R.C JAIN & ASSOCIATES LLP

NEWSLETTER JULY-26

"Without data, you're just another person with an opinion."
-W. Edwards Deming

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DIRECT TAX

- **Notification No. 73/2026 [F. No. 300196/32/2021-ITA-I] / SO 3596(E) : Tax Exemption to Mussoorie Dehradun Development Authority:**

The government has exempted the Mussoorie Dehradun Development Authority (MDDA) from income tax on money it gets from state grants, planning fees, property sales, rent, and bank interest — as long as it stays non-commercial and files its tax returns properly. This exemption applies retroactively for FY 2021-22 and 2022-23, and is issued under the old 1961 tax law, which still applies to such past-period matters even though a new tax law (2025) has replaced it.

- **Notification No. 74/2026 [F. No. 275/16/2026-IT(B)] / SO 3609(E) :**

  TDS Exemption on Aircraft Lease Payments to IFSC Units

The Central Government has announced that **no Tax Deducted at Source (TDS)** needs to be deducted on **lease rent or supplemental lease rent paid for aircraft leasing** to eligible units located in an **International Financial Services Centre (IFSC)**.

This benefit is available only if:

- The **lessor (aircraft leasing company)** submits **Form 1(N)** to the lessee, declaring that it is claiming the tax deduction benefit under the Income-tax Act, 2025. The benefit is available for the **20 consecutive tax years** chosen by the lessor.
- The **lessee** keeps a record of such payments and reports them in its TDS statements.

If these conditions are not met, or the payment relates to any other period, the lessee must deduct TDS as usual.

Effective from: 1 April 2026.

- **Notification No. 75/2026 [F. No. 275/18/2026-IT(B)] / SO 3610(E) :**

  TDS Exemption on Ship Lease Payments to IFSC Units

This notification says that companies leasing ships from units based in India's International Financial Services Centre (IFSC, i.e. GIFT City) don't need to have TDS (tax deducted at source) cut from their lease rent payments — for up to 20 years, as chosen by the ship-leasing unit.

How it works:

- The **lessor** (the IFSC unit leasing out the ship) must fill out a form (Form 1(N)) declaring which 20 consecutive tax years it wants this tax benefit for, and give it to the **lessee** (the company paying the rent).

- Once the lessee gets this form, it can **stop deducting tax** on future lease payments to that lessor.
- The lessee must still report these tax-free payments in its regular TDS filings.
- This tax-deduction exemption only applies during the specific 20 years the lessor has declared — outside that window, normal tax deduction rules apply.

Effective date: This rule applies from **April 1, 2026**.

In short: It's a tax-compliance simplification for ship-leasing businesses operating out of GIFT City — letting them get lease payments without upfront tax deduction, provided they formally declare and stick to a fixed 20-year period, and both parties keep proper documentation.

- **Notification No. 76/2026-CBDT [F. No. 203/46/2025/ITA-II] / SO 3654(E) : Approval of Indian Institute for Human Settlements for Research**

The government has officially recognized the **Indian Institute for Human Settlements, Bangalore** as an approved research institution for **Social Science or Statistical Research**. This approval matters because donations to such approved institutions typically qualify donors for tax benefits.

Key points:

- The approval is valid for **5 tax years: 2026-27 to 2030-31**.
- To keep this status, the institute must:
  1. Follow the specific rules laid out for such institutions (Rule 34)
  2. Submit an annual statement (Form No. 15) about donations received, by **31st May** each year
  3. Give donors a **certificate (Form No. 16)** confirming how much they donated

In short: This lets the Institute continue receiving research donations that come with tax benefits for donors, provided it follows proper reporting and documentation rules each year.

- **Notification No. 77/2026 [F. No.300195/39/2025-ITA-I] / SO 3655(E) :**

  Telangana Pollution Control Board Notified

The Telangana Pollution Control Board has been given a tax benefit by the government under the new Income-tax Act, 2025 — recognizing it as a genuine environmental regulatory body (set up under water and air pollution laws). This benefit starts from tax year 2026-27 and continues only as long as the Board keeps functioning as a pollution-control authority under those laws.

- **Notification No.78/2026 [F.No.197/39/2018-ITA-I] / SO 3683(E) :**

  Tax Exemption to NCCL Core Settlement Guarantee Fund

Summary: The government has given tax exemption to the **Core Settlement Guarantee Fund** set up by the **National Commodity Clearing Limited (NCCL)** — a body that helps guarantee trade settlements are honored even if a trading party defaults.

Key points:

- This is issued under the **old 1961 tax law**, which still applies to such matters even though it's now replaced by the new Income-tax Act, 2025 (the new law specifically keeps old provisions alive for pending/past matters).
- The exemption covers **assessment years 2019-20 to 2026-27** (i.e., it's essentially confirming/extending tax-free status for this fund over several years, including retroactively).

Conditions to keep this benefit:

1. The Fund must file its **income tax returns properly** every year.
2. NCCL must **remain a recognized clearing corporation** under SEBI (India's securities market regulator).

If these conditions aren't met: The tax exemption will be **withdrawn**, and the Fund could face tax proceedings/penalties.

Conclusion: This confirms that the safety-net fund used to guarantee commodity trade settlements doesn't have to pay tax on its income, as long as it stays properly regulated and files its returns — covering multiple years from 2019 through 2027.

- **Notification No. 79/2026 [F.No.197/39/2018-ITA-I] / SO 3684(E) :**

Tax Exemption to National Commodity Clearing Limited Guarantee Fund

This is a follow-up notification, this time under the **new Income-tax Act, 2025**, giving the same tax exemption to the **Core Settlement Guarantee Fund** set up by **NCCL** (National Commodity Clearing Limited) — continuing the benefit from **tax year 2026-27 onwards**.

