

R. C. JAIN & ASSOCIATES LLP



**NEWSLETTER
MARCH 2026**

Quality is not an act, it is a habit.

– Aristotle

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Direct Tax

Circular No. 3/2026 : Notification of Sovereign Wealth Fund under Schedule V

[Table: Sl. No. 7.Note S(a)(ii)(G)] of the Income-tax Act, 2025

Sovereign Wealth Funds (SWFs) need approval to get tax benefits under the **Income-tax Act, 2025**. New SWFs must apply using **Form I**, while existing approved SWFs don't need to reapply but must keep submitting regular reports. All SWFs must file **quarterly investment statements (Form II) online** within a month after each quarter ends. The process requires basic details and verification by an authorized person. This system ensures **transparency, proper tracking of investments**, and lets SWFs claim **tax benefits** when they invest in specified infrastructure projects.

Sovereign Wealth Fund (SWF) is a **state-owned investment fund**. In simpler terms, it's money that a **government sets aside**—usually from **extra revenue, like oil profits, trade surpluses, or foreign reserves**—and invests it in things.

Circular No. 2/2026 : Order under section 119 of the Income-tax Act, 1961 for extension of timeline for issuance of tax deducted at source (TDS) certificate under section 203 of the Act for the quarter ending 31st December 2025

The Government of India, through the Central Board of Direct Taxes (CBDT), issued a circular on March 2, 2026, extending the deadline for issuing Tax Deducted at Source (TDS) certificates for the quarter ending December 31, 2025. This extension, granted under Section 119 of the Income-tax Act, 1961, is due to technical glitches on the e-filing portal that caused delays for deductors in generating and issuing TDS certificates within the prescribed time. The new deadline for issuing TDS certificates is now March 31, 2026, and certificates issued within this extended period will be considered as issued on time.

Circular No. 1/2026 : Clarification regarding power to condone delay in filing Form No. 10A under sub-clause (i) clause (ac) of sub-section (1) of section 12A of the Income Tax Act, 1961

Trusts or institutions that want **tax-exempt status** under sections 11 and 12 of the Income-tax Act must file **Form No. 10A** on time.

Starting **October 1, 2024**, if they miss the deadline, the **Principal Commissioner or Commissioner of Income-tax** can allow a **late filing** if there's a **reasonable cause**. Once approved, the form is treated as filed on time.

The **Director of Income Tax (CPC), Bengaluru** still handles the registration itself, but the local Commissioner can approve delays. This applies to forms filed late **before or after this circular**.

Notification No. 19/2026 [F. No. 370149/209/2025-TPL] / GSR 158(E)

From **January 1, 2026**, India's income tax rules will require financial institutions to **report modern digital assets like crypto, central bank digital currencies (CBDCs), and certain electronic money products**, not just traditional bank accounts.

Key points:

- Banks and other institutions holding digital assets are now included in reporting rules.
- Crypto-assets are split into **reportable** and **non-reportable** categories.
- Digital money products that are backed by real currency and used for payments must also be reported.
- Institutions must provide details about accounts, transactions, and people controlling them, especially for foreign accounts.
- Special rules cover accounts for **capital formation** and **non-profit organizations**.
- Existing accounts before Dec 31, 2025, have a **phased compliance period**.

Corrigendum to Notification No. 20/2026 [F. No. 370149/209/2026-TPL] / GSR 189(E)

The government corrected the **official name** of a 2026 income tax rules amendment. The title now reads "**Income-tax (First Amendment) Rules, 2026**" instead of the previous wording. This is just a **naming correction** and does **not change any rules** themselves.

Notification No. 21/2026 [F. No. 203/06/2025/ITA-II] / SO 1401(E)

G.S.L. Medical College in Rajahmundry, Andhra Pradesh, is officially approved for **tax-free donations** for scientific research from 2026–27 to 2030–31. People who donate can claim **tax benefits**, and the college must:

- Keep proper records of all donations.
- Submit an **annual report** of donations to the tax authorities by May 31.
- Give donors a **certificate** showing how much they donated for claiming tax deductions.

