

# 2026

**P G BHAGWAT LLP**

Chartered Accountants | Since 1938

*Raigad Fort, located in the Sahyadri mountain range of Maharashtra, was the capital of the Maratha Empire under Chhatrapati Shivaji Maharaj. The fort stands about 820 meters above sea level and is known for its strong defensive architecture and panoramic views. It was here that Shivaji Maharaj was crowned in 1674, making Raigad the center of Maratha administration and military power.*



# Updates



## January 2026

P G BHAGWAT LLP (“PGB LLP”) is glad to release updates for the month of January 2026

The objective of these updates is to make you aware of the latest changes in auditing, accounting, taxes, labour laws etc.

We hope these updates are useful to you to stay on top of the development in your field.

**“The greatest obstacle to discovery is not ignorance—it is the illusion of knowledge”**

For detailed information and / or queries, please do get in touch with us at [updates@pgbhagwatca.com](mailto:updates@pgbhagwatca.com).

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**We compile only the most relevant & important updates and therefore urge to you go through them...**

**This edition contains the following: click on the content line to navigate**



## 1. Companies Compliance Facilitation Scheme, 2026 (CCFS-2026)

Issued under: Section 460 read with Section 403 of the Companies Act, 2013

### Summary of Companies Compliance Facilitation Scheme, 2026 (CCFS-2026)

#### What's New?

- **One-time waiver scheme:** Companies can file overdue Annual Returns and Financial Statements by paying only 10% of the total additional fees (instead of the full accrued amount).
- **Dormancy option at half fee:** Inactive companies can apply for dormant status (e-form MSC-1) at 50% of normal fees.
- **Striking off at 25% fee:** Companies seeking closure can file STK-2 at only 25% of the applicable fees.
- **Immunity from penalty proceedings** under Sections 92 and 137, subject to conditions.

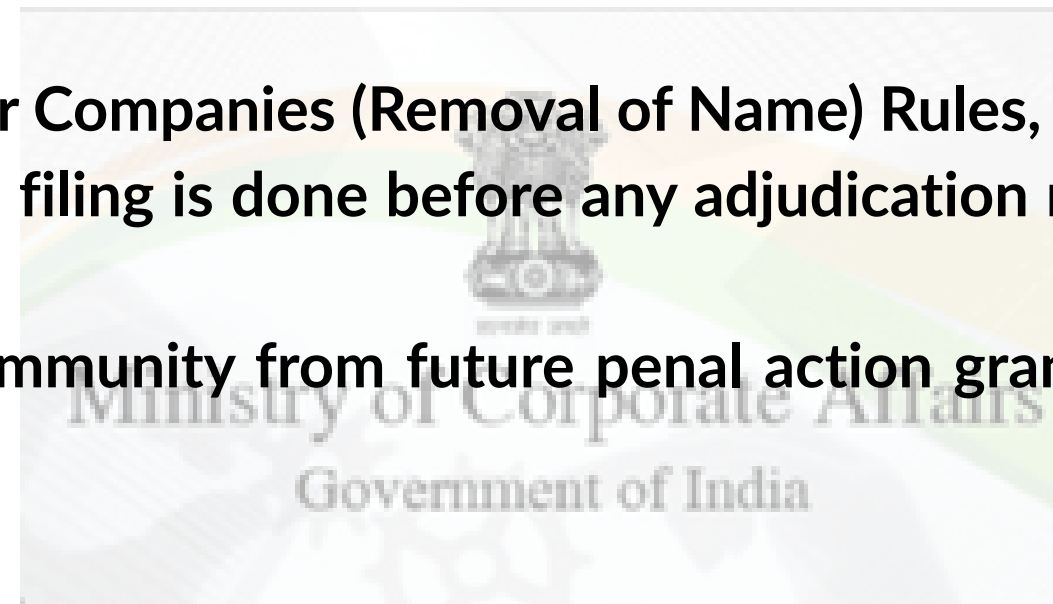
#### Detailed Explanation

Under the Companies Act, 2013, all companies must file Annual Returns and Financial Statements. Since 1st July 2018, a late fee of Rs. 100/- per day (with no ceiling) applies on delayed filings. Many MSMEs, OPCs, and new-age companies have accumulated significant additional fees due to delayed filings, creating a financial burden. CCFS-2026 is a time-bound, one-time opportunity for defaulting companies to regularise their compliance status at substantially reduced fees. The scheme also encourages inactive companies to either go dormant or formally close down, helping maintain an accurate corporate registry.



