20th April

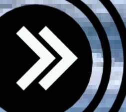
UPDATES

March 2026

P G BHAGWAT LLP
Chartered Accountants | Since 1938

Sindhudurg Fort, located off the coast of Malvan, Maharashtra, is a historic sea fort built by Chhatrapati Shivaji Maharaj. It is renowned for its strategic location, maritime defenses, and historical significance.

Authored by: PGB LLP Technical Desk

NEXT 

Updates

March 2026

P G BHAGWAT LLP (“PGB LLP”) is glad to release updates for the month of March 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.
Note: The information contained herein is in summary form. It has been written in general terms and should be seen as broad guidance only. The information is not intended to cover specific situations and you should refrain from acting, or should not act, upon the information contained therein without obtaining specific professional advice. Please contact P G BHAGWAT LLP to discuss these matters in the context of your circumstances. P G BHAGWAT LLP and its partners and/or employees do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.
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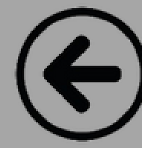


We compile only the most relevant & important updates and therefore urge to you go through them...

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

A. G.S.R. 169(E) — Companies (Accounting Standards) Amendment Rules, 2026, issued by the Ministry of Corporate Affairs on 10th March 2026, amending the Companies (Accounting Standards) Rules, 2021 to incorporate changes to Accounting Standard (AS) 22 relating to Pillar Two taxation.

Summary of Companies (Accounting Standards) Amendment Rules, 2026, issued by the Ministry of Corporate Affairs, amending the Companies (Accounting Standards) Rules, 2021 to incorporate changes to Accounting Standard (AS) 22 relating to Pillar Two taxation

What's New?

AS 22 (Income Taxes) has been amended to address the OECD's Pillar Two Model Rules — a global minimum tax framework. Three new paragraphs (2A, 32A–32D) have been inserted into AS 22 dealing with recognition, measurement, and disclosure of Pillar Two income taxes.

Detailed Explanation

· Para 2A introduces a temporary exception: companies are not required to recognise or disclose deferred tax assets/liabilities arising from Pillar Two income taxes. This is consistent with the IASB's approach globally.

· Paras 32A–32D introduce specific disclosure requirements under the head "International Tax Reform — Pillar Two Model Rules":

- 32A – Disclose that the Pillar Two exception (para 2A) has been applied.
- 32B – Separately disclose current tax expense/income related to Pillar Two taxes.
- 32C – Where Pillar Two legislation is enacted but not yet effective, disclose known or reasonably estimable information about the company's exposure.
- 32D – To fulfill 32C, disclose both qualitative and quantitative information about Pillar Two tax exposure at the end of the reporting period.

Key Conditions:

1. The exception under para 2A applies immediately and retrospectively.
2. Disclosures under para 32B–32D apply for annual periods beginning on or after 1 April 2025.
3. No disclosure under 32B–32D is required for any interim period ending on or before 31 March 2026.

Additional Conditions:

1. Small and Medium-sized Companies (SMCs) are exempt from the enhanced disclosure requirements under paras 32C and 32D.
2. If information about exposure is not known or reasonably estimable, companies may disclose a statement to that effect along with their progress in assessing the exposure.
3. Disclosures can be provided as an indicative range – they need not reflect all specific Pillar Two legislative requirements.

Ministry of Corporate Affairs

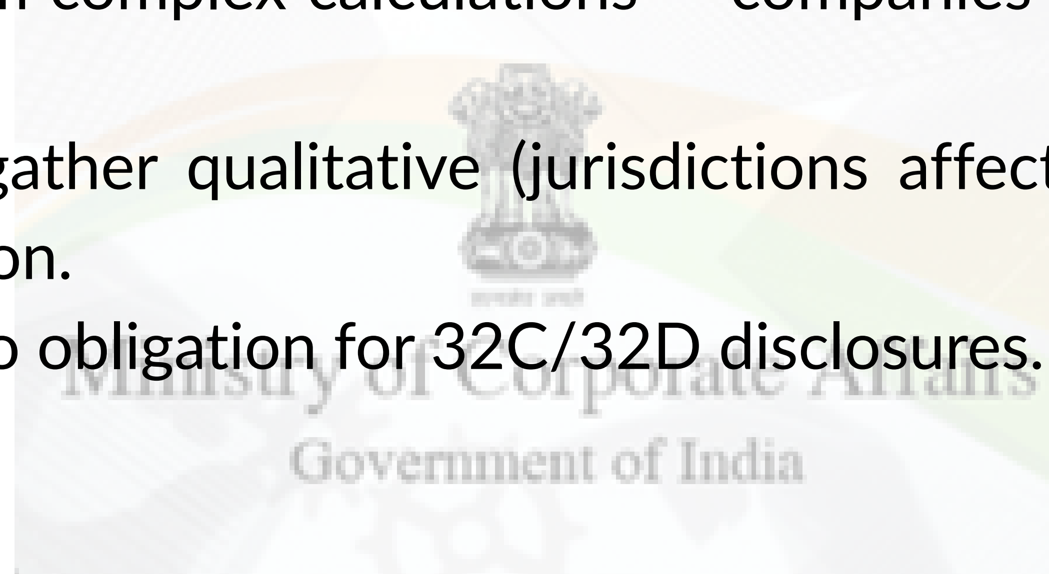
Practical Implications:

· Companies subject to Pillar Two (typically large MNEs with revenue ≥ €750 million) must assess their exposure and prepare appropriate disclosures in their financial statements.

· The deferred tax exception provides relief from complex calculations — companies need not compute deferred tax on Pillar Two top-up taxes.

· Finance and tax teams must coordinate to gather qualitative (jurisdictions affected) and quantitative (effective tax rate impact, proportion of profits exposed) information.

· SMCs have a lighter compliance burden with no obligation for 32C/32D disclosures.



Implementation Deadlines:

· Para 2A (DTA/DTL exception)-Immediately & retrospectively from date of publication (10 March 2026)

· Para 32A (disclosure of exception applied)Immediately & retrospectively

· Paras 32B–32D (detailed disclosures)Annual periods beginning on or after 1 April 2025

· Interim period reliefNo disclosure needed for periods ending on or before 31 March 2026

Link : Click Here

A. Reserve Bank of India (Core Investment Companies) Amendment Directions, 2026

Summary of Reserve Bank of India (Core Investment Companies) Amendment Directions, 2026

What's New?