Income-tax Rules, 2026 : Notification No. 22/2026

The **Income Tax Rules, 2026** were officially notified by the government on **March 20, 2026**, and will apply from **April 1, 2026**. These rules explain **how the new Income Tax Act, 2025 works in practice**. They tell taxpayers and businesses:

- What key terms and forms mean.
- How to declare dividends and compute income.

- How to follow reporting and disclosure requirements.
- How taxes will be calculated and paid in different cases.

Notification No. 23/2026 [F. No. 203/08/2025/ITA-II] / SO 1490(E)

Ahmedabad University in Gujarat is officially approved for **tax-free donations for scientific research** from **2026–27 to 2030–31**. The university must:

- Follow certain income-tax rules.
- Submit a yearly report of all donations by **May 31** (Form 10BD).
- Correct the report if there are mistakes.
- Give donors a **certificate (Form 10BE)** showing their donation, so they can claim tax benefits.

Notification No. 24/2026 [F. No. 203/13/2025/ITA-II] / SO 1491(E)

The Tea Research Association in Kolkata is officially approved for tax-free donations for scientific research from 2027–28 to 2031–32. The association must:

- Follow certain income-tax rules.
- Submit a yearly report of donations by **May 31** (Form 10BD).
- Correct the report if there are mistakes.
- Give donors a **certificate (Form 10BE)** showing their donation so they can claim tax benefits.

Notification No. 5/2026: Order under clause (ia) of sub-section (1) of section 35 of the Income Tax Act, 1961 read with Rule 5F of the Income Tax Rules 1962

Notification No. 5/2026 allows certain companies to get **tax benefits** if they spend money on **scientific research**.

To qualify, companies must:

- Spend the money only on genuine research projects.
- Keep proper records of how the money is used.
- Submit reports to the tax authorities.

Notification No. 01/CPC(TDS)/2026 : Procedure, formats and standards for generation and allotment of Unique Identification Number (UIN) in respect of Form No. 121 and quarterly furnishing of Part B thereof by the payer

If someone gives Form 121 to avoid TDS, the payer must **assign a unique number and report it every quarter to the government**, even if no tax is deducted.

Form 121 = A self-declaration to avoid TDS when your income is not taxable.

Case Laws

“Agreement Date vs. Registration Date: Impact on Stamp Duty Value, Capital Gains Classification, and Section 54 Deduction”

- 1) **Issue Involved:** Whether, for the purposes of section 50C, where the date of the agreement (MOU) and the date of registration are different, the stamp duty value as on the date of the agreement is to be adopted and whether the first proviso to section 50C applies retrospectively; whether the capital gains arising from the sale of property are to be treated as Long Term Capital Gains where the property was held for more than 36 months though the registered deed was executed subsequently; and whether deduction under section 54 is allowable by considering the date of the registered transfer deed as the date of transfer for the purpose of computing the investment period.

THE ITAT MUMBAI BENCH 'F'

Vijay Krishnaji Sawant

v.

Income-tax Officer

SAKTIJIT DEY, VICE PRESIDENT

AND MAKARAND VASANT MAHADEOKAR, ACCOUNTANT MEMBER

IT APPEAL NO. 8991 (MUM) OF 2025

[ASSESSMENT YEAR 2012-13]

MARCH 18, 2026

Gist of the Case:

The ITAT Mumbai held that the first proviso to section 50C, which allows adoption of stamp duty value as on the date of agreement where consideration is received earlier, is a beneficial provision and applies retrospectively. The capital gain was to be treated as Long Term Capital Gain since the property was held for more than 36 months. Further, for claiming deduction under section 54, the date of registered transfer deed should be considered as the date of transfer for computing the investment period. Accordingly, the assessee was entitled to deduction under section 54 and computation of LTCG based on stamp duty value as on the date of MOU.