### Key Conditions:

1. Normal filing fee: Payable as per existing rules.
2. Additional (late) fee: Only 10% of total accrued additional fees is payable.
3. Dormancy filing (MSC-1): 50% of normal filing fee.
4. Strike-off filing (STK-2): 25% of applicable fees under Companies (Removal of Name) Rules, 2016.
5. Immunity from penalty under Sections 92/137 if: (a) filing is done before any adjudication notice, or (b) within 30 days of receiving such notice.
6. For forms ADT-1, FC-3, FC-4, and legacy forms – immunity from future penal action granted, provided no prosecution or show-cause notice was issued before filing.



### Additional Conditions:

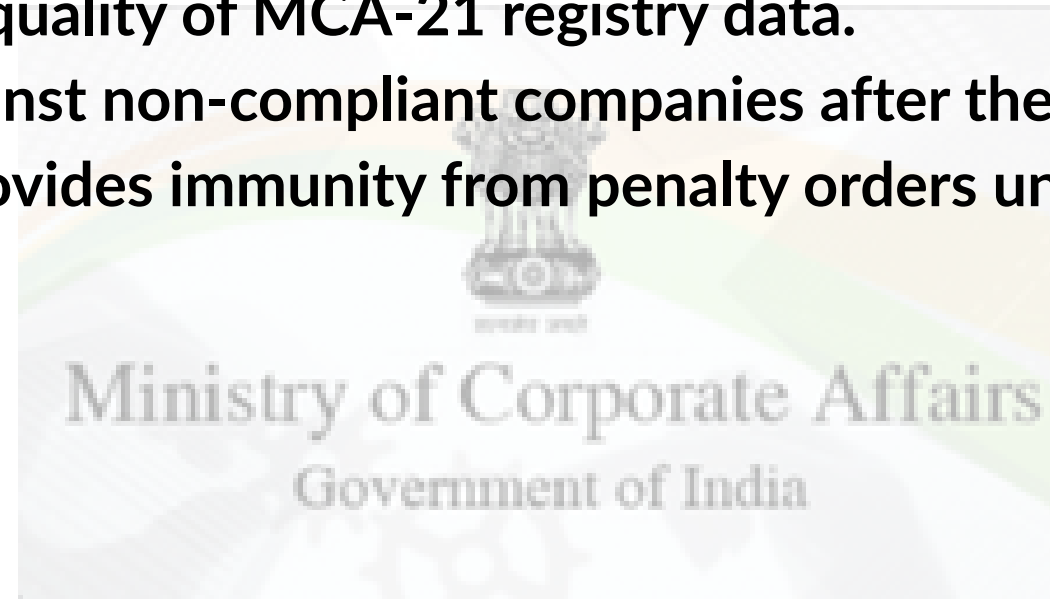
The following companies are NOT eligible:

1. Companies already under final striking-off notice u/s 248 by the Registrar.
2. Companies that have already applied for striking off.
3. Companies that applied for dormant status before the scheme begins.
4. Companies dissolved under an amalgamation scheme.
5. Vanishing companies.



### Practical Implications:

- Major cost relief: Companies with years of pending filings can save up to 90% of accumulated additional fees.
- Clean-up opportunity: Inactive or defunct companies can formally close or go dormant at minimal cost.
- Registry accuracy: The scheme will improve the quality of MCA-21 registry data.
- Post-scheme action: ROC will initiate action against non-compliant companies after the scheme closes.
- Penalty protection: Timely use of the scheme provides immunity from penalty orders under Sections 92 and 137.



### Implementation Deadlines:

Scheme Launch 15th April, 2026

Link : [Click Here](#)



## 2. Companies (Registered Valuers and Valuation) Amendment Rules, 2026. Reference No: 1/27/2013-CL-V(P)

### Summary of Companies (Registered Valuers and Valuation) Amendment Rules, 2026

#### What's New?

Introduction of a minimum paid-up share capital requirement for Registered Valuers Organisations (RVOs). Previously, Rule 12(1) of the Companies (Registered Valuers and Valuation) Rules, 2017 had no financial threshold for RVO recognition.