The RBI has amended the definition of "Owned Funds" under the Master Direction for Core Investment Companies (CICs), issued originally on November 28, 2025. Two key additions have been made: inclusion of quarterly profits in Owned Fund computation and an exemption for Right-of-Use (ROU) assets from deduction

Detailed Explanation:

The revised definition of Owned Funds now reads as: paid-up equity capital + compulsorily convertible preference shares + free reserves (including quarterly profits) + share premium + eligible capital reserves — minus accumulated losses, intangible assets, and deferred revenue expenditure. Revaluation reserves remain excluded.

Key Conditions:

1. Financial statements must undergo limited review/audit by statutory auditors each quarter.
2. Eligible profit is calculated using the formula:

$$EPt = NPt - 0.25 \times D \times t$$

(where NPt = net profit up to quarter 't'; D = average dividend paid over the last 3 financial years; t = quarter number 1 to 4)

3. Any current year losses must be fully deducted from Owned Fund — no partial netting.

Additional Conditions:

CICs are not required to deduct ROU assets (created under Ind AS 116 – Leases) from Owned Fund, provided the underlying leased asset is a tangible asset.

Practical Implications:

· CICs can now report a higher Owned Fund mid-year by including audited/reviewed quarterly profits, improving their adjusted net worth position.
· This may positively impact regulatory compliance ratios (e.g., leverage ratios) without waiting for year-end financials.
· The ROU asset exemption reduces the compliance burden on CICs that lease tangible assets under Ind AS 116.
· CICs will need to ensure quarterly statutory audits/limited reviews are in place — an added operational requirement.

Implementation Deadlines:

These directions came into immediate effect from March 10, 2026. No phased timeline has been prescribed.

Link : Click Here

B. Foreign Exchange Management (Export and Import of Currency) (Amendment) Regulations, 2026

Summary of Foreign Exchange Management (Export and Import of Currency) (Amendment) Regulations, 2026

What's New?

The notification inserts a formal Currency Declaration Form (CDF) as an Annex to the principal FEMA 6(R) Regulations, 2015. This standardises the declaration process for foreign exchange brought into India by arriving passengers.

Detailed Explanation:

The RBI, under Section 47(2)(ga) of FEMA 1999, has amended the 2015 regulations by adding an official CDF format. The form requires arriving passengers to declare foreign currency notes and travellers' cheques held at the time of entry into India. It also serves as a tracking document for subsequent encashment or reconversion transactions done through authorised banks or money changers.

Key Conditions:

1. CDF is not required if total foreign exchange (currency + travellers' cheques) is ≤ USD 10,000 equivalent AND foreign currency notes alone are ≤ USD 5,000 equivalent.
2. The form must be presented to an authorised bank or money changer at the time of conversion/reconversion.
3. Passengers wishing to re-export unutilised foreign exchange must retain the CDF for production at Customs during departure.

Additional Conditions:

1. Details of individual travellers' cheques or currency note denominations need not be furnished.
2. Foreign tourists are not required to provide their Indian address on the form.

Practical Implications:

- Arriving passengers carrying large foreign exchange amounts must proactively complete and carry the CDF.
- Banks and money changers will endorse the CDF at each transaction, creating an audit trail.
- Failure to retain the CDF may prevent passengers from legally taking unutilised foreign exchange back out of India.
- Simplifies and standardises what was previously an informal or inconsistent declaration process.

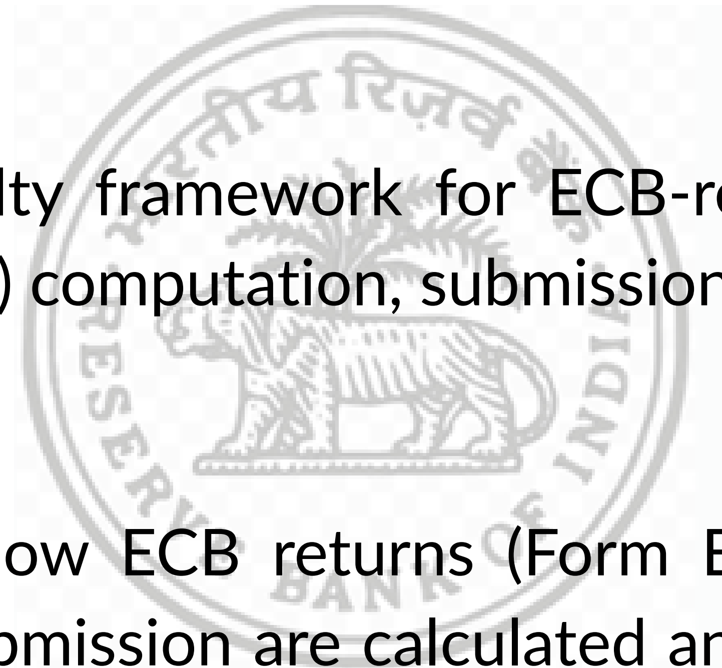
Implementation Deadlines:

The amendment came into force upon publication in the Official Gazette, i.e., February 24, 2026. There is no phased or deferred implementation.

Link : Click Here

C. Reporting under Foreign Exchange Management Act, 1999 – Returns pertaining to External Commercial Borrowing (ECB) (RBI/2025-26/253 | A.P. (DIR Series) Circular No. 25 | dated March 30, 2026)

Summary of Reporting under Foreign Exchange Management Act, 1999 – Returns pertaining to External Commercial Borrowing (ECB)



What's New?

RBI has revised the procedural and penalty framework for ECB-related return submissions by AD Category I banks, particularly around Late Submission Fee (LSF) computation, submission timelines, and payment mode for LSF.

Detailed Explanation:

The circular updates the rules governing how ECB returns (Form ECB 1, Revised Form ECB 1, and Form ECB 2) are submitted and how penalties for delayed submission are calculated and paid. It also clarifies the responsibility of AD banks in monitoring LSF compliance by their customers.

Key Conditions:

1.Form ECB 1 & Revised Form ECB 1 are classified as returns that do not capture flows — LSF for late submission will be computed accordingly (i.e., on a non-flow basis).

2.Form ECB 2 (per LRN): Each delayed submission under a Loan Registration Number is treated as a separate instance for computing the fixed component of LSF.

3. Submission timeline: AD Category I banks must submit the complete return (with due certification) to RBI within 7 calendar days of receiving it from the eligible borrower.
4. LSF Payment mode: Payable via NEFT/RTGS to the concerned RBI Regional Office, only after receiving an acknowledgment e-mail from RBI. Payment instructions will be detailed in that acknowledgment.