Facts of the Case:

The assessee was allotted a flat in 2004 and was also given possession of the property in the same year. In 2005, the assessee entered into a Memorandum of Understanding (MOU) for sale of the flat for Rs.1.60 crore and received the entire sale consideration through cheques during 2005–06. The assessee also handed over possession of the flat to the purchaser.

However, due to procedural requirements such as society NOC and government permission, the registered transfer deed could only be executed in 2011. At the time of registration, the stamp valuation authority adopted the value of the property at about Rs.2.38 crores.

During assessment proceedings, the Assessing Officer applied section 50C and adopted the stamp duty value as on the date of registration as deemed sale consideration and treated the capital gain as Short Term Capital Gain. The AO also denied deduction under section 54 on the ground that the sale consideration had been received earlier and was not invested within the prescribed time.

The Commissioner (Appeals) upheld the action of the Assessing Officer. The assessee then filed an appeal before the Tribunal.

Held:

The Tribunal held that the first proviso to section 50C is a beneficial provision introduced to remove hardship caused due to delay between agreement and registration and therefore it is retrospective in nature. Accordingly, the stamp duty value as on the date of execution of the MOU should be considered for computation of capital gains.

The Tribunal further held that since the assessee held the property from 2004 to 2011, the asset was held for more than 36 months and therefore the gain was Long Term Capital Gain and not Short Term Capital Gain.

With respect to deduction under section 54, the Tribunal held that the date of execution of the registered transfer deed should be considered as the date of transfer for the purpose of computing the investment period. Since the assessee invested in a new residential property within the prescribed period from the date of registered transfer deed, deduction under section 54 was allowable.

The Assessing Officer was directed to recompute the Long Term Capital Gain by adopting stamp duty value as on the date of the MOU and allow deduction under section 54.

“Section 12A Registration: Can It Be Denied Due to Missing Clauses in the Memorandum of Association?”

- 2) **Issue Involved:** Whether registration under section 12A can be denied to a charitable/religious society on the ground that its Memorandum of Association does not contain certain clauses such as dissolution clause, investment clause, irrevocability clause, utilization clause and beneficiary clause, even though the activities of the society are genuine and the society has agreed to incorporate the required clauses by amending its Memorandum of Association.

IN THE ITAT AMRITSAR BENCH

S.S. Jain Sabha Golf Link

v.

CIT (Exemptions)*

UDAYAN DASGUPTA, JUDICIAL MEMBER

AND DR. DIPAK P. RIPOTE, ACCOUNTANT MEMBER

I.T.A. NO. 482 (ASR) OF 2024

MARCH 20, 2026

Gist of The Case:

The ITAT Amritsar held that registration under section 12A cannot be denied merely due to absence of certain clauses in the Memorandum of Association when the activities and objects of the society are genuine. Since the assessee society had agreed to incorporate the required clauses including the dissolution clause by amending its MOA, the rejection of registration was not justified. The matter was therefore remanded back to the CIT(E) for fresh consideration of the application for registration.

Facts of The Case:

The assessee was a society registered under the Societies Registration Act, 1860 and was engaged in religious and charitable activities including promotion of Jain religion, construction and maintenance of a place of worship, education, medical relief and other charitable activities.

The society had been granted provisional registration under section 12A and thereafter applied for regular registration under section 12A by filing Form 10AB. The CIT (Exemptions) rejected the application on the ground that the Memorandum of Association did not contain important clauses such as dissolution clause, investment clause, irrevocability clause, utilization clause and beneficiary clause. The CIT(E) also observed that although donations were received, no expenditure on religious activities was reflected in the financial statements.

It was explained that the society had received a plot of land as donation, sold it and purchased a larger plot on which construction of a place of worship had commenced, which itself amounted to application of funds for charitable and religious purposes. The society also submitted that it would incorporate the dissolution clause and other required clauses in the Memorandum of Association in the upcoming AGM.