#### Detailed Explanation

The Ministry of Corporate Affairs proposes to amend Rule 12(1)(i) of the Companies (Registered Valuers and Valuation) Rules, 2017 to insert a minimum paid-up share capital criterion for RVOs seeking recognition. An RVO is a body that regulates valuers of specific asset classes under the Companies Act. Until now, any Section 8 or Section 25 company with the right objects and bye-laws could be recognised as an RVO without any capital threshold. After this amendment, such organisations must additionally hold a minimum paid-up share capital of ₹25 lakh – aimed at ensuring RVOs are financially sound and capable of effectively discharging their regulatory responsibilities.





### Key Conditions:

1. Registered under Section 25 of the Companies Act, 1956 or Section 8 of the Companies Act, 2013.
2. Minimum paid-up share capital of ₹25 lakh (Rupees Twenty-Five Lakh).
3. Sole object must be regulation of valuers of an asset class or asset classes.
4. Bye-laws must contain requirements as specified in Annexure-III of the Rules.

### Additional Conditions:

1. Existing RVOs not meeting the ₹25 lakh threshold are granted a compliance window up to 31st March, 2028.
2. New RVOs applying after the amendment comes into force must meet the capital requirement at the time of application.
3. The rules shall come into force on the date of their publication in the Official Gazette.

### Practical Implications:

- Existing RVOs with insufficient paid-up capital must plan capital augmentation before March 2028 or risk losing recognition.
- New entrants seeking RVO status must ensure capital compliance before applying.
- Raises the financial barrier to entry, potentially consolidating the RVO landscape.
- Strengthens the overall governance and credibility of the valuation ecosystem in India

### Implementation Deadlines:

Stakeholder comments/suggestions on draft - 5th March, 2026

Existing RVOs to comply with ₹25 lakh capital requirement - 31st March, 2028

Link : [Click Here](#)



### 3. Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Amendment Directions, 2026 RBI/2025-26/209

#### Summary of Reserve Bank of India issues Consolidated Master Directions Dated November 28, 2025

##### What's New?

- Para 25(1) of the Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Directions, 2025 has been substituted.
- Asset classification and provisioning for individual loan assets shall now be governed by the Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025.

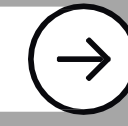
##### Detailed Explanation:

The amendment aligns the asset classification and provisioning norms under the NBFC Credit Facilities Directions, 2025 with the separate IRACP Directions, 2025.

Accordingly, NBFCs must follow the IRACP Directions, 2025 for:

- Classification of individual loan assets (Standard, Sub-standard, Doubtful, Loss).
- Computation of provisioning requirements.

This ensures uniformity and avoids dual interpretation under two separate directions



### Key Conditions:

1. Applies to all NBFCs governed under the Credit Facilities Directions, 2025.
2. Asset classification and provisioning must strictly follow IRACP Directions, 2025.
3. Issued under powers conferred by Chapter III-B of the RBI Act, 1934.

### Practical Implications:

- NBFCs must review internal credit monitoring and provisioning policies.
- Ensure system alignment with IRACP norms.
- Avoid parallel application of Credit Facilities Directions for provisioning.
- May impact reported NPAs and provisioning levels if earlier interpretation differed.

### Implementation Deadlines:

Effective immediately from February 13, 2026.

Link : [Click Here](#)



## 4. Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Amendment Directions, 2026

### Summary of Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Amendment Directions, 2026

#### What's New?

- Inserts new Paras 36A, 36B and 36C under the IRACP Directions.
- Introduces specific provisioning norms for loan portfolios covered by Default Loss Guarantee (DLG) arrangements.
- Permits NBFCs to consider DLG while computing Expected Credit Loss (ECL), subject to Ind AS conditions.
- Requires recomputation of ECL after every invocation of DLG.
- Mandates compliance with Ind AS 1 disclosure requirements.

