NEWSLETTER

JUNE 2026

Presented By
R C JAIN & ASSOCIATES LLP

"An investment in knowledge pays the best interest."

— Benjamin Franklin

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DIRECT TAX

CBDT Updates | Income-tax Department

1. CBDT Notifications

CBDT Notification No. 70/2026, issued on 1 June 2026, expands the list of infrastructure businesses that can qualify as "eligible infrastructure entities" for the purpose of claiming tax exemptions under Schedule V [Table, Sl. No. 7] of the Income-tax Act, 2025. The notification specifies that businesses operating in the infrastructure sub-sectors included in the Updated Harmonised Master List of Infrastructure Sub-Sectors issued by the Department of Economic Affairs (such as roads, highways, railways, airports, ports, power generation, renewable energy, logistics parks, urban infrastructure, telecom, digital infrastructure, water supply, waste management, etc.) will be treated as eligible businesses, in addition to those already covered under section 138 of the Act. The notification is effective from 1 June 2026.

2. CBDT Circulars

No CBDT Circulars were issued during June 2026.

3. E-filing Portal Updates

(i) ITR-3 Online Filing Enabled (19 June 2026)

The Income-tax Department enabled online filing, Excel Utility, JSON upload support for ITR-3 (AY 2026–27).

Applicable to:

1. Proprietary businesses
2. Professionals
3. Partners
4. Capital gains cases
5. F&O traders
6. Persons having business income.

(ii) ITR-3 Offline Utility Released (23 June 2026)

Offline Utility Version released for AY 2026–27.

Benefits:

1. Offline preparation
2. Validation
3. JSON generation
4. Bulk filing support for professionals.

(iii) Excel Utilities for filing Updated return for ITR-1 to 7 for AY 2022-23 as per Finance Act, 2026 are available for filing.

(iv) Transition under the New Income-tax Act

The Department clarified that:

AY 2026–27 returns continue under the Income-tax Act, 1961.

Advance tax from Tax Year 2026–27 is governed by the Income-tax Act, 2025.

The e-filing portal will support compliance under both Acts simultaneously during the transition period.

4. CBDT Guidelines for Compulsory Selection of Returns for Complete Scrutiny selected during the FY 2026-27

(CBDT Instruction F. No. 225/56/2026/ITA-II dated 4 June 2026)

The CBDT has issued guidelines specifying the categories of Income-tax Returns (ITRs) that must be selected for Complete Scrutiny during FY 2026-27. These cases are mandatory and do not require risk-based selection.

Key Categories of Compulsory Scrutiny

1. **Search and Seizure / Requisition Cases:**
   Returns filed for assessment years relating to searches under the Income-tax Act or requisitions are compulsorily selected for complete scrutiny.

2. **Survey Cases**
   Cases where a survey has been conducted under the Income-tax Act are selected for compulsory scrutiny,subject to the conditions specified in the instruction.
   .
3. **Information Received from Law Enforcement Agencies (LEAs)**
   Returns involving credible information from agencies such as:
   a. Enforcement Directorate (ED)
   b. Central Bureau of Investigation (CBI)
   c. Directorate of Revenue Intelligence (DRI)
   d. Serious Fraud Investigation Office (SFIO)
   e. GST authorities
   f. Other Central/State Government agencies
   Such cases are selected where tax evasion is indicated.

4. **Cases Based on Specific Information from Investigation Wing**
   Cases identified by the Income-tax Investigation Wing based on:
   a. Benami transactions
   b. Accommodation entries
   c. Bogus purchases/sales
   d. Unexplained investments
   e. Other credible evidence of tax evasion.

5. **Cases Involving Information from Foreign Jurisdictions**
   Information received under:
   a. Tax Information Exchange Agreements (TIEA)
   b. Double Taxation Avoidance Agreements (DTAA)
   c. Common Reporting Standard (CRS)
   d. Foreign Account Tax Compliance Act (FATCA)
   Such returns are mandatorily scrutinised.

6. **Cases Arising from Court Directions**
   Where any Court or Tribunal directs the Income-tax Department to examine a particular assessment, the return is selected for complete scrutiny.

7. **Cases Reopened Under Relevant Provisions**
   Returns involving reassessment or recomputation pursuant to statutory provisions, wherever prescribed by the Board.

8. **Cases Specifically Approved by CBDT**
   Any case approved by the CBDT or the competent authority for compulsory scrutiny based on exceptional circumstances.

Procedure Prescribed

The jurisdictional Assessing Officer must issue the notice under the relevant provisions within the prescribed time limit. Cases belonging to Central Charges or International Taxation must be transferred to the appropriate jurisdiction promptly after selection. The scrutiny shall be Complete Scrutiny, allowing examination of all relevant issues affecting the assessment

CASE LAWS

IN THE ITAT AGRA BENCH (DB)
Shri 1008 Digambar Jain Atishay Kshetra Papoura Ji
v.