Conditions to keep this benefit:

1. **NCCL must remain SEBI-recognized** as a clearing corporation.
2. If any tax-exempt money in the Fund is **shared with a specified person** (i.e., paid out to someone, rather than kept in the fund), that shared amount **becomes taxable** in the year it's shared.
3. The Fund must **file its income tax returns properly**, as required under the new law.

If these conditions aren't followed: The tax exemption will be **cancelled**, and tax proceedings can be initiated.

Conclusion: This continues the tax-free status for the trade-settlement safety fund under the new tax law, with a key new safeguard — if the fund's untaxed money is ever paid out to someone rather than kept for its intended purpose, it becomes taxable at that point.

- **Notification No. 80/2026 [F.No. 275/19/2026-IT(B)] / SO 3743(E)**

This notification exempts a wide range of financial firms operating in India's GIFT City (IFSC) — banks, insurers, fund managers, brokers, advisors, custodians, rating agencies, and fintechs — from having tax deducted at source on their service income (fees, commissions, interest, dividends, etc.).

To get this, each firm must submit a declaration choosing a fixed 20-year period for the benefit, and stay properly registered with the IFSC regulator throughout. Effective from April 1, 2026.

- **Notification No.78/2026 [F.No.197/39/2018-ITA-I] / SO 3683(E) : Tax Exemption to NCCL Core Settlement Guarantee Fund**

This is the same notification as before — it gives tax exemption to the **Core Settlement Guarantee Fund** set up by **National Commodity Clearing Limited (NCCL)**, a body that guarantees trade settlements. It's issued under the old 1961 tax law (still valid for such matters despite the new 2025 law), covering **assessment years 2019-20 to 2026-27**.

Conditions: The Fund must file its tax returns properly, and NCCL must stay SEBI-recognized as a clearing corporation. If not followed, the exemption can be withdrawn and penalty action taken.

- **<u>Notification No. 79/2026 [F.No.197/39/2018-ITA-I] / SO 3684(E) : Tax Exemption to National Commodity Clearing Limited Guarantee Fund</u>**

the tax exemption for the **Core Settlement Guarantee Fund** set up by **NCCL**, this time under the **new Income-tax Act, 2025**, applicable from **tax year 2026-27 onwards**.

<u>Conditions:</u>

1. NCCL must remain **SEBI-recognized** as a clearing corporation.
2. If any tax-free money in the Fund is **shared with a specified person**, that amount becomes **taxable** in the year it's shared.
3. The Fund must **file its returns properly**.

Non-compliance means the exemption gets **withdrawn** and tax proceedings can follow.

- **<u>Notification No. 80/2026 [F.No. 275/19/2026-IT(B)] / SO 3743(E)</u>**

This is the exact same notification you shared earlier (S.O. 3743(E)) — the one exempting various GIFT City (IFSC) financial firms — banks, insurers, fund managers, brokers, advisors, custodians, rating agencies, trustees, trade finance platforms, and fintechs — from TDS on their fees/commissions/interest/dividend income.

<u>Quick recap:</u>

- Each firm submits a declaration (Form 1(N)) picking a fixed **20-year period** for this benefit.
- Once submitted, the **payer stops deducting tax** on future payments to that firm.
- Firms must **stay registered** with the IFSC regulator throughout.
- Effective from **April 1, 2026**.

- **<u>Notification No. 81/2026 [F.No. 225/77/2026/ITA-II] / SO 3759(E)</u>**

  The government has authorized a specific official — the **Principal Secretary, Cooperation, Marketing and Textile Department, Maharashtra** — to receive **income tax information** about taxpayers from the Income Tax Department.

  Why: This data-sharing will help identify who's actually eligible for the **Punyashlok Ahilyadevi Holkar Farmer Loan Waiver Scheme, 2026** — a scheme likely meant to waive farm loans for genuinely needy farmers.

  Conclusion: Tax records will be shared with this Maharashtra government official so that only the right, eligible farmers (and not those already earning good taxable income) get benefits under this loan waiver scheme — helping ensure the scheme reaches its intended beneficiaries and prevents misuse.

- **Notification No. 82/2026 [F. No. 300196/45/2025-ITA-I] / SO 3798(E)**

The government has given tax exemption to the **Baddi Barotiwala Nalagarh Development Authority**, a body set up by the **Himachal Pradesh Government** for urban planning in that area.

Tax-free income includes:

1. Grants from the **Central or State Government**
2. Revenue from **town planning-related fees/charges**
3. **Interest** on bank deposits

Conditions to keep this benefit:

1. Must **not do any commercial business**
2. Must **keep its activities unchanged** over the years
3. Must **file tax returns properly**

If not followed: The exemption can be **withdrawn** and penalties imposed.

Time period: This applies **retroactively** for **assessment years 2019-20 through 2023-24** (i.e., financial years 2018-19 to 2022-23).

Conclusion: This confirms that grants, planning fees, and bank interest earned by this Himachal Pradesh development authority are tax-free — for 5 past years — as long as it stays a non-commercial government body and files its returns on time.

- **Notification No. 83/2026 [F. No. 300196/45/2025-ITA-I)] / SO 3799(E)**

This is the same notification as before for the **Baddi Barotiwala Nalagarh Development Authority** (Himachal Pradesh's urban planning body) — same tax-exempt income (grants, planning revenue, bank interest) and same conditions (no commercial activity, unchanged activities, proper filing).

The only difference: This one covers the **next set of years** — assessment years **2024-25, 2025-26, and 2026-27** (financial years 2023-24 to 2025-26) — essentially extending the same tax exemption forward, right up to the current period.

- **Notification No. 84/2026 [F.No. 500/PF-15/S10(23FE)/FT&TR-II] / SO 3890(E)**

The government has recognized **Oman's Social Protection Fund (SPF)** — a foreign government pension fund — as eligible for **tax exemption** on investments it makes in India between now and **31st March 2030**.