Aggrieved by the rejection of registration, the assessee filed an appeal before the Tribunal.

Held:

The Tribunal held that the assessee society was duly registered under the Societies Registration Act and had already been granted provisional registration under section 12A. The objects of the society were religious and charitable in nature and there was no finding by the CIT(E) that the activities of the society were not genuine.

The Tribunal observed that the society had received land as donation and used the funds for purchasing a larger plot and constructing a place of worship, which showed that the funds were applied towards its objects. The Tribunal further noted that the society had agreed to incorporate the dissolution clause and other required clauses in the Memorandum of Association through amendment.

Therefore, the Tribunal held that registration under section 12A cannot be denied merely due to absence of certain clauses in the MOA when the activities and objects of the society are genuine. The matter was remanded back to the CIT(E) to reconsider the application for registration after the assessee submits the amended MOA and necessary documents. The appeal of the assessee was allowed for statistical purposes.

GST

Advisory on the Payment of pre-deposit while filing of appeal before First Appellate authority

Background

GSTN has issued an advisory addressing issues faced by taxpayers when filing appeals before the First Appellate Authority. Many taxpayers make voluntary payments during investigation through Form GST DRC-03, but later the GST portal still asks them to pay the mandatory pre-deposit while filing an appeal.

Issue

- When a demand order (such as Form GST DRC-07) is issued, a Demand ID is generated in the Electronic Liability Register. Payments made using the “Payment towards Demand” option are automatically adjusted against this Demand ID.
- However, payments made through Form GST DRC-03 are not automatically linked to the Demand ID, so the GST portal does not recognize them when calculating the pre-deposit required for filing an appeal.

Clarification by GSTN

- To ensure that payments made through DRC-03 are considered for pre-deposit, taxpayers must link such payments with the relevant Demand ID by filing Form GST DRC-03A on the GST portal.
- Once this form is filed, the payment gets mapped to the demand order and appears in the Electronic Liability Register.

Impact on Appeal Filing

- After linking the payment through DRC-03A, the GST system will recognize the earlier payment while calculating the mandatory pre-deposit.
- If the amount already paid is equal to or more than the required pre-deposit, the taxpayer will be able to file the appeal without making any additional payment.

Key takeaway

Taxpayers who have made voluntary payments through Form GST DRC-03 during investigation should file Form GST DRC-03A to link the payment with the relevant demand order before filing an appeal to avoid paying the pre-deposit again.

Case Law

Smurti Waghdhare

v.

Joint Director,

Directorate General of GST Intelligence

(Bombay High Court)

GST Authorities Cannot Seize Cash Arbitrarily During Search

Background

GST authorities conducted search operations at the petitioner's office and residential premises and seized cash amounting to 1 crore. The department alleged that the cash was linked to a fake invoicing and ITC fraud investigation.

The petitioner challenged the seizure before the Bombay High Court, arguing that the cash was seized without recording proper "reasons to believe" as required under Section 67 of the CGST Act. It was also argued that no notice was issued within six months of the seizure as required by law, making the action illegal.

What did the GST department say?

The department contended that the cash was seized during investigation of a large fake ITC racket and that cash could be treated as a "thing" under Section 67, which allows seizure during search proceedings.

High Court's Observation:

The Bombay High Court held that the seizure was arbitrary and without authority of law because the officers had not recorded proper "reasons to believe." The Court also noted that no notice was issued within six months as required under the law. Further the Court questioned the department's action of handing over the seized cash to the Income Tax Department without any authority under the CGST Act.

Final Verdict:

The Court quashed the seizure orders and directed the GST authorities to return the Rs1 crore to the petitioner along with applicable interest.