#### Detailed Explanation:

##### 1. Recognition of DLG in Provisioning (Para 36A)

- For loan portfolios covered under permitted DLG arrangements (as per RBI's 2025 Directions), NBFCs may factor the DLG while determining provisions under the ECL framework (all stages).
- This is subject to Indian Accounting Standards, particularly:
  - Ø DLG must be integral to the loan contract, and
  - Ø It should not be recognised separately as an independent asset.



## 2. Disclosure Requirement (Para 36B)

NBFCs must comply with Ind AS 1 disclosure norms relating to such arrangements.

## 3. Recomputation on Invocation (Para 36C)

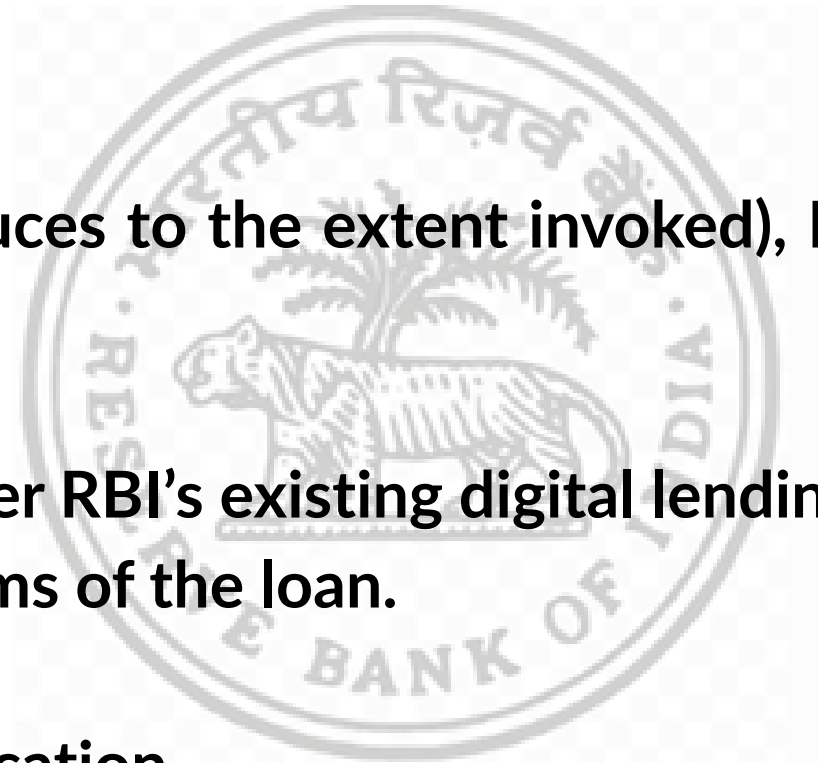
Upon each invocation of DLG (since cover reduces to the extent invoked), NBFCs must recompute ECL across stages, adjusting for reduced guarantee cover.

### Key Conditions:

1. DLG arrangements must be permitted under RBI's existing digital lending / co-lending framework.
2. DLG must be embedded in contractual terms of the loan.
3. No separate asset recognition of DLG.
4. Continuous reassessment of ECL post invocation.
5. Compliance with Ind AS disclosure norms

### Additional Conditions:

1. Consequential amendments issued under NBFC – Credit Facilities Amendment Directions, 2026 dated February 13, 2026.
2. Prudential consistency to be maintained across accounting and regulatory reporting.





### Practical Implications:

- Lower provisioning volatility where valid DLG exists.
- Alignment between regulatory provisioning and Ind AS ECL framework.
- Additional compliance burden in:
  - Ø Tracking DLG invocation events,
  - Ø Periodic ECL recalculation,
  - Ø Enhanced financial statement disclosures.
- Impact on capital adequacy and profitability of NBFCs engaged in digital lending/co-lending models.

### Implementation Deadlines:

Effective immediately from February 13, 2026.