Why this matters: India gives tax breaks to foreign pension/sovereign funds that invest long-term in India (like in infrastructure), to attract stable foreign capital. This notification confirms SPF qualifies for that benefit.

Conditions the fund must follow:

1. **File tax returns** every year for as long as it holds the investment, along with a **compliance certificate** from an accountant.

2. **Report every investment** it makes in India each quarter, within a month.
3. **Keep separate accounts** for the income/expenses related to these exempt investments.
4. **Remain regulated** by the Oman government (i.e., stay a genuine government pension fund).
5. Its money must be used **only** for pension/retirement/social security benefits for its members — **not for private profit** of anyone else.
6. It **cannot borrow money** to fund its Indian investments.
7. It **cannot get involved in day-to-day management** of the companies it invests in (though it can appoint directors just to protect its investment).

If it breaks any rule: It **loses the tax exemption** immediately.

Conclusion : Oman's state pension fund can now invest in India tax-free (on qualifying investments) until 2030, as long as it stays a genuine, debt-free, non-interfering pension fund and follows proper reporting rules — a move to encourage more foreign pension money into India's economy.

- **<u>Notification No. 85/2026 [F.No.370149/112/2026-TPL] / SO 3889(E) : Cost Inflation Index for Financial year, 2026-27</u>**

The government has set the **Cost Inflation Index (CII)** for **Financial Year 2026-27** at **384**.

Detail	Information
What's notified	Cost Inflation Index (CII)
Applicable Financial Year	2026-27
CII Value	384
Effective from	1st April, 2026
Applies to	Tax year 2026-27 and future years (until next update)
Used for	Calculating capital gains tax on sale of long-term assets (adjusting purchase cost for inflation)
Governing provision	Section 72(8)(a), Income-tax Act, 2025

- **<u>Notification No. 86/2026 [F. No. 300196/75/2024-ITA-I] / SO 3919(E)</u>**

This is the same **Delhi Pollution Control Committee** notification you shared just before — identical content, no changes.

DPCC gets tax exemption on its grants, license/consent fees, environmental fines, and bank interest — for **assessment years 2024-25 to 2026-27** — as long as it stays non-commercial and files returns properly. Non-compliance means the exemption can be withdrawn.

- **<u>Notification No. 87/2026 [F.No. 300196/75/2024-ITA-I] / SO 3920(E)</u>**

This is a follow-up notification, this time under the **new Income-tax Act, 2025**, continuing the same tax exemption for the **Delhi Pollution Control Committee (DPCC)** — covering **tax years 2026-27 and 2027-28**.

<u>Same tax-free income as before:</u>

1. Government grants/subsidies
2. Consent, license, and application fees

3. Environmental penalties and fines
4. Bank interest

<u>Same conditions:</u>

- No commercial activity
- File tax returns properly (now under the new law's provisions)
- Keep activities unchanged

<u>If not followed:</u> Exemption gets withdrawn, and tax proceedings can be initiated.

- **<u>Notification No. 91/2026-CBDT [F. No. 225/139/2025-ITA.II] / SO 3935(E)</u>**

The government has officially notified that a **capital asset transfer** from **Nuclear Power Corporation of India Limited (NPCIL)** to **Anushakti Vidhyut Nigam Limited (ASHVINI)** — both public sector companies — will be **tax-exempt**.

Why this matters: Normally, when a company transfers assets to another entity, it can trigger **capital gains tax**. But since this transfer is happening between two government-owned companies as part of an officially approved restructuring plan (approved on **15th October 2025**), the law allows it to happen **without any tax liability** on the transfer.

When it applies: This exemption is for the transfer that took place in **Financial Year 2025-26** (Assessment Year 2026-27).

- **<u>Notification No. 92/2026 [F. No. 300196/65/2025-ITA-I] / SO 3983(E)</u>**

The government has given tax exemption to the **District Legal Service Authority, Jind** (Haryana) — a body that provides free legal aid services, set up under the **Legal Services Authorities Act, 1987**.

<u>Tax-free income includes:</u>

1. **Grants** from the Punjab & Haryana High Court, National Legal Services Authority, and Haryana State Legal Services Authority
2. **Grants/donations** from the Central or Haryana State Government
3. **Amounts received under court orders**
4. **Recruitment application fees**
5. **Interest** on bank deposits

<u>Conditions to keep this benefit:</u>

- Must **not engage in commercial activity**
- Must **keep its activities unchanged** over the years
- Must **file tax returns properly**

<u>If not followed</u>: The exemption can be **withdrawn** and penalty action taken.

<u>Time period:</u> This applies **retroactively** for **assessment years 2023-24 through 2026-27** (financial years 2022-23 to 2025-26).

<u>Conclusion:</u> This confirms that grants, court-ordered payments, fees, and bank interest received by this legal aid body in Jind are tax-free for four years, as long as it stays a non-commercial legal aid authority and files its returns on time.

- **<u>Notification No. 93/2026 [F. No. 300196/65/2025-ITA-I] / SO 3984(E)</u>**

This is a follow-up notification, this time under the **new Income-tax Act, 2025**, continuing the same tax exemption for the **District Legal Service Authority, Jind** — same tax-free income (grants, court-ordered amounts, recruitment fees, bank interest), same conditions (no commercial activity, unchanged activities, proper filing under the new law).

The only difference: This applies to just **tax year 2026-27** (the current period going forward under the new tax law).

Conclusion: This simply carries forward Jind's legal aid authority's tax-free status into the new tax law framework, for one tax year.

- **<u>Notification No. 94/2026 [F. No. 370142/24/2026-TPL] / G.S.R. 646(E) : Income-tax (Second Amendment) Rules, 2026</u>**

The tax department (CBDT) has **updated the definition of "specified fund"** under the Income-tax Rules, 2026 — a term used for certain investment funds that get special tax treatment.