Additional Conditions:

1. AD Category I banks are responsible for monitoring LSF payment by their customers/constituents in cases of delayed return submissions.
2. AD banks are required to communicate the contents of this circular to their customers/constituents.

Practical Implications:

· Banks need to tighten their internal turnaround process to ensure returns are forwarded to RBI within the 7-day window.
· Compliance teams must track each LRN-wise ECB 2 submission independently for LSF computation — a single borrower with multiple delayed months will face multiple LSF charges.
· Banks cannot process LSF payments arbitrarily; they must wait for RBI's acknowledgment e-mail before remitting.
· Banks take on an active monitoring role for customer LSF compliance, adding to their compliance obligations.

Implementation Deadlines:

April 01, 2026 — all directions are effective from this date.

Link : Click Here

D. Reserve Bank of India (Trade Relief Measures) Directions, 2026

Ref: RBI/2025-26/263 | DOR.STR.REC.No.455/21.04.048/2025-26 | Dated: March 31, 2026

Summary of Reserve Bank of India (Trade Relief Measures) Directions, 2026

What's New?

The RBI has introduced special trade relief measures allowing regulated entities (REs) to offer extended export credit periods and flexible liquidation options for exporters impacted by the West Asian geopolitical crisis.

Detailed Explanation:

The RBI, exercising powers under the Banking Regulation Act 1949, the RBI Act 1934, and the Factoring Regulation Act 2011, has issued these directions to ease debt servicing burdens for exporters and sustain viable businesses affected by the ongoing West Asian crisis. The directions take effect immediately.

Key Conditions:

1. Export credit (both pre-shipment and post-shipment) disbursed up to June 30, 2026 may be granted an enhanced credit period of up to 450 days.
2. For packing credit already availed on or before March 31, 2026, where goods could not be dispatched, REs may allow liquidation from alternate legitimate sources, such as domestic sale proceeds or proceeds from a substitute export order.

Practical Implications:

1. Exporters get significantly more time (450 days) to repay export credit, reducing immediate financial pressure.
2. Businesses stuck with unsold/undispatched goods can repay packing credit through domestic sales or alternate export orders — avoiding NPA classification.
3. Banks and NBFCs get regulatory cover to restructure/accommodate stressed export accounts without it being treated as a default.

Implementation Deadlines:

Directions are effective immediately (March 31, 2026).

The extended credit period benefit applies to disbursements made up to June 30, 2026.

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E. RBI Defers Implementation of Amendment Directions on Capital Market Exposures to July 1, 2026

Summary of Deferment of Implementation of Amendment Directions on Capital Market Exposures by RBI

What's New?

The RBI has deferred the effective date of the Amendment Directions on Capital Market Exposures from April 1, 2026 to July 1, 2026 (a three-month extension), along with key clarifications based on stakeholder feedback.

Detailed Explanation:

Originally issued on February 13, 2026, the Amendment Directions on Capital Market Exposures were designed to create an enabling framework for banks to finance acquisitions by Indian corporates, rationalise lending limits for individuals against securities such as shares, REITs, and InvITs, and establish a more principle-based framework for lending to Capital Market Intermediaries (CMIs). However, following representations from banks, CMIs, and industry associations — who flagged operational difficulties and sought interpretational clarity on several provisions — the RBI reviewed the directions, extended the implementation date by three months to July 1, 2026, and issued revised directions with targeted clarifications on acquisition finance and CMI exposures.

Key Conditions:

A) Acquisition Finance

1. Covers mergers and amalgamations in addition to acquisitions.
2. Only for acquiring control over a non-financial target company.
3. 'Potential synergy' criterion must be met collectively when target is a holding company.
4. On-lending to a domestic or overseas subsidiary for acquisition is permitted.
5. Refinancing allowed only post full conclusion of acquisition; proceeds limited to retiring acquisition debt.
6. Corporate guarantee mandatory when finance is extended to a subsidiary or SPV.

B) Loans Against Financial Assets

1. ₹1 crore cap (loans against eligible securities) and ₹25 lakh cap (IPO/FPO/ESOP) per individual apply at banking system level.

C) Credit Facilities to CMIs

1. Proprietary trading finance permitted against 100% cash or cash-equivalent collateral.
2. Restriction on financing market makers against their own market-making securities removed.
3. Intraday facilities to non-debt MFs secured by same-day G-Sec/T-Bill/SDL/TREPS receivables excluded from CME.

Practical Implications:

- Banks and CMIs get 3 additional months to align systems and policies.
- Broader M&A scope — mergers now covered under acquisition finance.
- System-level caps clarify how individual lending limits apply across banks.
- Market makers and non-debt mutual funds gain operational flexibility.

Implementation Deadlines:

Original Directions issued February 13, 2026
Earlier effective date (deferred) April 1, 2026
Revised effective date July 1, 2026

Link : Click Here

A. Advisory on Payment of Pre-Deposit While Filing Appeal Before First Appellate Authority

Summary of Advisory on Payment of Pre-Deposit While Filing Appeal Before First Appellate Authority

What's New?

GSTN has clarified that DRC-03 payments must be linked to a Demand ID via Form GST DRC-03A before filing an appeal, otherwise the GST portal will not recognize those payments as pre-deposit.

Detailed Explanation:

Taxpayers who voluntarily pay amounts during investigation using DRC-03 face a problem — the portal still demands pre-deposit at the time of appeal. This happens because DRC-03 payments are not automatically mapped to any Demand ID in the Electronic Liability Register. Only payments made through the "Payment towards Demand" functionality get auto-linked to the Demand ID. To bridge this gap, taxpayers must file DRC-03A, which maps the DRC-03 payment to the specific demand order, making it visible in the register.

Key Conditions:

1. The GST system auto-calculates the required amount as: Admitted Amount + Pre-Deposit
2. It checks only the Electronic Liability Register (Part II) for prior payments against the Demand ID
3. If amount already adjusted ≥ required amount → appeal allowed without further payment
4. If amount adjusted < required amount → balance payment is mandatory

Additional Conditions:

1. DRC-03A must be filed before filing the appeal for the system to recognize the payment
2. The process to file DRC-03A is available via the manual on the GST portal

Practical Implications:

·Taxpayers who paid via DRC-03 during investigation must take the additional step of filing DRC-03A — it is not automatic
·Failing to file DRC-03A before filing the appeal will result in the portal demanding pre-deposit again, even if sufficient funds were already paid
·Once DRC-03A is filed, no additional pre-deposit payment will be required at the time of appeal

Implementation Deadlines:

No specific deadline mentioned. This is an ongoing advisory — applicable immediately whenever a taxpayer intends to file an appeal after having paid via DRC-03.