Link : [Click Here](#)



## 5. Voluntary Retention Route (VRR) – Imparting Predictability and Increasing Ease of Doing Business

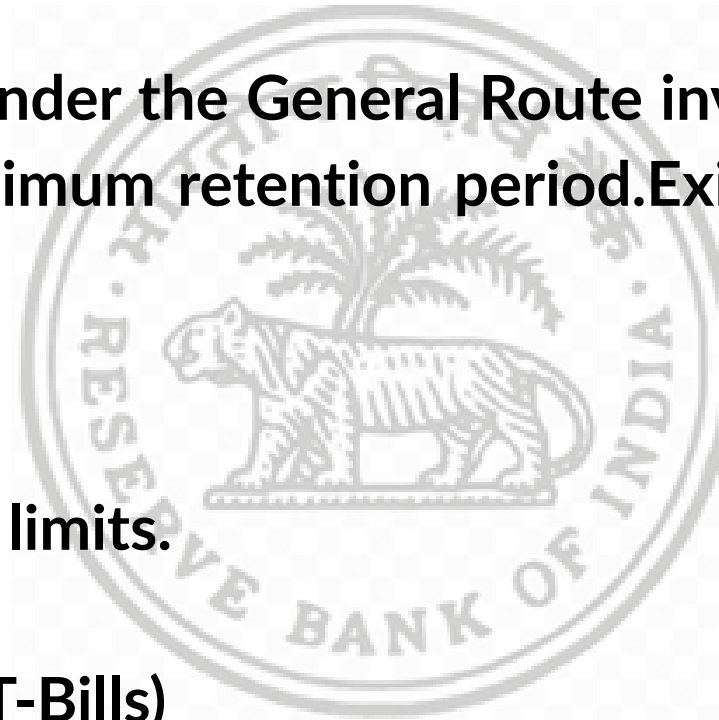
### Summary of Voluntary Retention Route (VRR) – Imparting Predictability and Increasing Ease of Doing Business

#### What's New?

VRR investment limits are merged (subsumed) under the General Route investment limits for FPIs. FPIs with retention period longer than minimum can exit after completion of minimum retention period. Existing VRR investments will shift to General Route limits from April 1, 2026.

#### Detailed Explanation:

- Earlier, investments under VRR had separate limits.
- Now, investments in:
  - Ø Central Government Securities (including T-Bills)
  - Ø State Government Securities
  - Ø Corporate Debt Securities
- will be counted within the General Route limits applicable to FPIs.
- FPIs that opted for retention beyond the minimum period now get flexibility to liquidate fully or partially after completion of the prescribed minimum retention period.
- Necessary amendments have been made in the Master Direction on Non-resident Investment in Debt Instruments, 2025.





### Key Conditions:

1. VRR investments will be subject to General Route investment limits.
2. Exit option available only after completion of minimum retention period.
3. Applies to all existing VRR investments as on April 01, 2026.

### Additional Conditions:

1. AD Category-I Banks must inform their customers/constituents.
2. Issued under Sections 10(4) and 11(1) of FEMA, 1999.
3. Other regulatory approvals (if required under any law) remain applicable.

### Practical Implications:

- Simplifies regulatory framework for FPI debt investments.
- Enhances flexibility and liquidity for FPIs.
- Reduces operational complexity by eliminating separate VRR limits.
- Banks need to realign reporting and monitoring systems.

### Implementation Deadlines:

Effective Date: April 01, 2026

All existing VRR investments to be transitioned to General Route limits by this date.

Link : [Click Here](#)



## 6. Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026

Summary of Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026.

### What's New?

The amended ECB Framework Regulations have been formally notified via official gazette on February 16, 2026. ECB-related provisions previously spread across multiple Master Directions have been consolidated directly into the principal Regulations. Specific sections of two Master Directions and Part I of ECB FAQs stand deleted, now subsumed into the Regulations.

### Detailed Explanation:

In October 2025, RBI released a draft amendment to FEMA (Borrowing and Lending) Regulations, 2018 for public consultation. Following feedback, the final amendment was notified on February 09, 2026 and published in the official gazette on February 16, 2026. The core change is structural consolidation – ECB provisions earlier housed in multiple Master Directions are now merged into the principal Regulations, making the framework more streamlined and self-contained.



### Key Conditions:

1. AD Category I banks must follow the amended Regulations for all borrowing/lending transactions under FEMA.
2. Para 1 to 12 of Master Direction – ECB, Trade Credits and Structured Obligations is deleted.
3. Para 2 of Master Direction – Borrowing and Lending in INR between Residents and NRIs/PIOs is deleted.
4. Part I of FAQs on ECB and Trade Credits is deleted.