<u>What changed:</u> Going forward, a "specified fund" now means:

1. Any fund set up in India (as a trust, company, or LLP) that is registered as a **Category I or II Alternative Investment Fund (AIF)** and regulated either by:
    - **SEBI** (India's securities regulator), or
    - The **IFSC regulator** (for funds based in GIFT City), **or**
2. Any fund already mentioned as such in a specific schedule (Schedule VI) of the new Income-tax Act.

Why this matters: This definition matters because "specified funds" typically enjoy certain **tax exemptions/benefits**. By clarifying and updating who qualifies, the government ensures the right funds (both regular AIFs and GIFT City-based funds) get correctly covered under this tax treatment.

Conclusion: This is a technical update clarifying which investment funds qualify as "specified funds" for tax purposes — mainly covering SEBI-registered AIFs and GIFT City-based investment funds.

- **<u>Notification No. 95/2026 [F. No.300196/78/2024-ITA-I] / SO 4047(E)</u>**

Summary: The government has given tax exemption to the **Kerala Headload Workers Welfare Board, Kochi** — a body set up by the Kerala Government to look after the welfare of **headload workers** (manual laborers who carry loads, common in markets/warehouses).

<u>Tax-free income includes:</u>

1. **Grants-in-aid and loans** from the government
2. **Levies** collected under the Kerala Headload Workers Act/rules
3. **Registration fees** from worker-members
4. **Deposits** received from employers (as per the welfare scheme)
5. **Contributions** from members
6. **Interest** on loans/advances given to staff and workers
7. **Wages** received from employers (to be passed on to workers, as per the scheme)

8. **Interest earned** on all of the above

Conditions to keep this benefit:

- Must **not engage in commercial activity**
- Must **keep its activities unchanged** over the years
- Must **file tax returns properly**

If not followed: The exemption can be **withdrawn** and penalty action taken.

Time period: This applies for **assessment years 2025-26 and 2026-27** (financial years 2024-25 and 2025-26).

Conclusion: This confirms that grants, levies, fees, worker contributions, and wages handled by this Kerala welfare board (for headload workers) are tax-free, as long as it stays a non-commercial welfare body and files its returns properly.

- **Notification No. 96/2026 [F. No.300196/78/2024-ITA-I] / SO 4048(E)**

This is a follow-up notification, this time under the **new Income-tax Act, 2025**, continuing the same tax exemption for the **Kerala Headload Workers Welfare Board, Kochi** — same tax-free income (grants, levies, registration fees, employer deposits/wages, member contributions, interest), same conditions (no commercial activity, unchanged activities, proper filing under the new law).

The only difference: This applies for **tax years 2026-27, 2027-28, and 2028-29** — extending the benefit forward by three more years.

Conclusion: This simply carries forward the Kerala Headload Workers Welfare Board's tax-free status into the new tax law framework, for the next three tax years.

- **Notification No. 97/2026 [F. No. 370142/11/2026-TPL] / GSR 656(E) : Income-tax (Third Amendment) Rules, 2026**

This is the exact same notification you shared just before — introducing the new **ITR-BN** tax return form for **income tax raid/search and seizure cases**.

Quick recap:

- Applies to raids/requisitions conducted on or after **1st April 2026**.
- People/businesses raided must file **one combined return** covering a **"block period"** (roughly the previous 6 years plus the period up to the raid).
- The form captures personal details, past return-filing history, and a detailed breakdown of **undisclosed income** — cash, gold, jewellery, digital assets, wrongly claimed deductions/exemptions, etc.
- This hidden income is taxed at a **flat 60% rate**, plus surcharge, cess, and interest.
- The form also tracks taxes already paid so the final balance (payable or refundable) can be worked out.

Conclusion: It's a new standardized form used after a tax raid to declare all the hidden/undisclosed income found, with a flat 60% tax charged on it.

- **Notification No. 98/2026 [F.No. 300196/7/2018-ITA-I] / SO 4120(E)**

Summary: The government has given tax exemption to the **Fees Regulating Authority**, a body set up by the **Maharashtra Government** to regulate fees charged by **private professional educational institutions** (like engineering, medical, or other professional colleges).

Tax-free income includes:

1. **Processing fees, interest, penalties, and other charges** collected from private professional colleges
2. **Reimbursements/grants** from the Maharashtra Government
3. **Interest** on bank deposits and other investments

Conditions to keep this benefit:

- Must **not engage in commercial activity**
- Must **keep its activities unchanged** over the years
- Must **file tax returns properly**

If not followed: The exemption can be **withdrawn** and penalty action taken.

Time period: This applies **retroactively** for **assessment years 2022-23 through 2026-27** (financial years 2021-22 to 2025-26) — covering 5 years.

- **Notification No. 99/2026 [F.No.300196/16/2024-ITA-I] / SO 4121(E)**

The government has given tax exemption to the **Chhattisgarh Real Estate Regulatory Authority (RERA)** — the state body that regulates real estate projects and protects homebuyers under the **RERA Act, 2016**.

Tax-free income includes:

1. **Grants/loans** from the government
2. **Fees and penalties** collected from builders, developers, agents, or other real estate stakeholders
3. **Interest** earned on the above

Conditions to keep this benefit:

- Must **not engage in commercial activity**
- Must **keep its activities unchanged** over the years
- Must **file tax returns properly**

If not followed: The exemption can be **withdrawn** and penalty action taken.

Time period: This applies for **assessment years 2024-25 through 2026-27** (financial years 2023-24 to 2025-26).

Conclusion: This confirms that grants, fees, and penalties collected by Chhattisgarh's real estate regulator (RERA) are tax-free for three years, as long as it stays a non-commercial regulatory body and files its returns on time.