Link : Click Here

A. Applicability of Guidance Note on Financial Statements of Non-Corporate Entities & Guidance Note on Financial Statements of Limited Liability Partnerships (LLPs) for annual reporting periods 2025-26 onwards.

Summary of Applicability of Guidance Note on Financial Statements of Non-Corporate Entities & Guidance Note on Financial Statements of Limited Liability Partnerships (LLPs) for annual reporting periods 2025-26 onwards.

What's New?

The ICAI Council has formally decided the rollout schedule for two Guidance Notes issued in August 2023, making them mandatory in a phased manner starting FY 2025-26.

Detailed Explanation:

ICAI issued two Guidance Notes in August 2023 covering the format and presentation of financial statements for Non-Corporate Entities and LLPs. At its 451st Council meeting (March 30-31, 2026), ICAI decided to make these Guidance Notes binding on such entities in two phases based on turnover.

Key Conditions:

1. Phase I (from April 1, 2025): Applicable to entities with turnover exceeding ₹5 crores.
2. Phase II (from April 1, 2026): Applicable to all Non-Corporate Entities and LLPs, regardless of turnover

Practical Implications:

· Firms, partnerships, LLPs, and other non-corporate entities must now prepare financial statements as per the prescribed formats in the Guidance Notes.

· Smaller entities (turnover ≤ ₹5 crores) get an additional year to comply, easing transition burden.

· Auditors must verify compliance with these Guidance Notes while auditing such entities.

Implementation Deadlines:

· Phase I- April 1, 2025 Turnover > ₹5 crores

· Phase II - April 1, 2026 - All entities

Link : Click Here

A. Audit of Provisions, Contingent Liabilities, and Contingent Assets

Ind AS 37 · SA 540 · SA 501 · SA 505 | Issued by National Financial Reporting Authority (NFRA

Summary of Audit of Provisions, Contingent Liabilities, and Contingent Assets

What's New?

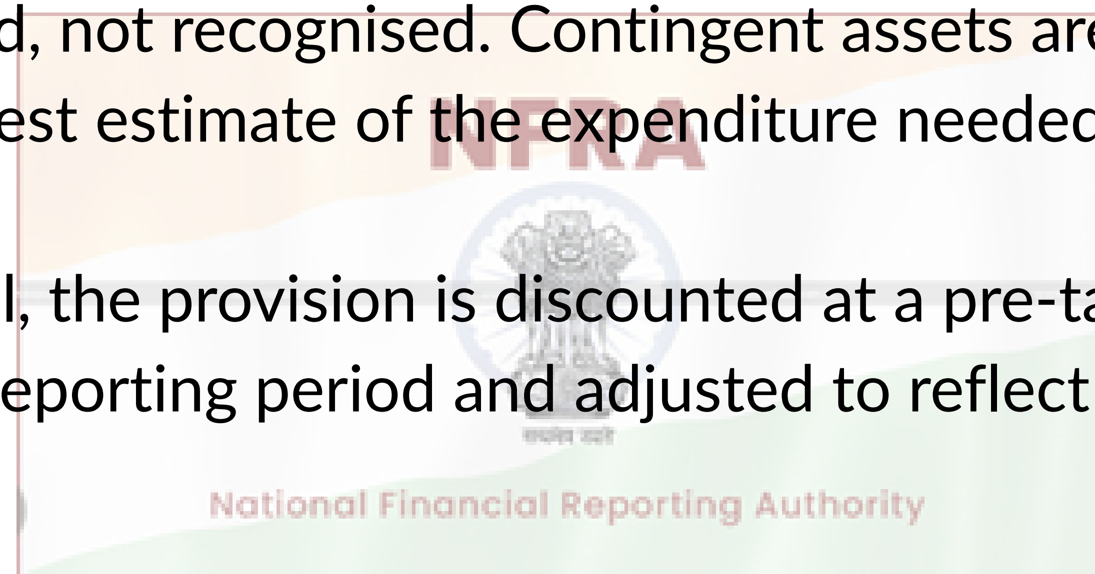
This is the fifth publication in NFRA's ongoing Auditor–Audit Committee Interactions series. It focuses specifically on auditing provisions, contingent liabilities, and contingent assets under Ind AS 37, and introduces a curated set of potential questions Audit Committees may pose to statutory auditors.

Detailed Explanation:

NFRA emphasises that financial statements require management to make estimates and judgements in recognising assets, liabilities, income, and expenses — areas such as provisions for litigation, contingent liabilities, ECL, and deferred tax assets. The document draws auditors' attention to these complex areas by providing relevant accounting requirements (Ind AS 37), applicable auditing standards (SA 540, SA 501, SA 505), and the obligations of Audit Committees under CA 2013 and SEBI LODR. It culminates in a detailed list of questions Audit Committees may ask auditors.

Key Conditions:

1. A provision is recognised only when: (i) a present obligation exists from a past event, (ii) outflow of resources is probable, and (iii) a reliable estimate can be made.
2. Contingent liabilities are only disclosed, not recognised. Contingent assets are disclosed only when an inflow is probable.
3. Provisions must be measured at the best estimate of the expenditure needed to settle the obligation, using the Expected Value Method for large populations.
4. Where time value of money is material, the provision is discounted at a pre-tax rate reflecting current market assessments.
5. Provisions must be reviewed at each reporting period and adjusted to reflect the current best estimate.



Additional Conditions:

1. Scope includes constructive obligations in addition to legal or contractual ones.
2. Onerous contracts: recognise provision at the lower of cost to fulfil or cost to exit.
3. Restructuring provisions: require a detailed formal plan and a raised valid expectation — a board decision alone is insufficient.
4. Reimbursements from third parties are recognised as separate assets only when virtually certain.
5. Subsequent events (post-reporting date) must be considered — they may require recognition or disclosure of provisions or contingent liabilities.
6. For EPR/environmental liabilities (Plastic Waste, E-Waste, Battery Waste Rules), auditors must verify assumptions and potential refunds.