### Additional Conditions:

1. AD Category I banks must communicate the circular's contents to their customers and constituents.
2. The circular operates without prejudice to permissions/approvals required under any other applicable law.

### Practical Implications:

- Banks and corporates must now refer directly to the amended FEMA (Borrowing and Lending) Regulations, 2026 instead of the old Master Directions for ECB guidance.
- The ECB FAQ (Part I) is no longer a valid reference – all clarifications must be drawn from the Regulations.
- Internal compliance teams at AD banks need to update operating procedures and checklists accordingly.
- Existing ECB transactions remain valid; this is primarily a structural consolidation, not a substantive policy change.

### Implementation Deadlines:

No separate deadline prescribed. The amended Regulations are effective immediately from the gazette notification date – February 16, 2026.

**Link :** [Click Here](#)



## 7. Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026 Notification No. FEMA 3(R)(5)/2026-RB Summary of Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026 Notification No. FEMA 3(R)(5)/2026-RB

### What's New?

- **Updated Definitions:** Comprehensive redefinition of key terms under Regulation 2.
- **New End-Use Restrictions:** New Regulation 3A inserted – explicitly listing prohibited end-uses for borrowed funds.
- **OCI Cardholder Inclusion:** Regulation 6(B)(vi) amended to allow OCI Cardholders as eligible lenders for INR loans to Indian residents.
- **Revised ECB Framework:** Entire Schedule I replaced with a consolidated framework covering eligible borrowers, lenders, costs, maturity, security, and reporting.

### Detailed Explanation:

- **Regulation 2 – Definitions:**
- 35 terms are now precisely defined, including ECB, ECL, trade credit, benchmark rate, cost of borrowing, real estate business, infrastructure sector, related party, and IFSC. This brings clarity and reduces interpretational ambiguity.
- **New Regulation 3A – Prohibited End-Uses:**
- Borrowed funds (ECB/TC) cannot be used for: Chit funds, Nidhi Companies, real estate business (with limited exceptions), most agriculture/plantation activities, trading in TDRs, transacting in securities (except strategic corporate actions), repaying NPA or restricted-end-use INR loans, or on-lending for restricted purposes.
- **Regulation 6(B)(vi) – NRI/OCI Loans:**

An Indian resident individual can now borrow in INR from an NRI or a relative who is an OCI Cardholder, subject to inward remittance/NRE/NRO/FCNR(B)/SNRR debit and repayment on non-repatriation basis to NRO account only.



- **Schedule I – Revised ECB Framework:**

Consolidates rules for eligible borrowers (any non-individual Indian entity under Central/State Act), recognised lenders (persons outside India, overseas branches of RBI-regulated entities, IFSC financial institutions), currency options (FCY or INR), borrowing limits, maturity, costs, security, refinancing, conversion, and reporting.

**Key Conditions:**

1. **Eligible borrowers:** Any non-individual person resident in India, incorporated/established under a Central or State Act.
2. **Borrowing limit:** Higher of USD 1 billion outstanding ECB or 300% of net worth (not applicable to entities regulated by financial sector regulators).
3. **Minimum Average Maturity Period (MAMP):** 3 years generally; 1–3 years for manufacturing sector (capped at USD 150 million outstanding).
4. **Cost of borrowing:** Must be in line with prevailing market conditions; ECBs under 3 years must comply with Trade Credit cost ceiling.
5. **ECB proceeds for INR expenditure:** Must be credited to INR account by end of succeeding month from receipt; pending use, may be parked in fixed deposit up to 1 year.
6. **LRN mandatory:** ECB can be drawn down only after obtaining Loan Registration Number from RBI through the designated AD Category I bank.
7. **Arm's length:** ECB from a related party must be on arm's length basis.

**Additional Conditions:**

1. Call/put options cannot be exercised before completion of MAMP.
2. Entities regulated by RBI cannot issue any type of guarantee for ECBs.
3. For construction-development projects: trunk infrastructure (roads, water supply, drainage, sewerage) must be developed before plots are sold.
4. Industrial parks must have minimum 10 units, no single unit exceeding 50% of allocable area, with at least 66% of allocable area for industrial activity.
5. Borrowers under restructuring/CIRP can raise ECB only if specifically permitted under the resolution plan.