- **<u>Notification No. 100/2026 [F.No.300196/16/2024-ITA-I] / SO 4122(E).</u>**

This is a follow-up notification, this time under the **new Income-tax Act, 2025**, continuing the same tax exemption for the **Chhattisgarh Real Estate Regulatory Authority (RERA)** — same tax-free income (government grants, fees/penalties from builders/developers/agents, and interest on these), same conditions (no commercial activity, unchanged activities, proper filing under the new law).

The only difference: This applies for **tax years 2026-27 and 2027-28** — extending the benefit forward by two more years.

Conclusion: This simply carries forward Chhattisgarh RERA's tax-free status into the new tax law framework, for the next two tax years.

- **<u>Circular No. 6/2026 : Condonation of delay in filing Form No. 10AB electronically for approval under clause(ii) of the first proviso to section 80G(5) of the Income-tax Act, 1961</u>**

Relief for Charitable Trusts and Institutions: Delay in Filing Form 10AB Condoned

The Income Tax Department has given relief to certain charitable trusts and institutions that missed the deadline for filing Form 10AB to renew their 80G approval.

What was the issue?

Organizations whose 80G approval was due to expire on 31 March 2026 were required to file Form 10AB by 30 September 2025. Many could not meet this deadline due to genuine difficulties.

What relief has been given?

The CBDT has decided to condone (forgive) the delay if:

Form 10AB was filed electronically between 1 October 2025 and 31 March 2026.

These applications will now be considered on their merits, and the tax authorities have been directed to decide them by 31 December 2026.

What if the application was already rejected?

If an application filed during the above period was rejected only because it was filed late, that delay will now be treated as condoned. The application will be reconsidered on its merits.

Does this mean automatic approval?

No. This circular only excuses the delay in filing. Every application will still be examined, and approval under section 80G will be granted only if the organization satisfies all the required conditions.

CASE LAWS

Case Law: 1

Where assessee-trust earned rental income from leasing property but trust deed only enabled trustees to hold and manage property for charitable objects without treating leasing as an independent object, and receipts including rental income were applied solely to charitable activities, exemption under sections 11 and 12 could not be denied since leasing was only incidental to charitable purpose.

[2026] 188 taxmann.com 833 (Chandigarh - Trib.)

IN THE ITAT CHANDIGARH BENCH 'B'

Joint Commissioner of Income-tax (OSD)

v.

S.M. Sehgal Foundation

LALIET KUMAR, JUDICIAL MEMBER AND MANOJ KUMAR AGGARWAL, ACCOUNTANT MEMBER

IT APPEAL NO. 45 (CHD) OF 2019

[ASSESSMENT YEAR 2013-14]

JULY 20, 2026

Facts of the Case:

- The assessee, a charitable trust claimed exemption under sections 11 and 12.
- The Assessing Officer denied exemption by treating the assessee as an Association of Persons (AOP) on ground that assessee had earned substantial rental income by leasing its immovable properties which amounted to a commercial activity inconsistent with its charitable character.
- On appeal, the Commissioner (Appeals) allowed the assessee's claim on ground that the Assessing Officer had not brought cogent material to show that the assessee's activities ceased to be charitable.

Grounds raised by Parties to the Appeal:

Revenue's Ground:

The assessee was not entitled to exemption under sections 11 and 12 of the Act, as the activity of earning rental income had assumed a commercial complexion inconsistent with the charitable objects of the trust.

It was, therefore, argued that the finding of the learned CIT(A) lacked adequate factual foundation and deserved to be reversed.

Assessee's Ground:

The rental income, being income derived from property held under trust, was applied towards the charitable purposes for which the trust had been established.

Tribunal's View:

1. The Commissioner (Appeals) had allowed the assessee's claim principally on the finding that leasing properties for rental income was itself one of the trust's objects. On examining the original trust deed and the subsequent Addendum/Rectification Deed, the Tribunal finds this finding to be factually incorrect and unsupported by the record.
2. The trust deed instead contains a separate enabling clause conferring powers on the Board of Trustees. Clause VIII merely permits the trustees to acquire, hold, manage, or otherwise deal with land, buildings, and other immovable property using trust funds in furtherance of the trust's charitable objects. Such an enabling clause cannot be elevated to an independent charitable object in itself — the power to acquire and manage property is only incidental to the effective administration of the trust and the fulfilment of its charitable purposes. The finding of the Commissioner (Appeals) that leasing itself constituted an object of the trust is therefore erroneous and unsupported by the trust deed.
3. The Tribunal notes that the trust deed and its Addendum have already been examined in both preceding and subsequent assessment years, and at no stage have the Revenue authorities questioned the charitable nature of the trust's objects or found its activities to be non-genuine. The dispute remains confined to the interpretation of the clause empowering the trustees to acquire and manage immovable property.
4. While the Tribunal disagrees with the reasoning of the Commissioner (Appeals) that earning rental income was itself an object of the trust, it upholds the ultimate conclusion that exemption cannot be denied on this ground — the correct basis being that the rental income was merely incidental to the trust's charitable activities and was, admittedly, applied towards its charitable objects.
5. It is a settled proposition of law that the dominant object of the institution, and not the source of its income, is the decisive test. Income derived from trust property, including rental income, does not lose the benefit of exemption under sections 11 and 12 merely because it arises from leasing, so long as it is applied towards the charitable purposes for which the trust was established. On the facts of the present case, the leasing of trust property was only an incidental means of augmenting resources to fulfil the trust's charitable objects and cannot be treated as an independent commercial activity.

Final Judgement:

The Tribunal accordingly affirms the findings of the Commissioner (Appeals) on this issue and dismisses the Revenue's ground challenging the allowability of exemption merely on account of the rental income earned by the assessee, holding it to be devoid of merit.