Practical Implications:

Auditors should:

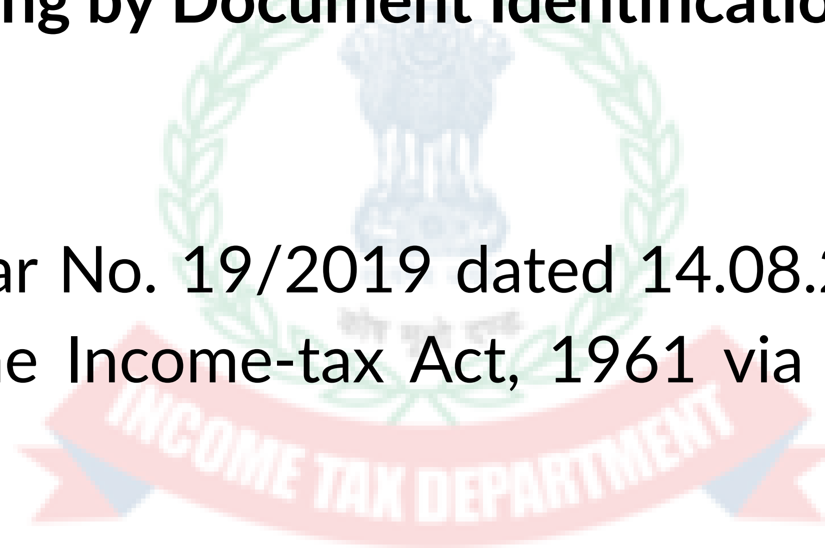
- Test internal controls over identification and measurement of provisions and contingent liabilities.
- Seek direct confirmation from external legal counsel when litigation risk is identified (SA 501 / SA 505).
- Evaluate management's use of statistical methods (e.g., Expected Value), discount rates, and completeness of provisions.
- Review provision movements with professional scepticism for signs of earnings management or management bias (SA 540).
- Obtain written representations from management on significant accounting estimates.
- Validate adequacy of disclosures — the prejudice exception for legal disputes is applicable only in extremely rare cases.

Implementation Deadlines:

No specific implementation deadline is stated in this publication. It is an educational and awareness document to be applied on an ongoing basis in audit engagements. The obligations under Ind AS 37, SA 540, SA 501, SA 505, CA 2013, and SEBI LODR are already in effect and continue to apply to each reporting period.

Link : Click Here

A. Circular No. 4/2026 — Referencing by Document Identification Number (DIN)
F. No. 370142/14/2026-TPL | Dated: 31st March 2026 | Ministry of Finance, Dept. of Revenue
Summary of Circular No. 4/2026 — Referencing by Document Identification Number (DIN)



What's New?

This circular supersedes and replaces Circular No. 19/2019 dated 14.08.2019. It incorporates changes brought by the Finance Act, 2026 (insertion of Section 292BA in the Income-tax Act, 1961 via Section 522). The DIN mandate is now backed by a stronger statutory foundation.

Detailed Explanation:

Every income-tax authority (under clauses (aa) to (h) of Section 116) must generate a computer-generated DIN for all official communications with any person who is not an income-tax officer. This includes notices, letters, orders, draft orders, summons, etc. — collectively termed "communication." The DIN can appear on the document itself, in an attached document, or in the email correspondence.

Key Conditions:

1. All official communications to taxpayers/third parties must carry a DIN.
2. DIN need not appear on every page – referencing once (including via email or attachment) is sufficient.
3. Public communications (guidelines, FAQs, etc.) are exempt from DIN requirement.

Exceptions:

a) Technical difficulty in generating DIN electronically.
b) Officer is outside office with no system access.
c) PAN lies with a non-jurisdictional Assessing Officer (PAN migration delay).
d) PAN of the assessee is not available.
e) DIN issuance functionality is not available in the system.

Additional Conditions:

1. The communication must state that it is issued without DIN citing the specific exception.
2. Post-facto approval must be obtained within 15 working days of issuance from:
   - Joint Commissioner / Joint Director / Addl. Commissioner / Addl. Director (for below Joint Commissioner rank).
   - Chief Commissioner / Director General of Income-tax (for all other cases).

Practical Implications:

- Taxpayers can challenge validity of any communication not bearing a DIN (unless an exception applies).
- Officers must ensure system-generated DIN before issuing notices/orders to avoid procedural defects.
- Compliance teams should verify DIN on all received communications as a first-level authentication check.

Implementation Deadlines:

- Effective Date: 31st March 2026 (date of issue; old circular ceases from this date).
- Post-facto approval: Within 15 working days of issuing a communication without DIN.
- System upload: Communications under exceptions 3(a), 3(b) & 3(c) must be uploaded on the system with DIN referencing within 15 working days of issuance.

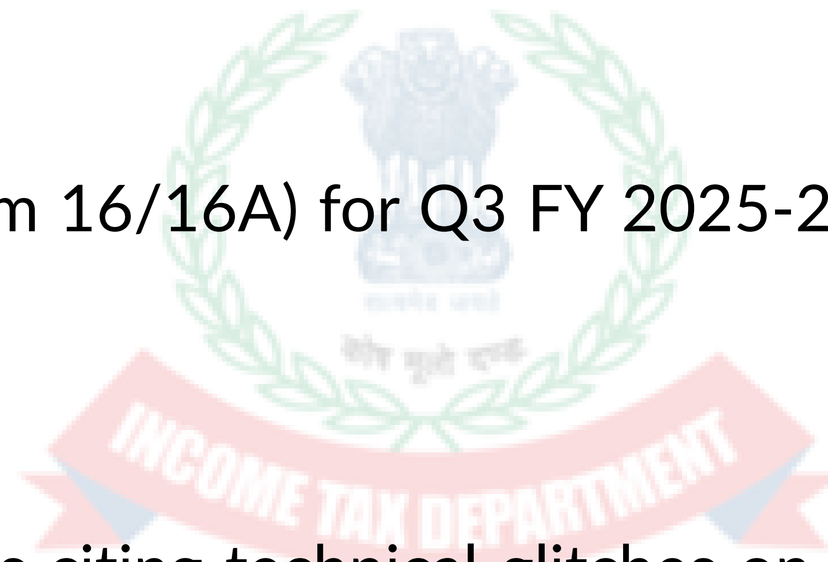
Link : Click Here

B. Order under Section 119 of the Income-tax Act, 1961 — Extension of timeline for issuance of TDS Certificate under Section 203 for the quarter ending 31st December 2025.