6. Borrowers with pending investigation/adjudication must disclose this in Form ECB 1/Revised Form ECB 1; AD banks will share details with law enforcement agencies.
7. Untraceable borrower: A borrower failing to submit returns for 4 consecutive quarters (post drawdown/debt servicing schedule) and unreachable by the AD bank is classified untraceable; the AD bank must inform RBI and the Directorate of Enforcement.
8. Existing ECBs with LRN obtained before the amendment continue under prior regulations, except reporting which must follow the new amended regulations.

#### Practical Implications:

- Corporates raising ECB must reassess end-use compliance – NPA loan repayment and most real estate funding are now explicitly off-limits.
- OCI Cardholders can now lend to Indian resident relatives in INR, expanding funding options for families with overseas connections.
- Manufacturing sector companies get a concession with shorter MAMP (1–3 years) up to USD 150 million, facilitating short-term foreign borrowings.
- Borrowers with pending enforcement/regulatory actions can still raise ECB but must disclose this upfront.
- AD Category I banks must track and flag untraceable borrowers to RBI and ED after 4 quarters of non-compliance.
- IFSC-based financial institutions are now recognised lenders, potentially making GIFT City a more active ECB hub.



### Implementation Deadlines:

- **Effective Date:** From the date of publication in the Official Gazette (February 09, 2026).
- **Revised Form ECB 1:** Changes in ECB parameters to be reported within 7 calendar days from end of the month in which the change was effected.
- **Form ECB 2:** Receipt of ECB proceeds and debt servicing to be reported within 7 calendar days from end of the relevant month.
- **INR proceeds utilisation:** Must be credited to INR account by end of the succeeding month from receipt.
- **Existing ECBs:** Continue under prior regulations for all purposes except reporting, which must follow the amended regulations immediately.
- **Late reporting:** Permitted with payment of a late submission fee as per RBI guidelines.

**Link :** [Click Here](#)



## 8. Foreign Reporting under FEMA, 1999 – Revised Returns for External Commercial Borrowing (ECB) RBI/2025-26/223

### Summary of Foreign Reporting under FEMA, 1999 – Revised Returns for External Commercial Borrowing (ECB) RBI/2025-26/223

#### What's New?

The ECB reporting forms (Form ECB 1 and Form ECB 2) have been revised in line with the updated ECB Framework introduced via the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026.

#### Detailed Explanation:

RBI amended the Master Direction on Reporting under FEMA, 1999, by replacing Part V – Annex I and Annex II with updated versions of Form ECB 1 (Revised) and Form ECB 2, respectively. This follows the gazette notification of the First Amendment Regulations on February 16, 2026.

#### Key Conditions:

1. Part V – Annex I is replaced by the Revised Form ECB 1
2. Part V – Annex II is replaced by the new Form ECB 2
3. Authorised Persons must inform their customers/constituents of these changes
4. Directions issued under Sections 10(4), 11(1), and 11(2) of FEMA, 1999

#### Practical Implications:

- All entities raising ECBs must use the revised reporting forms going forward
- Authorised Dealer banks need to update their internal systems and client communication processes to reflect the new form formats

#### Implementation Deadlines:

Immediate effect from February 18, 2026 – no transition period provided

**Link :** [Click Here](#)



## 9. Advisory on Interest Collection and Related Enhancements in GSTR-3B – issued by GSTN (Goods and Services Tax Network)

### Summary of Interest Collection and Related Enhancements in GSTR-3B – issued by GSTN (Goods and Services Tax Network)

#### What's New?

Four key enhancements introduced in GSTR-3B filing effective from January 2026 tax period:

1. Revised interest computation formula (Table 5.1)
2. Auto-population of Tax Liability Breakup Table
3. Suggestive cross-utilization of ITC in Table 6.1
4. Interest collection via GSTR-10 for cancelled taxpayers