Income Tax Officer-Exemption
SUNIL KUMAR SINGH, JUDICIAL MEMBER
AND M. BALAGANESH, ACCOUNTANT MEMBER
IT APPEAL NO. 458 OF 2025
22nd JUNE 2026

Issues Involved

Whether the assessee-trust, having obtained registration under Section 12AA during the pendency of the assessment proceedings, was entitled to claim exemption under Sections 11 and 12 for Assessment Year 2017-18 in view of the proviso to Section 12A(2). Whether the cash donations of ₹75.46 lakh received during the demonetisation period for religious activities could be treated as unexplained cash credits under Section 68 despite being duly recorded in the books of account and supported by documentary evidence. Whether the special tax rate under Section 115BBE could be applied to the assessee's income for Assessment Year 2017-18.

Facts of the Case

The assessee is a religious and charitable trust registered under the MP Public Trust Act. It filed its return of income for Assessment Year 2017-18 declaring a taxable income of 2,01,080. The case was selected for scrutiny to examine substantial cash deposits made during the demonetisation period and the deduction claimed under Section 57. During the demonetisation period, the trust deposited cash of 43 lakh and 47 lakh into its bank accounts. The assessee explained that these deposits represented donations aggregating 75.46 lakh, received towards Abhishek and Indra-Indrani religious ceremonies to be conducted during the Panchkalyanak Pratishtha Mahotsava and Mahamastakabhishek scheduled in April 2017. The donations were duly recorded in the audited books of account and the resultant surplus was offered to tax. The Assessing Officer rejected the explanation, treated the donations as bogus, added 75.46 lakh under Section 68 and denied exemption under Sections 11 and 12 on the ground that the trust was not registered under Section 12AA during the relevant assessment year. The Assessing Officer also subjected the income to tax under Section 115BBE. The CIT(A) confirmed the assessment, against which the assessee preferred an appeal before the Tribunal.

Gist of the Judgment

The Tribunal held that the proviso to Section 12A(2) has retrospective application. Therefore, where registration under Section 12AA is granted while assessment proceedings for earlier years are pending, the benefit of exemption under Sections 11 and 12 must also be extended to those earlier assessment years, provided the objects and activities of the trust remain unchanged. Since the assessee obtained registration on 26.11.2018, prior to completion of assessment on 29.12.2019, it was entitled to claim exemption for AY 2017-18. With respect to the addition under Section 68, the Tribunal observed that the assessee had produced extensive documentary evidence, including donor-wise ledgers, donation receipts, event agenda, newspaper reports, photographs and audited books of account, establishing that the donations were genuine and received for religious purposes. As the books of account had not been rejected and the Revenue failed to produce any contrary evidence, the addition made merely on suspicion and conjecture was held to be unsustainable.On the applicability of Section 115BBE, the Tribunal relied upon the decision of the Madras High Court in S.M.I.L.E. Microfinance Ltd. and held that the enhanced tax rate introduced under Section 115BBE is applicable prospectively and cannot be applied to Assessment Year 2017-18. Accordingly, the assessee's income was directed to be taxed under the normal provisions of the Act.

Key Takeaways

Registration granted under Section 12AA during the pendency of assessment proceedings can be applied retrospectively to earlier years in terms of the proviso to Section 12A(2), provided the trust's objects and activities remain unchanged. Donations cannot be treated as unexplained cash credits merely because they were received during the demonetisation period when the assessee substantiates the receipts with credible documentary evidence and properly maintained books of account.The Revenue cannot disregard audited books and supporting evidence on the basis of suspicion or conjecture alone. The enhanced rate of tax under Section 115BBE is prospective in nature and is not applicable to Assessment Year 2017-18.

Conclusion

The Tribunal allowed the assessee's appeal and held that the assessee-trust was entitled to exemption under Sections 11 and 12 on the basis of the registration granted under Section 12AA, as the assessment proceedings were pending on the date of registration. It further deleted the addition of 75.46 lakh made under Section 68, holding that the donations were genuine and fully supported by documentary evidence. Lastly, the Tribunal ruled that the special tax rate under Section 115BBE could not be applied for Assessment Year 2017-18, and the income was liable to be taxed under the normal provisions of the Income-tax Act

IN THE ITAT MUMBAI BENCH 'B'
ITO
v.
Neelesh Hasmukh Doshi HUF

CHALLA NAGENDRA PRASAD, JUDICIAL MEMBER
AND MAKARAND VASANT MAHADEOKAR, ACCOUNTANT MEMBER
IT APPEAL NOS. 8644 & 8645 (MUM.) OF 2025
[ASSESSMENT YEARS 2016-17 & 2018-19]
JUNE 19, 2026

Issues Involved

Whether reassessment proceedings initiated under Sections 148 and 148A of the Income-tax Act, 1961 are valid when the notice is issued after the expiry of three years from the end of the relevant assessment year, but the mandatory approval under Section 151(ii) is obtained from the Principal Commissioner of Income Tax (PCIT) instead of the specified authority (Principal Chief Commissioner/Chief Commissioner).