Summary of Extension of timeline for issuance of TDS Certificate under Section 203 for the quarter ending 31st December 2025

What's New?

The due date for issuing TDS certificates (Form 16/16A) for Q3 FY 2025-26 (October–December 2025) has been extended to 31st March, 2026.



Detailed Explanation:

CBDT received representations from deductors citing technical glitches on the e-filing portal that prevented timely generation and issuance of TDS certificates for Q3 (ending 31st Dec 2025). Acknowledging this genuine hardship, CBDT exercised its powers under Section 119 to grant a blanket extension.

Key Conditions:

1. Applicable only for TDS certificates under Section 203 read with Rule 31.
2. Covers the quarter ending 31st December 2025 only.
3. Certificates issued within the extended period will be treated as issued within the prescribed time — no penalty or default consequences.

Practical Implications:

- Deductors who could not issue TDS certificates (Form 16A) for Q3 due to portal issues get relief from penalty under Section 272A.
- Employees/deductees can now receive their certificates by 31st March 2026 without any legal complication.
- No separate application or approval needed — the extension is automatic.

Implementation Deadlines:

Issuance of TDS Certificate for Q3 (Oct–Dec 2025) - 31st March, 2026

Link : Click Here

C. Clarification on Power to Condone Delay in Filing Form No. 10A under Section 12A(1)(ac)(i) of the Income Tax Act, 1961
Issued by: Central Board of Direct Taxes (CBDT), Ministry of Finance
F.No. 300173/26/2026-ITA-I | Dated: 23.03.2026

Summary of Clarification on Power to Condone Delay in Filing Form No. 10A under Section 12A(1)(ac)(i) of the Income Tax Act, 1961

What's New?

CBDT has clarified that the jurisdictional Principal Commissioner of Income-tax (PCIT) or Commissioner of Income-tax (CIT) — and not the Director of Income-tax (Centralized Processing Centre), Bengaluru — holds the authority to condone delay in filing Form 10A under Section 12A(1)(ac)(i).

Detailed Explanation:

Section 12A of the Income Tax Act prescribes conditions for trusts/institutions to avail exemptions under Sections 11 & 12. Under Section 12A(1)(ac)(i), trusts were required to file Form 10A within the prescribed time for registration. A proviso inserted w.e.f. 01.10.2024 empowered the PCIT/CIT to condone delays if a reasonable cause existed. However, a conflict arose because Rule 17A(5) read with Notifications S.O. 1443(E) and S.O. 2161(E) vested processing authority with the Director of IT (CPC), Bengaluru. This circular resolves that conflict by clarifying the condonation authority lies with the jurisdictional PCIT/CIT.

Key Conditions:

1. The trust/institution must have filed Form 10A beyond the prescribed time limit.
2. There must be a reasonable cause for the delay.
3. Condonation authority rests with the jurisdictional PCIT or CIT — not CPC Bengaluru.
4. Upon condonation, the application is deemed to have been filed within time.

Additional Conditions:

The circular is not prospective only — it applies to all pending condonation applications filed on or after the date of this circular, as well as cases already pending.

Practical Implications:

- Trusts/institutions who missed the Form 10A deadline can now approach their jurisdictional PCIT/CIT for condonation with valid reasons.
- Removes ambiguity between jurisdictional authorities and CPC Bengaluru.
- Eligible entities will not be denied registration solely on account of delay in filing Form 10A.
- Condonation applications already pending will be taken up by the jurisdictional authority.

Implementation Deadlines:

Applicable to all cases where Form 10A was filed beyond the prescribed time and the condonation application is pending or filed on or after 23.03.2026.

No fresh deadline prescribed — trusts may apply immediately to the jurisdictional PCIT/CIT.

Link : Click Here

D. Protocol Amending the India–Brazil DTAA (originally signed 26 April 1988, as amended in 2013), signed at Brasília on 24th August 2022, notified vide No. 39/2026.

Summary of Protocol Amending the India–Brazil DTAA

What's New?

- New Article 12-A — Fees for Technical Services (FTS) at 10% WHT (absent in original treaty)
- New Article 26-A — Limitation of Benefits (LOB) with Principal Purpose Test (PPT)
- Updated WHT rates for dividends, interest, and royalties
- Expanded Permanent Establishment (PE) definition (BEPS-aligned)
- Source-state taxation enabled on capital gains from share transfers
- Double taxation relief shifted to credit method

Key Rates:

- Dividends (≥20% holding for 365 days) - 10%
- Dividends (all other cases) - 15%
- Interest (bank loan ≥ 5 years) - 10%
- Interest (all other cases) - 15%
- Royalties — Trademarks - 15%
- Royalties — Others - 10%
- Fees for Technical Services - 10%

Key Conditions:

1. Benefits available only to beneficial owners who are tax residents of a contracting state
2. 10% dividend rate requires ≥ 20% shareholding held for 365 continuous days
3. Lower WHT rates do not apply if income is connected to a PE (taxed as business profits under Article 7)
4. LOB: only "qualified persons" (individuals, listed companies, governments, etc.) entitled to benefits
5. PPT: benefits denied if obtaining them is a principal purpose of any arrangement

Additional Conditions:

1. Brazil's CSLL included as a covered tax
2. Brazilian juros sobre capital próprio treated as interest for treaty purposes
3. FTS provisions also cover technical assistance payments
4. Penalties and fines not eligible for tax credit
5. Domestic GAAR of either country unaffected by the treaty

Practical Implications:

- Favourable WHT on dividends for companies with substantial cross-border holdings
- FTS article resolves long-standing disputes on technical service fee taxation
- India can now tax capital gains on Indian shares sold by Brazilian residents
- Service providers must monitor 183-day threshold to avoid services PE
- Existing India–Brazil structures should be reviewed for LOB/PPT compliance

Implementation Deadlines:

- Protocol Signed - 24th August 2022
- Entry into Force - 18th October 2025
- Effective in India - 1st April 2026
- Effective in Brazil (WHT) - 1st January 2026
- Gazette Notification - 30th March 2026

Link : Click Here

E. Income-tax Rules, 2026 — Notified vide G.S.R. 198(E) dated 20th March 2026, issued by the Ministry of Finance (Department of Revenue), Central Board of Direct Taxes (CBDT), in exercise of powers under Section 533 of the Income-tax Act, 2025 (Act No. 30 of 2025).

Summary of Income-tax Rules, 2026 — Notified vide G.S.R. 198(E) dated 20th March 2026

What's New?