#### Detailed Explanation:

1. Revised Interest Formula (Table 5.1)

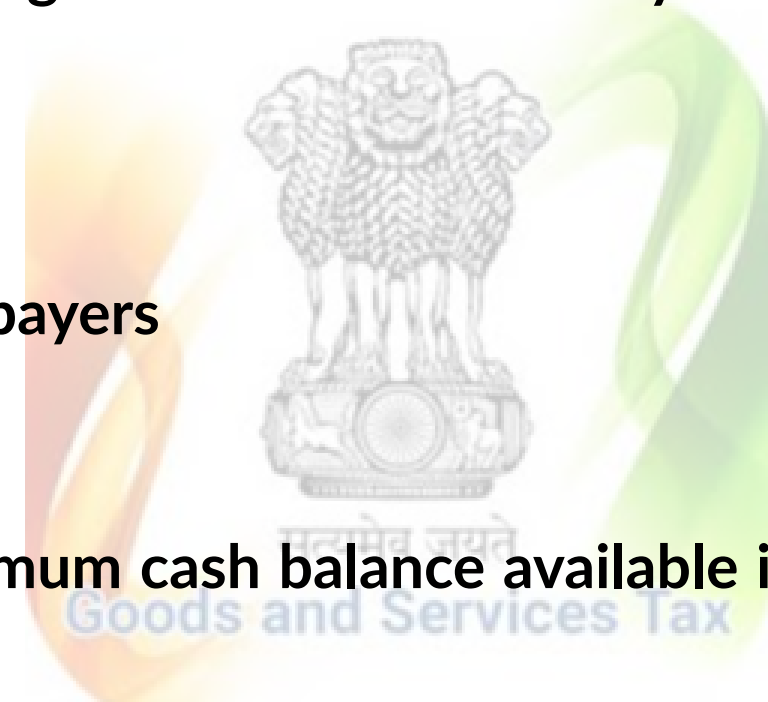
Interest is now calculated after deducting the minimum cash balance available in the Electronic Cash Ledger (ECL) from the due date until the date of tax payment (offset).

Formula: Interest = (Net Tax Liability – Minimum Cash Balance in ECL from due date to date of debit) × (Days Delayed / 365) × Applicable Rate

This is in line with the proviso to Rule 88B(1) of CGST Rules, 2017.

2. Auto-Population of Tax Liability Breakup Table

The portal will auto-populate the Tax Liability Breakup Table based on the date of documents reported in GSTR-1/GSTR-1A/IFF for previous tax periods, where tax is being paid in the current period's GSTR-3B.





### 3. Cross-Utilization of ITC (Table 6.1)

Once available IGST ITC is fully exhausted, the portal will allow IGST liability to be paid using CGST and SGST ITC in any sequence.

### 4. Interest in GSTR-10 for Cancelled Taxpayers

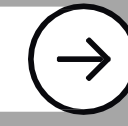
If a cancelled taxpayer files their last applicable GSTR-3B after the due date, interest on the delay will be levied and collected through the Final Return (GSTR-10).

#### Key Conditions:

1. Auto-populated interest in Table 5.1 is non-editable downward – taxpayers cannot reduce the system-computed figure
2. Taxpayers must self-assess their actual interest liability and amend upward if needed
3. Auto-populated values are suggestive in nature
4. Tax Liability Breakup auto-population is based on document dates from GSTR-1/GSTR-1A/IFF

#### Additional Conditions:

1. The revised interest computation will first apply to delayed returns filed for January 2026, and the interest will reflect in February 2026 GSTR-3B
2. Tax Liability Breakup can be viewed at: Login → GSTR-3B Dashboard → Table 6.1 → Tax Liability Breakup
3. This advisory is for educational purposes only and is not legal advice



### Practical Implications:

- Taxpayers with cash balance in ECL during the delay period will benefit from reduced interest liability
- Businesses filing delayed returns must ensure ECL balances are maintained to minimise interest
- Cancelled taxpayers must clear all dues before filing GSTR-10 to avoid surprise interest demands
- ITC utilisation flexibility (CGST/SGST for IGST) reduces the need to maintain separate ITC balances

### Implementation Deadlines:

Effective from January 2026 tax period onwards (i.e., returns filed from February 2026 filing cycle)

Link : [Click Here](#)