Facts of the Case

The Assessing Officer (AO) issued reassessment notices under Section 148 for Assessment Years 2016-17 and 2018-19 after the expiry of three years from the end of the respective assessment years. Before issuing the notices, the AO obtained approval from the Principal Commissioner of Income Tax (PCIT) under Section 151(ii).The assessee challenged the validity of the reassessment proceedings, contending that, for cases beyond three years, Section 151(ii) mandates approval from the specified authority, namely the Principal Chief Commissioner/Chief Commissioner, and not the PCIT.The Commissioner (Appeals) accepted the assessee's contention and held that the reassessment proceedings were invalid for want of proper sanction.
The Revenue appealed before the Income Tax Appellate Tribunal (ITAT).

Gist of the Decision

The ITAT upheld the order of the Commissioner (Appeals).It held that where reassessment proceedings are initiated beyond three years from the end of the relevant assessment year, approval must be obtained from the authority prescribed under Section 151(ii). Since the AO obtained approval from the **Principal Commissioner** instead of the **specified authority**, the mandatory statutory requirement was not fulfilled. The Tribunal relied on the decisions of the **Bombay High Court** in **Mrs. Chitra Supekar v. ITO** and **Cipla Pharma and Life Sciences Ltd. v. Dy. CIT**, which held that obtaining approval from an incorrect authority vitiates the reassessment proceedings. Accordingly, the reassessment proceedings were held to be **without authority of law and void ab initio**, and the Revenue's appeals were dismissed.

Conclusion

The ITAT reaffirmed that compliance with the approval requirement under Section 151(ii) is mandatory. Where reassessment notices are issued after the prescribed three-year period, approval must be obtained from the specified higher authority. Approval from any other authority, even a Principal Commissioner, does not satisfy the statutory mandate, rendering the reassessment proceedings invalid from the outset.

Key Takeaways

Approval under Section 151(ii) must be obtained from the **specified authority** when reassessment is initiated beyond three years from the relevant assessment year. Approval from the **Principal Commissioner of Income Tax** is insufficient where the statute requires approval from the **Principal Chief Commissioner/Chief Commissioner**. Failure to obtain sanction from the competent authority renders the reassessment proceedings **void ab initio**. The requirement of proper sanction is a **mandatory jurisdictional condition**, not a procedural formality. The decision reinforces the principle that reassessment proceedings must strictly comply with the statutory safeguards prescribed under the Income-tax Act.

GST

HIGH COURT OF MADRAS

Tvl. Narumanam Spices
v.
Superintendent of CGST & Central Excise

D. BHARATHA CHAKRAVARTHY, J.
W.P.(MD)NO.13982 OF 2026
JUNE 1, 2026

Facts of the Case

The assessee, a dealer under Tamil Nadu GST, was subjected to an ex parte assessment order dated 12.12.2025 under Section 73 of the TNGST Act 2017 for the assessment year 2021-22. The department alleged excess availment of Input Tax Credit (ITC) of Rs.6,71,212/- (IGST) based on a mismatch between the figures declared in GSTR-3B and the ITC auto-populated in GSTR-2A. A Show Cause Notice was issued on 09.09.2025. Thereafter, the petitioner paid the differential ITC amount through Form GST DRC-03 on 30.10.2025. However, no reply was filed to the SCN and the petitioner did not participate in the assessment proceedings. The assessing officer passed an ex parte order confirming the difference along with interest under Section 50 and penalty under Section 73(9) read with Section 122(2)(a) of the GST Act. The petitioner challenged this order before the Madras High Court, explaining that the failure to respond was due to a lapse by a part-time accountant who had been entrusted with handling all GST-related compliance matters. The accountant had neither filed a reply to the SCN nor notified the petitioner about the order uploaded on the GST portal.

Grounds of Appeal

The petitioner argued that the assessment order was passed without giving it a proper opportunity to explain its case. It submitted that the failure to respond was due to a genuine mistake by its part-time accountant and was not intentional. On the merits of the case, the petitioner contended that the interest charged under Section 50 was incorrect, as interest is generally payable only on the net GST liability paid through the Electronic Cash Ledger, and not on tax paid by utilising the Electronic Credit Ledger. The petitioner also argued that no penalty under Section 73 should have been imposed, as there was no excess or wrongful claim of Input Tax Credit (ITC).Further, since the entire differential ITC had already been paid voluntarily through Form DRC-03 before the assessment order was passed, the petitioner requested the Court to give it an opportunity to appear before the Assessing Officer and submit its reply along with supporting documents.

Ruling and Judgment

The Madras High Court observed that, considering the differences pointed out by the department, the explanation given by the assessee, and the reason for not attending the hearing, the assessee should be given another opportunity to present its case in the interest of fairness. The Court noted that it has granted similar relief in comparable cases.
Since the entire disputed tax amount had already been recovered by the department, the Court did not impose any additional conditions. Accordingly, the assessment order dated **12.12.2025** was cancelled (set aside), and the matter was sent back to the Assessing Officer for fresh consideration.The assessee

was directed to appear before the Assessing Officer within **four weeks** from receiving the Court's order and submit its reply along with all supporting documents. The Court also ordered that any attachment of the assessee's bank account made because of the assessment order must be removed once the order is set aside.