This notification replaces the old Income-tax Rules, 1962 in their entirety. It is the complete set of procedural and operational rules under the new Income-tax Act, 2025, which itself is a recodification of India's direct tax law. This is a landmark change — a fresh set of rules aligned to the new Act, with updated procedures, forms, safe harbours, and compliance mechanisms.

Detailed Explanation:

The Income-tax Rules, 2026 is a comprehensive 976-page document containing 209+ rules and several appendices/forms. It covers every aspect of income-tax administration, including:

- Residency & Non-Resident Taxation (Rules 8–9, 13): Rules on stay computation for Indian seafarers, determination of non-resident income, and thresholds for Significant Economic Presence (SEP).
- Capital Gains (Rules 6, 49–53): Methods for determining the holding period of capital assets, computation of capital gains, fair market value (FMV) of assets including unlisted shares and unquoted equity.
- Salary & Perquisites (Rules 15–20): Detailed valuation of perquisites like accommodation, ESOPs, and medical benefits; annual accretion to provident funds; and VRS/VRS-related procedures.
- Deductions & Exemptions (Rules 27–72): Forms and procedures for claiming deductions under sections related to scientific research, donations, affordable housing, agricultural extension, skill development, and more.
- Transfer Pricing (Rules 77–122): Arm's length price determination, safe harbour rules for international and domestic transactions, Advance Pricing Agreements (APA), mutual agreement procedures, and country-by-country reporting.
- TDS/TCS (Rules 145, 203–209+): Credit of tax deducted/collected at source, declarations for senior citizens, certificates for lower deduction, and rate of exchange for foreign income.

- Search, Seizure & Assessment (Rules 148–180): Procedure for search and seizure, faceless assessment, block assessments, and valuation of seized assets.
- Non-Profit Organisations (Rules 181–190): Registration, computation of income, audit reports, and accumulation of income for charitable purposes.
- Dispute Resolution & Appeals (Rules 167, 191–202): Forms for appeals, cross-objections, Dispute Resolution Committee, and Advance Ruling procedures.
- Crypto-Assets Reporting (Forms included): New reporting framework for Crypto-Asset Service Providers (CASPs/RCASPs) covering transactions, wallet transfers, retail payments, etc.
- Pension Funds & Sovereign Wealth Funds: Compliance forms and investment-tracking requirements for exempt funds.

Key Conditions:

1. All rules are made under the Income-tax Act, 2025 and references to earlier Act sections are updated accordingly.
2. Authorised banks must be RBI-appointed agents under the RBI Act, 1934.
3. Stock exchanges must comply with SEBI guidelines, maintain a 7-year audit trail of all transactions, and submit monthly modified-transaction statements (Form No. 1) within 15 days of month-end.
4. Zero Coupon Bonds must have a life of 10–20 years, investment-grade rating from at least two SEBI-registered agencies, and be listed on a recognised stock exchange; 25% of proceeds must be invested within the first year, and the balance within four years.

5. Perquisite valuation for accommodation continues on the basis of city population tiers (with rental rates of 7.5%/10%/15% of salary depending on city).
6. Arm's length price must be determined using the "most appropriate method" from among six prescribed methods; a range/tolerance band applies.
7. Safe harbour margins for IT services, intra-group loans, financial transactions, and other eligible international transactions are retained with updated thresholds.
8. APA (Advance Pricing Agreement) applications must be in prescribed forms; bilateral/multilateral APAs follow specific procedures with rollback provisions for up to 4 preceding years.
9. Country-by-Country Report (CbCR) and Master File/Local File requirements are retained for international groups meeting threshold criteria.

Additional Conditions:

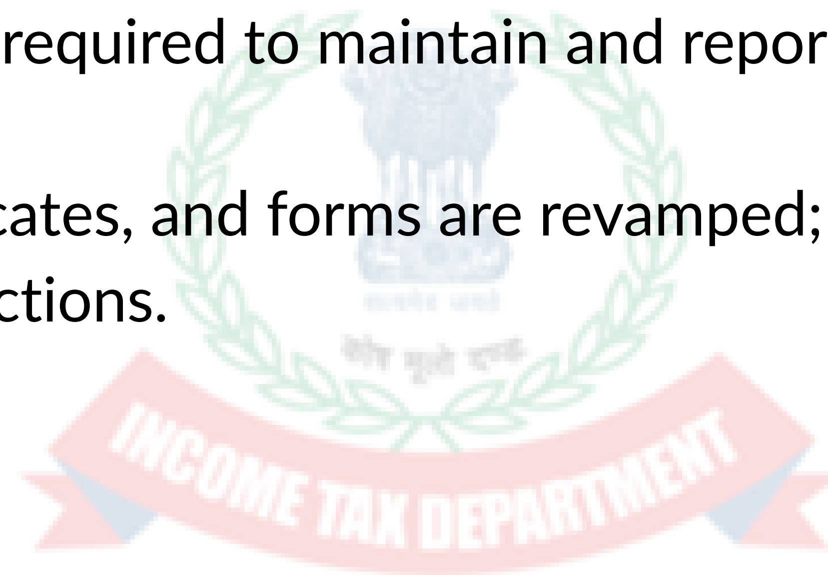
1. Crypto-asset reporting: RCASPs (Reporting Crypto-Asset Service Providers) must report user details, number and value of transactions (acquisitions, disposals, transfers, retail payments) in prescribed formats — a newly introduced compliance.
2. Faceless Assessment procedures (Rule 176) are codified under the new Act, retaining the electronic/faceless process.

3. GAAR (General Anti-Avoidance Rule): Rule 128 specifies exclusions — arrangements where tax benefit is below ₹3 crore or which are covered by specific treaty provisions are outside GAAR's scope.
4. Seafarers: Continuous Discharge Certificate (CDC) dates are determinative for computing India-stay period, excluding eligible voyage periods from residency calculation.
5. Online gaming: Net winnings computation (Rule 135) is prescribed for TDS purposes under the new Act's framework.
6. Tonnage Tax: Rule 146 provides application and operational procedure for the tonnage tax scheme.

Practical Implications:

- For Individuals: Updated salary/perquisite valuation rules, VRS procedures, and new forms for return filing must be used from AY 2026-27 onwards.
- For Companies: New depreciation tables, audit report formats, and transfer pricing safe harbour thresholds apply. Domestic companies must use updated forms for APA, CbCR, and deduction claims.
- For Stock Exchanges: Strict data integrity, audit trail, and monthly reporting obligations continue with updated form references.