Case Law: 2

Where appellate order relied on judicial precedents that did not exist, making the order a nullity and amounting to fraud upon justice delivery system, such order was liable to be set aside and the matter remanded for fresh decision in accordance with law.

[2026] 188 taxmann.com 794 (Delhi)

HIGH COURT OF DELHI

Employees Provident Fund Organization

v.

Principal Commissioner of Income-tax*

DINESH MEHTA AND RAJNEESH KUMAR GUPTA, JJ.

W.P.(C) NOS. 6049 & 6051 OF 2026

CM APPL. NOS. 29798, 29799, 29804 & 29805 OF 2026

JULY 17, 2026

Facts of the Case:

On writ petitions before the High Court, the petitioner—Employees Provident Fund Organization, Regional Office, Delhi (South), an arm of the Union of India—challenged the appellate order dated 24.02.2026 passed by the CIT(A) on the ground that paragraph 6 relied on judicial precedents that did not exist.

At the motion hearing on 04.05.2026, the petitioner pointed out that six judgments cited in paragraph 6 did not exist; the Court issued notice to the author of the impugned order, Mr. Brij Lal Meena, Addl./JCIT(A)-2, Jaipur, seeking the source of the cited authorities. The Court's legal researchers could not find the judgments, and upon summoning the relevant law reports, none of the cited judgments were found.

Mr. Meena filed an affidavit stating that due to heavy workload he had relied on his Inspector for the citations and inserted them without verification; the Department's Senior Standing Counsel conveyed the same explanation and informed that Mr. Meena had since retired from service.

Grounds raised by Parties to the Appeal:

Revenue's Ground:

The citations in paragraph 6 came to be inserted without verification, as the concerned officer had relied on his Inspector for the same on account of a heavy workload.

Assessee's Ground:

Under section 260A of the Income-tax Act, 1961 (section 365 of the Income-tax Act, 2025), the petitioner challenged the CIT(A)'s appellate order dated 24.02.2026 on the ground that paragraph 6 of the order relied on judicial precedents that do not exist.

Hon'ble High Court's View:

1. On summoning the cited law reports, the Court found, to its dismay, that none of the referenced judgments existed.

2. The Court observed a growing trend of authorities citing non-existent or fabricated case law. Any order founded on a judgment that does not exist is a nullity and amounts to a fraud on the justice delivery system. It held that strict action, including disciplinary action, must follow wherever an authority or court relies on non-existent judgments — whether AI-generated or otherwise fabricated.
3. An adjudicating authority is free to base its order on its own logic, reasoning, or interpretation of the law, and every conclusion need not flow from or be fortified by a judicial precedent. However, an order founded on incorrect law cannot be sustained and is liable to be set aside.

Final Judgement:

The Court accordingly set aside the impugned order dated 24.02.2026 passed by the CIT(A) and remanded the matter to the Appellate Authority for a fresh decision in accordance with law. [Para 8]

As the author of the impugned order had, by then, retired from service, the Court declined to direct any disciplinary action against him.

GST

Refund of Accumulated ITC under Inverted Duty Structure Cannot Be Restricted Beyond the Statutory Framework

Vindhya Spinning Mills Private Limited

v.

Union of India & Others

Court: Madras High Court
Date: July 2026

Background

Under the GST regime, an **inverted duty structure** arises when the GST rate applicable on inputs used in manufacturing or supply is higher than the GST rate applicable on the outward supply of finished goods.

This results in accumulation of unutilized Input Tax Credit (ITC), as the tax paid on inputs exceeds the tax payable on outward supplies. Such accumulation blocks working capital and impacts cash flows of businesses. To address this issue, Section 54(3) of the CGST Act permits eligible taxpayers to claim a refund of accumulated ITC arising due to an inverted duty structure, subject to prescribed conditions.

Facts of the Case

The petitioner, **Vindhya Spinning Mills Private Limited**, was engaged in manufacturing activities and accumulated unutilized ITC due to a difference between GST rates applicable on inputs and outward supplies. The taxpayer filed refund applications under the inverted duty structure mechanism in respect of the accumulated ITC.

The GST authorities rejected the refund claims on the ground that the **principal input and the final product attracted the same rate of GST**. According to the Department, refund benefit could not be extended where the main input did not suffer a higher rate of tax compared with the finished product.

The taxpayer challenged the rejection orders before the Madras High Court, arguing that GST law does not prescribe any such restriction and that refund eligibility must be determined based on the overall rate structure of inputs and output supplies.

Issue Before the Court

Whether refund of accumulated ITC under the inverted duty structure mechanism can be denied merely because the principal input and the finished product attract the same GST rate, when other inputs used in the manufacturing process bear higher GST rates resulting in accumulation of credit.

Decision of the High Court

The Madras High Court set aside the rejection of refund claims and held that refund eligibility cannot be restricted by introducing conditions that are not provided under the GST law.

The Court observed that:

- GST provisions do not differentiate between "principal inputs" and "other inputs" while determining refund eligibility.
- The relevant consideration is whether accumulation of ITC has occurred due to the inverted rate structure between inputs and outward supplies.
- Refund cannot be denied merely because one major input carries the same GST rate as the finished product.
- Authorities must apply the statutory provisions and prescribed formula while examining refund claims.

The matter was remanded back to the GST authorities for reconsideration in accordance with law.

Key Takeaways

For Taxpayers

Refund eligibility must be examined based on the overall input-output tax structure and not only the rate applicable to the principal input.

GST authorities cannot impose additional restrictions beyond those specifically provided under the CGST Act and Rules.

Businesses with previously rejected refund claims on similar grounds may evaluate the possibility of seeking appropriate remedies.

Practical Implications for Businesses

Businesses operating under sectors affected by inverted duty structures should:

- Review pending and rejected refund applications in light of this ruling.
- Maintain detailed input-output GST rate analysis to substantiate refund claims.
- Preserve proper documentation supporting ITC accumulation.
- Ensure accurate refund calculations as prescribed under Rule 89(5) of the CGST Rules.
- Regularly assess the impact of GST rate changes on working capital requirements.