Legal Impact

This judgment shows that the Madras High Court takes a fair and practical approach when a taxpayer fails to participate in GST proceedings because of a genuine mistake by its accountant or authorised representative. If the taxpayer has not deliberately ignored the proceedings, the Court may give another opportunity to present its case. The Court also recognised that there is an important legal issue regarding the levy of interest under Section 50 whether interest can be charged when tax is paid through the Electronic Credit Ledger instead of the Electronic Cash Ledger. This issue can be examined by the Assessing Officer during the fresh proceedings. The judgment further indicates that when the taxpayer has already paid the entire differential tax before the assessment order, the Court is more likely to send the matter back for reconsideration without imposing additional conditions, provided the facts justify such relief.

HIGH COURT OF GAUHATI

Gurucharan Kangsa Banik
v.
Union of India

KARDAK ETE, J.
WP(C) 2881 OF 2026
JUNE 3, 2026

Facts of the Case

The petitioner, proprietor of **M/s Sree Guru Metal**, was engaged in trading scrap batteries and purchased goods from registered suppliers in Kolkata during FY 2017–18 and 2018–19. The purchases were supported by valid tax invoices, payments were made through banking channels, and the petitioner correctly filed GST returns and claimed Input Tax Credit (ITC). Later, the DGGI **(**Directorate General of Goods and Services Tax Intelligence). alleged that the petitioner had wrongly claimed ITC on invoices without actually receiving the goods and issued a show cause notice demanding **Rs.69.56 lakh**, along with interest and penalty. Although the petitioner produced all relevant documents and no incriminating material was found during a search of the business premises, the department confirmed the demand through an Order-in-Original. The petitioner challenged the order, arguing that the ITC was denied only because the suppliers had failed to deposit the GST with the Government, which was beyond the petitioner's control.

Grounds of Appeal

The petitioner argued that the GST demand order was illegal because it had **genuinely purchased goods**, received **valid tax invoices**, and paid the full amount, including GST, through banking channels. Therefore, it should not be denied Input Tax Credit (ITC) merely because its suppliers failed to deposit the GST with the Government. The petitioner also pointed out that **no incriminating evidence** was found during the search of its business premises. Relying on earlier High Court decisions, it contended that a bona fide purchaser cannot be penalised for the supplier's default. In addition, the petitioner argued that the **time limit for issuing a demand under Section 73 had already expired**, and the department could not wrongly invoke **Section 74** to get a longer limitation period. It also challenged the department's action of passing **one consolidated order covering multiple financial years**, claiming that each assessment year should have been dealt with separately under the GST law.

Ruling and Judgment

The Gauhati High Court held that a **genuine purchaser cannot be denied Input Tax Credit (ITC) merely because the supplier failed to deposit the GST collected from the purchaser with the Government**. If the purchaser has bought goods from a registered supplier, received valid tax invoices, and paid the full amount, including GST, through banking channels, it cannot be penalised for the supplier's default. In such cases, the GST department should recover the tax from the defaulting supplier rather than the bona fide purchaser. Since both parties agreed that the issue was already covered by the High Court's earlier decision in *National Plasto Moulding*, the Court set aside the Order-in-Original dated 28.03.2024. However, the Court clarified that the department is free to take action against the petitioner in the future if it finds evidence that the transactions were not genuine or that the petitioner had colluded with the suppliers.

Legal Impact

This judgment reaffirms that a **genuine purchaser cannot be denied Input Tax Credit (ITC) simply because the supplier failed to deposit the GST collected with the Government**. If the purchaser has bought goods from a registered supplier, received valid tax invoices, paid the full amount including GST through banking channels, and complied with all legal requirements, the department cannot recover the tax from the purchaser merely due to the supplier's default. Instead, the department must proceed against the defaulting supplier. The judgment also highlights the importance of maintaining proper records, such as tax invoices, bank payment proofs, and evidence of receipt of goods, as these help establish that the transactions were genuine. It serves as an important precedent that courts will generally protect bona fide purchasers from unjustified denial of ITC in genuine commercial transactions.

HIGH COURT OF MADRAS

KPR Enterprises
v.
State Tax Officer

C. SARAVANAN, J.
W.P. NOS. 35453, 35458 AND 35463 OF 2024
JUNE 12, 2026

Facts of the Case

KPR Enterprises was engaged in the business of selling rock boulders, while the actual extraction of the boulders was carried out by a contractor. In March 2024, the GST department inspected the business premises. Although the petitioner claimed that no evidence of tax evasion was found, the department issued DRC-01A intimation notices and later DRC-01 show cause notices for the financial years 2018–19, 2019–20, and 2020–21. After considering the petitioner's replies, the department passed DRC-07 orders on 15.07.2024, raising GST demands. The department estimated the petitioner's turnover based on the seigniorage (royalty) fees paid for extracting rock and concluded that the quantity extracted was much higher than the sales reported in GSTR-1. On this basis, it alleged that the petitioner had underreported its outward supplies and invoked the extended limitation period under Section 74. However, the separate issue of whether GST is payable on seigniorage fees was kept pending because it is currently under consideration by the Supreme Court.