- For Non-Profits: Revised registration, computation, and accumulation-of-income rules come into effect.
- For MNCs & Foreign Companies: Significant Economic Presence thresholds, updated FMV rules for indirect transfers, and updated APA/MAP procedures are now formalised.
- For Crypto-Asset Platforms: RCASPs are now required to maintain and report detailed transaction-level data for all users — a significant new compliance burden.
- For Tax Professionals: All audit reports, certificates, and forms are revamped; practitioners must familiarise themselves with new form numbers and the corresponding new Act sections.



Implementation Deadlines:

- Notification issued - 20th March 2026
- Rules come into force - 1st April 2026
- Monthly stock exchange statement (Form No. 1) - Within 15 days from end of each month
- Zero Coupon Bond investment — first tranche (25%) - By end of financial year following year of issue
- Zero Coupon Bond investment — balance (75%) - Within 4 financial years following year of issue
- Accountant's certificate for ZCB investment - Within 2 months from end of each relevant FY
- APA application disposal - 6 months from end of month of receipt
- Stock exchange recognition application disposal - 6 months from end of month of receipt

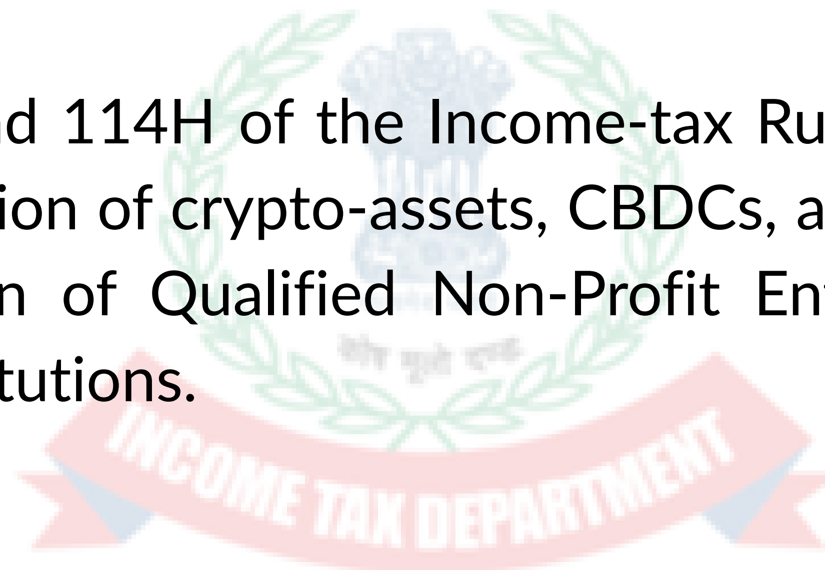
All rules are applicable from AY 2026-27 (Tax Year 2025-26) onwards, aligned with the commencement of the Income-tax Act, 2025.

Link : Click Here

F. Income-tax (Amendment) Rules, 2026 – Notification No. 19/2026

Summary of Income-tax (Amendment) Rules, 2026 – Notification No. 19/2026

What's New?



This notification amends Rules 114F, 114G, and 114H of the Income-tax Rules, 1962 to align India's CRS framework with updated OECD standards. Key additions include recognition of crypto-assets, CBDCs, and Specified Electronic Money Products (SEMPs) within the financial reporting framework, introduction of Qualified Non-Profit Entities (QNPEs) as a new non-reporting category, and enhanced reporting obligations for financial institutions.

Detailed Explanation:

- Rule 114F (Definitions): Expands definitions of depository accounts, depository institutions, and financial assets to include CBDCs, SEMPs, and relevant crypto-assets. Introduces new excluded account types (company foundation accounts and low-value SEMP accounts). Updates the custodial institution and investment entity definitions.
- Rule 114G (Reporting): Financial institutions must now additionally report self-certification status, joint account details, account type, and controlling person roles. Avoids duplication – gross proceeds already reported under CARF need not be re-reported under CRS.
- Rule 114H (Due Diligence): Updates pre-existing account cut-off dates to 1st January 2026 for newly covered accounts. Allows temporary use of pre-existing account procedures where self-certification cannot be obtained at the time of new account opening.

Key Conditions:

1. Most new provisions apply only to accounts other than U.S. reportable accounts (non-FATCA/CRS accounts).
2. Reporting obligation for controlling person/equity interest holder roles applies only where such information is in electronically searchable data.
3. SEMP exclusion applies only if the 90-day rolling average balance does not exceed USD 10,000 at any point during the calendar year.
4. Relevant crypto-assets must be capable of being used for payment or investment — if the CASP determines otherwise, they fall outside the definition.
5. Company foundation accounts are excluded only if all five prescribed conditions are met (exclusive use, blocked funds, account closed after incorporation, repayments only to contributors, account not older than 12 months).

Additional Conditions:

1. QNPE status requires formal confirmation from the Income-tax Department or other governmental authority in India.
2. QNPE must be: tax-exempt, have no proprietary interest in income/assets, restricted from distributing income to private persons, and dissolve assets only to qualifying entities or the government.
3. SEMPs must be redeemable at any time at par value. If funds are held beyond 60 days, the 'sole transfer facilitator' exclusion does not apply.
4. CBDC accounts: Custodial institution status is triggered for entities maintaining CBDCs for non-financial institution account holders (non-US accounts only).

Practical Implications:

· Banks & Financial Institutions: Update CRS onboarding and due diligence systems to capture self-certification status, joint account details, account type, and controlling person roles. Review whether any previously excluded accounts (e.g., SEMP or crypto-linked accounts) now fall within CRS scope.

· Crypto-Asset Service Providers (CASPs): Assess whether they qualify as Custodial or Investment Entities under the expanded definitions. Note that exchange-only CASPs may be excluded, and CARF reporting eliminates duplicate CRS reporting on the same gross proceeds.

· Non-Profits: Eligible entities should apply for QNPE status with the Income-tax Department to avail CRS reporting exemption.

Implementation Deadlines:

· Effective Date - 1st January, 2026

· Pre-existing account cut-off - 31st December, 2025

· Transitional relief — controlling person roles - Up to 31st December, 2027

· Pre-existing account TIN/DOB - At next AML/KYC update trigger

· New account self-certification - Obtain at earliest; pre-existing procedures apply in exceptional cases until obtained

Link : Click Here