Madras High Court Clarifies Scope of Proceedings under Section 74

Fastenex Private Limited

v.

***State Tax Officer* (Madras High Court)**

Facts of the Case

The GST Department initiated proceedings against Fastenex Private Limited by issuing a show cause notice under Section 74 of the CGST Act alleging suppression of facts, wilful misstatement and fraud leading to short payment of tax.

The taxpayer challenged the notice before the High Court, contending that the Department had failed to establish any fraud or deliberate suppression before invoking Section 74. According to the petitioner, proceedings under Section 74 could not be initiated merely on suspicion without first proving fraudulent intent.

Issue Before the Court

Whether the Department is required to conclusively establish fraud before issuing a show cause notice under Section 74 of the CGST Act.

High Court's Decision

The Madras High Court dismissed the challenge and held that a show cause notice is only the initiation of adjudication proceedings and does not determine liability.

The Court observed that, at the notice stage, the Department is only required to possess prima facie material indicating fraud or suppression. The taxpayer is afforded an opportunity during adjudication to rebut the allegations and produce evidence in support of its case.

Key Takeaways

- Section 74 proceedings can be initiated based on prima facie material.
- Fraud need not be conclusively established before issuing a notice.
- A show cause notice is not a final determination of tax liability.

Practical Implications

Taxpayers should treat every Section 74 notice seriously and submit comprehensive replies supported by documentary evidence rather than challenging the notice solely on the ground that fraud has not yet been proved.

High Courts Continue Liberal Approach in Bail for GST Fraud Cases

Facts of the Cases

During July 2026, various High Courts considered applications for regular bail in prosecutions involving allegations of fake invoices, bogus firms and fraudulent availment of Input Tax Credit running into substantial amounts.

In many of these matters, the investigation had substantially progressed, documentary and electronic evidence had already been seized by the Department, and the accused had cooperated with the investigation. The principal question before the Courts was whether continued custodial detention was necessary pending trial.

Issue Before the Court

Whether bail should be granted in GST fraud prosecutions where the evidence is primarily documentary and the investigation is substantially complete.

Judicial View

The Courts observed that while GST fraud is an economic offence and must be dealt with seriously, prolonged custody is not justified merely because of the nature of the allegations.

Where documentary evidence has already been secured, investigation is substantially complete, and there is no likelihood of the accused tampering with evidence or influencing witnesses, bail may be granted subject to appropriate conditions.

Key Takeaways

- Bail depends upon the facts of each case.
- Documentary evidence already in the Department's possession weighs in favour of bail.
- Bail does not amount to exoneration and has no bearing on the final outcome of prosecution.

Practical Implications

Businesses should maintain proper records, cooperate fully during investigations, and seek timely legal advice whenever prosecution proceedings are initiated.

RBI/2026-27/185

DOR.STR.REC.158/21-04-048/2026-27

July 15, 2026

Reserve Bank of India (Urban Cooperative Banks – Credit Facilities) Second Amendment Directions, 2026

RBI Amendment Directions on Project Finance – Key Highlights

The Reserve Bank of India has issued amendments to the existing **Project Finance Directions** by exercising powers under the **Banking Regulation Act, 1949**. The amendments are aimed at providing greater flexibility to banks in financing projects while ensuring proper assessment of project viability.

Key Amendments:

1. Financing of Multiple Independent Units within a Project

- Banks are now permitted to finance **multiple independent and viable units of a single project as separate projects**.
- Such financing can be undertaken only if:
    - The project can be operationalised as **multiple independent units**; and
    - Each unit is assessed **separately for standalone viability before financial closure**.
- This provides flexibility to lenders in structuring project finance based on the operational feasibility of individual units.

2. Clarification for Power Generation Projects Involving Transmission Infrastructure

- For electricity generation projects where the scope includes both:
    - Power generation; and
    - Transmission/evacuation infrastructure,
- The requirement relating to **Right of Way (RoW) for transmission infrastructure** may be determined separately as per the applicable provisions of the Project Finance Directions.
- This enables better assessment of transmission-related requirements while financing integrated power projects.

3. Effective Date

- The above amendments have come into force **with immediate effect** from the date of issuance of the directions i.e. is July 15,2026

RBI/2026-27/214

DOR.SOG(SPE).REC.176/13.03.00/2026-27

July 30, 2026

Reserve Bank of India (Commercial Banks – Interest Rate on Deposits) Second Amendment Directions, 2026

- The Reserve Bank of India has issued the **Commercial Banks – Interest Rate on Deposits Second Amendment Directions, 2026** to revise the regulatory framework governing **interest rates on Rupee deposits, particularly bulk deposits**, and to enhance transparency and consistency in the disclosure of deposit rates by banks.
- The amendments focus on ensuring that interest rates offered on deposits are transparent, uniformly applied, and aligned with the bank's disclosed interest rate framework. Banks are required to disclose the applicable interest rates on all deposits, including bulk deposits, on their official website in advance. For bulk deposits, the applicable interest rates shall be updated on the bank's website on every business day by **10:00 AM**, with a grace period up to **10:10 AM**.
- Further, banks shall ensure that the interest rates offered on deposits are **uniform across all branches and customers**. No discrimination shall be made in the interest paid between deposits of similar amount accepted on the same date at any office of the bank.
- The Directions also provide flexibility to banks in pricing bulk deposits by permitting them to offer **differential interest rates based on the applicable run-off rates under the Liquidity Coverage Ratio (LCR) framework**. Accordingly, banks may consider the stability and liquidity impact of different categories of bulk deposits while determining the interest rates, in accordance with the provisions of the **Reserve Bank of India (Commercial Banks – Asset Liability Management) Directions, 2025**.
- The revised framework is expected to improve transparency in deposit pricing, strengthen liquidity risk management, and provide banks with greater flexibility in managing their liability profile while maintaining regulatory discipline.
- The **Reserve Bank of India (Commercial Banks – Interest Rate on Deposits) Second Amendment Directions, 2026 shall come into effect from October 01, 2026**. Banks are

required to review their deposit pricing policies, website disclosure mechanisms, and internal systems to ensure timely compliance with the revised requirements.