Grounds of Appeal

The petitioner argued that the GST demand orders were invalid because no evidence of tax evasion or other incriminating material was found during the department's inspection in March 2024. Therefore, the department had no valid reason to invoke the extended limitation period under Section 74, which applies only in cases involving fraud, willful misstatement, or suppression of facts. The petitioner also contended that the rock boulders sold could not be measured accurately and that the contractor, **B.T. Nagaraj Reddy**, had already paid GST on the boulders extracted and sold from the petitioner's site, resulting in no loss of revenue to the Government. Further, the petitioner submitted that the assessment orders were passed without providing an opportunity for a personal hearing, making them procedurally defective and liable to be set aside.

Ruling and Judgment

The Madras High Court dismissed the writ petitions and upheld the GST demand orders. The Court held that the department had sufficient grounds to invoke the extended limitation period under Section 74 because the petitioner had paid substantial seigniorage fees, indicating a large quantity of rock extraction, while reporting a much lower turnover in GSTR-1. This discrepancy provided prima facie evidence of under-reporting of outward supplies. The Court also observed that it was unlikely for the petitioner to have paid high seigniorage fees for a smaller quantity of extraction, and therefore the department's estimation of turnover using the National Standard Method was reasonable. Further, the Court found that the department had followed the proper procedure by issuing DRC-01A and DRC-01 notices and providing the petitioner with an opportunity to submit replies. Accordingly, the petitions were dismissed. However, the Court allowed the petitioner to file a statutory appeal before the appellate authority within 30 days, directing that if the appeal was filed within that time, it should be decided on merits without rejecting it on the ground of limitation.

Legal Impact

This judgment is important because it clarifies when the GST department can apply the **extended limitation period under Section 74**. The Madras High Court held that the department does not need direct evidence of fraud or suppression at the initial stage. If there is **prima facie evidence**, such as a significant mismatch between seigniorage fees paid and the turnover reported in GST returns, the extended limitation period can be invoked. The Court also approved the use of the **National Standard Method** to estimate unreported turnover based on seigniorage fees. The ruling is particularly relevant for businesses in the mining and quarrying sector, where royalty or seigniorage payments can be compared with GST turnover to detect possible under-reporting. It also serves as a reminder that businesses should ensure their GST returns are consistent with other regulatory records to avoid tax demands and proceedings under Section 74.

HIGH COURT OF MADRAS

V. Damayanti
v.
Superintendent of GST and Central Excise

D. BHARATHA CHAKRAVARTHY, J.
W.P.(MD) NO.10000 OF 2026
JUNE 16, 2026

Facts of the Case

The petitioner, V. Damayanti, is the legal heir of her deceased husband, V. Vasudevan, who was the proprietor of M/s Vasu Chemicals. The business was engaged in supplying industrial soaps and polishes and was registered under GST. The proprietor passed away on 05.03.2019. Following his death, the business was discontinued and the GST registration was cancelled with effect from 31.12.2019. No GST proceedings had been initiated against the deceased proprietor during his lifetime. In 2025, the respondent department issued a communication dated 10.03.2025, followed by a notice in Form DRC-01A dated 20.05.2025, alleging that M/s Vasu Chemicals had failed to file returns for certain e-way bills generated during the financial year 2018-19. The petitioner submitted replies denying involvement and explaining that the business had been closed after her husband's death. A Show Cause Notice in Form DRC-01 was issued on 26.06.2025 and the petitioner again replied on 24.10.2025, reiterating her stand. The respondent, rejecting the petitioner's explanation, passed an order dated 11.12.2025 under Section 74 of the CGST Act determining a tax liability of Rs.3,42,355/- along with interest and penalty. The petitioner challenged this order before the Madras High Court.

Grounds of Appeal

The petitioner's primary contention was that although Section 93 of the CGST Act enables the authorities to proceed against the legal heirs of a deceased taxable person, this provision must be read harmoniously with Sections 73 and 74. Section 74 mandates issuance of a notice to the "person chargeable with tax" and no notice or proceedings had been initiated during the lifetime of the taxable person. It was argued that Section 93 applies only where proceedings had already been initiated during the deceased's lifetime but remained pending determination at the time of death, and cannot authorise initiation of fresh proceedings against legal heirs after death, especially where the business is discontinued. The petitioner relied that "person chargeable with tax" could not extend to the legal heir where the business was closed and no liability was fastened during the deceased's lifetime.

Ruling and Judgment

The Madras High Court dismissed the writ petition and upheld the power of the department to initiate fresh proceedings against the legal heir. The Court held that Section 93(1)(b) of the CGST Act expressly authorises recovery from the legal representative to the extent of the inherited estate, even in cases where the business is discontinued, and even where the tax is determined after the death of the taxable person. The expression "determined after his death" in Section 93 covers the entire adjudicatory process including the issuance of notices, Show Cause Notices and the final order, not merely the passing of the final order. The Court further held that the expression "person chargeable with tax" in Section 74 is wider than "taxable person" defined under Section 2(107) and encompasses any person upon whom the statute fastens the obligation to discharge tax liability, including legal heirs. The Court distinguished the principles applicable to Income Tax proceedings and the decisions under other statutes. However, the Court clarified that in cases of discontinued businesses, the liability of the legal heir shall be limited to the extent to which the estate inherited by the legal heir is capable of meeting the charge.

Legal Impact

This judgment is important because it clarifies that the GST department can start proceedings against the **legal heirs of a deceased proprietor** even if no GST proceedings were initiated during the proprietor's lifetime, the business has been closed, and the GST registration has been cancelled. The Madras High Court held that **Section 93 of the CGST Act** allows the department to recover GST dues relating to the period before the proprietor's death from the legal heirs. However, the Court also protected the legal heirs by holding that **their liability is limited to the value of the assets or estate inherited from the deceased**. They are not personally liable beyond what they inherited. The judgment also makes it clear that the rules applicable to legal heirs under **Section 159 of the Income-tax Act** do not apply to GST, as the CGST Act has its own separate provision governing such situations.

HIGH COURT OF MADRAS

Southern Steels
v.
Assistant Commissioner (ST)

C. SARAVANAN, J.
W.P.NOS. 21110, 21113, 21115, 21122, 21126, 20374, 20390, 20394, 20406 & 20410 OF 2024
JUNE 8, 2026

Facts of the Case

The petitioner-assessee, Southern Steels, operated two separate GST registrations: one at Gobichettipalayam (GSTIN: 33ADGFS0181D1ZH) and one at Erode, Perundurai Road (GSTIN: 33ACVFS3268F1ZQ). On 09.09.2021, the department conducted an inspection at the petitioner's premises, and a scrutiny notice in ASMT-10 was issued on 09.12.2021 alleging that the petitioner had been involved in circular or reciprocal transactions and had passed on fictitious Input Tax Credit (ITC) on non-supplies to other taxpayers. Proceedings for the Gobichettipalayam registration progressed through ASMT-10, replies, and ASMT-13 orders. The petitioner had earlier successfully challenged these ASMT-13 orders in a first round of litigation (W.P.Nos.4378, 4379, 4380, 4381 and 4383 of 2022) and this Court had set aside the ASMT-13 orders by order dated 01.03.2022 and remanded the matters. Post-remand, without issuing a fresh Show Cause Notice in DRC-01, the department directly passed DRC-07 orders dated 05.07.2023 for Gobichettipalayam. For the Erode registration, the proceedings followed the sequence: DRC-01A (07.12.2021), DRC-01 (08/09/11.02.2022), reply in DRC-06 (12.03.2022), and DRC-07 orders (September 2023). Both sets of orders covered the assessment years 2017-2018 to 2021-2022 and confirmed significant tax liabilities.

Grounds of Appeal

For the Gobichettipalayam registration (W.P.Nos.20374, 20390, 20394, 20406 and 20410 of 2024), the petitioner challenged the DRC-07 orders on the ground that they were passed directly after remand without issuance of a fresh Show Cause Notice in DRC-01, in violation of the statutory scheme and principles of natural justice. For the Erode registration (W.P.Nos.21110, 21113, 21115, 21122 and

21126 of 2024), the petitioner challenged both the invocation of extended limitation under Section 74 and the procedure followed. On extended limitation under Section 74 for both registrations, the petitioner argued that the inspection did not unearth any incriminating material and therefore there was no basis for invoking the extended period. The petitioner also raised the issue of whether the threshold for invoking Section 74 under the GST regime was the same as under earlier indirect tax legislation.

Ruling and Judgment

The Madras High Court returned a split decision. On the issue of extended limitation under Section 74 for both sets of proceedings, the Court held that the inspection findings and the ASMT-10 notices indicating circular transactions and fictitious ITC on non-supplies provided sufficient prima facie material to justify invocation of Section 74. The challenge to extended limitation was therefore rejected for both registrations. The Court further clarified that the threshold for invoking the extended period under Section 74 of the GST enactments is much lower compared to the threshold under earlier indirect tax legislations. On the procedural challenge for Gobichettipalayam (Table-1 cases), the Court agreed with the petitioner. It held that once ASMT-10 is issued and a reply is filed in ASMT-11, the proceedings must either conclude in ASMT-12 or proceed through DRC-01A followed by a SCN in DRC-01, before culminating in an order. Passing DRC-07 orders post-remand without a fresh DRC-01 was procedurally incorrect. The Court accordingly set aside the Gobichettipalayam DRC-07 orders dated 05.07.2023, treated them as DRC-01 notices under Section 74, and directed fresh adjudication with natural justice compliance. The Erode proceedings (Table-2 cases), which had followed the correct sequence of DRC-01A, DRC-01, reply in DRC-06 and DRC-07, were upheld, and those writ petitions were dismissed with liberty to appeal within 30 days subject to deposit of 50% of disputed tax.

Legal Impact

This judgment clarifies two important points about GST proceedings under **Section 74**. First, the GST department can invoke the **extended limitation period** if it has **prima facie evidence,** such as inspection findings, circular transactions, or suspected fake ITC, even if it does not yet have conclusive proof of fraud. Second, if a case is **remanded (sent back)** by a court or appellate authority, the department **must issue a fresh DRC-01 Show Cause Notice** before passing a new DRC-07 demand order. This ensures that the taxpayer gets a fair opportunity to be heard. The Court also explained that after issuing **ASMT-10** and receiving the taxpayer's reply in **ASMT-11**, the department must either close the matter through **ASMT-12** or proceed by issuing **DRC-01A** followed by **DRC-01. ASMT-13** can be used only for best judgment assessments of non-filers under Section 62 and cannot be used after ASMT-10 proceedings. Therefore, taxpayers should always check whether the department has followed the correct procedure, as failure to issue a mandatory Show Cause Notice may result in the demand being set aside.