RBI/2026-27/189

DOR.STR.REC.170/21-04-048/2026-27

July 16, 2026

Reserve Bank of India (Non-Banking Financial Companies – Resolution of Stressed Assets) Second Amendment Directions, 2026

- The Reserve Bank of India has issued the **Non-Banking Financial Companies (Resolution of Stressed Assets) Second Amendment Directions, 2026** to further strengthen the framework for identification and resolution of stressed assets by NBFCs. The amendments aim to enhance transparency, improve credit discipline, and ensure timely resolution of financial stress in borrower accounts.
- The revised Directions provide further clarity on the prudential framework applicable to NBFCs while undertaking resolution of stressed exposures. NBFCs are required to ensure that resolution plans are formulated and implemented in accordance with the prescribed regulatory framework, with due consideration to the borrower's financial viability and long-term sustainability.
- The amendments reinforce the requirement for NBFCs to undertake timely review of stressed accounts and adopt appropriate resolution measures, including restructuring, change in ownership, or other permissible resolution mechanisms, wherever applicable. The resolution process should be supported by proper documentation, board-approved policies, and adequate internal controls.
- The revised framework also emphasizes appropriate recognition of asset quality and provisioning requirements during and after the resolution process. NBFCs shall continue to ensure that restructuring of stressed accounts does not result in inappropriate asset classification benefits and that the regulatory treatment prescribed by RBI is followed.
- The Directions are intended to strengthen the overall stressed asset management framework of NBFCs by promoting early identification of financial stress, timely corrective action, and transparent reporting of asset quality. NBFCs should review their existing resolution policies, monitoring mechanisms, and internal processes to ensure alignment with the amended requirements.
- The **Reserve Bank of India (Non-Banking Financial Companies – Resolution of Stressed Assets) Second Amendment Directions, 2026** shall be effective from the date of issuance, i.e.,

July 16, 2026. NBFCs are advised to ensure necessary updates to their policies and operational frameworks for effective compliance.

RBI/2026-27/204

DOR.ACC.REC.No.185/21-02-002/2026-27

July 30, 2026

Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Seventh Amendment Directions, 2026

- The Reserve Bank of India has issued the **Commercial Banks – Prudential Norms on Capital Adequacy Seventh Amendment Directions, 2026** to further refine the regulatory framework governing capital adequacy requirements for commercial banks. The amendments aim to strengthen the resilience of banks by ensuring that capital requirements appropriately reflect the risks undertaken by banks.
- The revised Directions provide updates to the existing capital adequacy framework, requiring banks to align their capital computation, risk-weight assessment, and regulatory reporting mechanisms with the amended requirements. Banks are required to maintain adequate regulatory capital to absorb potential losses and support sustainable growth while complying with the prescribed minimum capital requirements.
- The amendments focus on enhancing consistency and transparency in the treatment of capital instruments, risk exposures, and related regulatory adjustments. Banks shall ensure that eligible capital instruments continue to meet the prescribed criteria for inclusion in regulatory capital and that deductions, adjustments, and disclosures are appropriately reflected in accordance with RBI guidelines.
- The revised framework also reinforces the importance of robust internal systems for identification, measurement, monitoring, and reporting of various risk exposures. Banks are required to review their capital planning processes, risk management frameworks, and reporting systems to ensure timely compliance with the amended provisions.
- The amendments are expected to strengthen the overall capital position of banks, improve risk sensitivity in capital assessment, and enhance the stability of the banking sector.
- The **Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Seventh Amendment Directions, 2026** shall come into force from the date specified by RBI. Banks should undertake a detailed review of their existing capital adequacy framework and implement necessary system and policy changes to ensure compliance with the revised requirements.

ROC

MCA Extends Companies Compliance Facilitation Scheme, 2026 (CCFS-2026)

The Ministry of Corporate Affairs (MCA) has extended the validity of the **Companies Compliance Facilitation Scheme, 2026 (CCFS-2026)** up to **31st August 2026.** The extension provides additional time for eligible companies to complete pending annual filings, obtain dormant status, or apply for strike-off at concessional fees.

Key Highlights

- **Scheme:** Companies Compliance Facilitation Scheme, 2026 (CCFS-2026)
- **Extended Due Date: 31st August 2026**
- **Applicable To:** Eligible companies with pending ROC compliances.
- **Major Benefit:** Companies filing pending Annual Returns and Financial Statements are required to pay the **normal filing fee plus only 10% of the applicable additional fees**, resulting in up to **90% relief in additional fees**, subject to the scheme's conditions.

Key Benefits

- Opportunity to regularise long-pending ROC compliances.
- Significant reduction in additional filing fees.
- Concessional fees for obtaining Dormant Company status.
- Reduced filing fees for voluntary strike-off applications.
- Helps companies restore their compliance status with the MCA

Action Required

Companies should:

- Review all pending ROC annual filings.
- Verify eligibility under CCFS-2026.
- Complete eligible filings before **31st August 2026**.
- Preserve all challans, SRNs and acknowledgements for future reference.

Conclusion

The extension of **CCFS-2026** offers a valuable one-time opportunity for companies to regularise pending compliances at a substantially reduced cost. Companies should utilise the extended timeline and complete all eligible filings well before **31st August 2026** to avoid the restoration of the normal fee and penalty regime after the scheme expire


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