GOVERNMENT OF INDIA
MINISTRY OF FINANCE | DEPARTMENT OF REVENUE
CENTRAL BOARD OF INDIRECT TAXES AND CUSTOMS

Circular No. 255/01/2026-GST

GST Policy Wing, CBIC
F. No. CBIC-20010/11/2026-GST
DATED: 25th June, 2026

Background and Issue

References were received from field formations of the Central Board of Indirect Taxes and Customs (CBIC) seeking clarification on the validity of action taken, and the authority competent to act, at various stages of proceedings under the Central Goods and Services Tax Act, 2017 (CGST Act) in cases where the jurisdiction of a taxable person changes on account of a change in the Principal Place of Business.
The three core questions raised by field formations were:

(i) Whether an action undertaken by the transferor jurisdictional authority at a given stage of proceedings, before migration/transfer of the taxable person to another jurisdiction, remains valid and applicable on the transferee jurisdictional authority;

(ii) Whether the transferor jurisdiction authority can take any action or initiate proceedings against the taxable person after migration/transfer to another (transferee) jurisdiction; and

(iii) Who would be the authority competent to give effect to, implement, or act upon any action already taken, and also to act upon consequential actions, including representing, defending, or conducting proceedings, and filing of appeals before the Appellate Authority or Appellate Tribunal, in cases involving migration/transfer of the taxable person.

Governing Principle

The matter was examined in consultation with the **Union Ministry of Law and Justice.** The Board observed that the core issue in all proceedings referred to above is a conflict between the **validity of action already taken** by the transferor jurisdictional officer, and the **need for the present (transferee) jurisdictional officer** to have control over the proceeding once a taxable person has migrated/transferred to a different jurisdiction.

The governing principle, applicable uniformly across all stages of actions or proceedings, is that **jurisdiction to exercise a statutory power is required to be assessed as on the date on which the power is actually invoked.** A subsequent migration/transfer of the taxable person does not retrospectively vitiate a proceeding already validly initiated or concluded by the erstwhile (transferor) jurisdictional officer, though it does affect who should conduct matters from that point forward.

The Board further noted that judicial pronouncements of the **Hon'ble Supreme Court** and various **Hon'ble High Courts** in tax-related matters consistently hold that past acts of a competent authority remain valid after a change of jurisdiction, and that enforcement and further proceedings must be taken over by the officer who has subsequently acquired jurisdiction (transferee) after such migration/transfer. There is nothing to prevent the transferee jurisdictional authority from acting upon an earlier valid administrative or quasi-judicial action or proceeding initiated by the transferor jurisdictional authority.

Clarifications Issued

The Board hereby issues the following clarifications under the CGST Act and the rules made thereunder:

(a) **Validity of past actions:** Where any action or proceeding under the CGST Act has been validly undertaken by the transferor jurisdictional authority having jurisdiction over the registered taxpayer on the date such action was undertaken, the same shall **remain valid** notwithstanding the subsequent migration/transfer of the taxable person to another jurisdictional authority. The **transferee jurisdictional authority** shall act upon, give effect to, and proceed on the basis of such earlier valid action taken by the transferor jurisdictional authority, as if it had itself initiated the same.

(b) **No fresh action by transferor authority:** The **transferor jurisdiction authority shall not** take any action or initiate proceedings against the taxable person after migration/transfer to another jurisdiction. Any issue coming to the notice of the transferor jurisdictional authority must be **intimated to the transferee jurisdictional authority** for any further action.

(c) **Transferee authority to take over pending proceedings:** Where the taxable person migrates to another jurisdiction during the pendency of any action or proceeding initiated by the transferor jurisdictional authority, the **transferee jurisdictional authority shall take over** and conclude the same from the stage at which it stood at the time of migration/transfer. The transferee jurisdictional authority shall be competent to:

(i) Give effect to, implement, or act upon any action already taken by the transferor authority;
(ii) Act upon any consequential action arising from the antecedent proceedings;
(iii) Represent, defend, or otherwise conduct proceedings; and
(iv) File appeals before the Appellate Authority or Appellate Tribunal in cases involving migration/transfer of the taxable person.

Issued by: **(Gaurav Singh), Commissioner (GST), GST Policy Wing, CBIC**

RBI

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A.P. (DIR Series) Circular No. 14
June 15, 2026

Liberalization of Foreign Portfolio Investment under Schedule III of the Foreign Exchange Management (Non-debt Instruments) Rules, 2019

India Opens Stock Market to All Global Retail Investors: RBI has liberalized foreign portfolio investment norms by allowing any non-resident individual to directly invest in shares of listed Indian companies through recognized stock exchanges. Earlier, this route (Schedule III) was restricted to NRIs and OCIs. The revised framework also permits AD Category-I banks to open special rupee accounts for such investors, enabling smooth fund repatriation while ensuring investments remain within prescribed monitoring and regulatory limits.

Key Points

- Major Opening for Foreigners: Anyone living outside India (not just NRIs or OCIs anymore) can now directly invest in the equity (shares) of listed Indian companies on stock exchanges like the NSE or BSE.
- Higher Limits: The new rules come with enhanced (higher) investment limits, giving foreign individuals more room to invest larger amounts of money.
- Special Repatriable Accounts: Indian banks can now open special Indian Rupee (INR) accounts for these foreign individuals. "Repatriable" means the investor is legally allowed to convert their Indian profits back into their local currency and send the money back home.
- Strict Monitoring & Reclassification: The banks will monitor these individual accounts closely to ensure they don't breach investment limits. If an individual buys so many shares that they cross the safety threshold, their investment will automatically be reclassified from "Foreign Portfolio Investment" (temporary stock market investment) to "Foreign Direct Investment" (FDI - long-term business investment), following established RBI guidelines.
- Bank's Responsibility: Banks must ensure that all trades comply with both RBI and SEBI (Stock Market Regulator) rules. To do this, they will ask foreign investors for proper documentation and disclosures before letting them trade.
- Effective Date: These rules are effective immediately (as of June 2026), and banks have been told to notify their international clients right away.

RBI/DPSS/2026-27/406+

CO.DPSS.POLC.No.S257/02-01-010/2026-27

June 23, 2026

Reserve Bank of India (Trade Receivables Discounting System) Directions, 2026

- The Big Picture: The RBI has consolidated all past rules into a single Master Direction under the Payment and Settlement Systems Act, 2007. TReDS is a digital network where MSMEs can sell unpaid invoices to lenders (financiers) for quick, early cash.
- Three Key Upgrades:

  1. Aligned Capital: TReDS platforms must now meet the same financial and capital rules as other non-bank payment system operators.
  2. Faster Onboarding: Paperwork has been simplified so small businesses can sign up and get paid quicker.
  3. Credit Insurance: Lenders can buy credit insurance to protect against buyer defaults, but they cannot pass this insurance cost down to the MSME seller.

- Financial Entry Barrier: New platform applicants must have a minimum net-worth of **₹25 crore**. Existing operators have a grace period until **March 31, 2028**, to scale up and meet this target.
- Strict Platform Rules:
  1. No Recourse: If a buyer fails to pay, the lender cannot go back and demand the money from the MSME seller.
  2. Unconditional Payment: Once a buyer accepts an invoice on the platform, they must pay on the due date. They cannot withhold funds later by claiming the goods were poor quality.
  3. No Double Financing: Sellers must declare that the invoice hasn't been funded anywhere else, and transactions must be logged with the central registry (CERSAI).

Mandatory Reporting Timeline for Operators

Frequency	What Due	Deadline
Annual	Audited Net-worth Certificate & System Audit Report	By September 30th
Monthly	TReDS Platform Statistics	By the 7th of the next month
Non-periodic	Declaration of changes to the Board of Directors	Immediately as it happens

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DOR.FIN.REC.No.137/03.10.001/2026-27

June 24, 2026

Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Second Amendment Directions, 2026

- Automatic "Upper Layer" Sorting: The RBI has discarded complex scoring matrices. Now, any NBFC with an asset size of ₹1,00,000 crore or above (based on its latest audited annual balance sheet) automatically enters the "Upper Layer" (NBFC-UL) for strict oversight.
- Three-Year Threshold Reviews: To ensure the framework adapts to market dynamics, the RBI will formally review the ₹1,00,000 crore baseline threshold every three years.
- Ditching Multi-Factor Scoring: The old, complicated parametric evaluation models have been cut out completely. Regulations are now direct and "prescribed" to eliminate ambiguity.
- Bank-Owned NBFC Alignment: If a bank owns an NBFC subsidiary and both are engaged in the identical type of financial services, the NBFC must comply with the strict corporate rules applied to the parent entity (under the 2025 Commercial Bank Financial Services Directions), regardless of its scale layer.
- The Listing Exception: If a bank-group entity (such as an Infrastructure Debt Fund NBFC) is bound by strict Upper Layer compliance solely because of its parent bank group, it does not have to publicly list its shares and will officially remain in the "Middle Layer" category.

ROC

MCA Extends Due Date for Filing Form DPT-3 without Additional Fees

The Ministry of Corporate Affairs (MCA) has provided relief to companies in respect of the filing of **Form DPT-3 (Return of Deposits)** for the **Financial Year 2025–2026**.

Key Highlights

1. Form: DPT-3 (Return of Deposits)
2. Financial Year: 2025–2026
3. Original Due Date: 30th June 2026
4. Extended Time for Filing Without Additional Fees: 31st July 2026

Reason for Extension

The extension has been granted considering the **capacity enhancement/restoration activities at the MCA Data Centre following the fire incident that occurred on 05th June 2026**. To facilitate smooth compliance, companies have been permitted to file Form DPT-3 **without payment of additional fees up to 31st July 2026**.

Action Required

Companies that are required to file Form DPT-3 for FY 2025–2026 should ensure that the form is filed on or before 31st July 2026 to avail the benefit of filing without any additional fees.

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