RBI

RBI/2025-26/387

DOR.ACC.REC.No.427/21.02.067/2025-26

March 10, 2026

Reserve Bank of India (Commercial Banks – Prudential Norms on Declaration of Dividend and Remittances of Profits) Directions, 2026

The Reserve Bank of India (RBI) has issued a significant regulatory update through its circular dated March 10, 2026, introducing the “Prudential Norms on Declaration of Dividend and Remittance of Profits, 2026.”

These Directions, effective from FY 2026–27, bring a structured, capital-linked framework for dividend payouts by banks and profit remittances by foreign banks.

Why This Matters

For Chartered Accountants, auditors, and financial advisors, this update:

- Directly impacts profit distribution strategies
- Influences capital planning and compliance
- Enhances the importance of audit reporting quality

Who is Covered?

The Directions apply to:

- Banking companies
- State Bank of India and other public sector banks
- Foreign banks operating in India (branch mode)

Excluded:

- Small Finance Banks (SFBs)
- Payments Banks
- Regional Rural Banks (RRBs)
- Local Area Banks

Key Concept: Adjusted Profit After Tax (PAT)

Dividend eligibility is now linked to a revised metric:

Adjusted PAT = PAT – 50% of Net NPAs

This ensures that banks with higher stressed assets distribute lower dividends, strengthening financial stability.

Dividend Framework – Now Linked to CET1 Ratio

Dividend payout is no longer discretionary—it is tied to Capital Adequacy (CET1 ratio).

Key Highlights:

- Dividend capped at 75% of PAT
- Further restricted based on CET1 “bucket” system:

CET1 Range	Max Dividend (% of Adjusted PAT)
Low capital	0%
Moderate	20% – 50%
Strong	60% – 100%

Insight:

Banks with stronger capital buffers can reward shareholders more, while weaker banks must conserve capital.

Board Responsibilities Enhanced

Boards must now actively evaluate:

- RBI supervisory findings (especially NPA divergences)
- Auditor’s report (including qualifications/emphasis)
- Capital adequacy post-dividend
- Long-term growth strategy

This increases accountability on both auditors and directors.

Foreign Banks – Profit Remittance Rules

Foreign banks operating in India can:

- Remit profits without prior RBI approval, subject to:
 - Audit completion
 - Compliance with capital norms

However, certain profits are **NOT eligible**, such as:

- Extraordinary income
- Unrealised gains (Level 3 instruments)
- Overstated profits flagged by auditors

Strict Restrictions & Compliance

RBI has retained strong control:

- No dividend if eligibility criteria not met
- RBI can restrict payouts in case of non-compliance
- Violations may attract supervisory or enforcement action

Reporting Requirement

Banks must report dividend/profit remittance details to RBI within 15 days of declaration.

RBI/2025-26/388

DOR.ACC.REC.No.429/21.02.067/2025-26

March 10, 2026

Reserve Bank of India (Payments Banks – Prudential Norms on Declaration of Dividend) Directions, 2026

Dividend Norms for Payment Banks Revised by RBI

The Reserve Bank of India (RBI), through its notification dated March 10, 2026, has issued the “Prudential Norms on Declaration of Dividend for Payment Banks, 2026.”

These Directions will be effective from FY 2026–27 and introduce a structured, capital-based approach to dividend distribution.

Scope & Applicability

Applicable to: All Payment Banks (PBs) operating in India

Key Concept: Adjusted PAT

Dividend eligibility is based on:

Adjusted PAT = PAT – 50% of Net NPAs

Ensures that asset quality directly impacts dividend payout capacity.

Dividend Framework (Tier 1 Linked)

Dividend payout is now linked to Tier 1 Capital Ratio, with an overall cap:

- Maximum cap: 75% of PAT
- Additional restriction based on capital strength:

Tier 1 Ratio	Max Dividend (% of Adjusted PAT)
$\leq 7.5\%$	□ Nil
7.5% – 11.5%	20% – 30%
11.5% – 15.5%	40% – 50%
15.5% – 19.5%	60% – 90%
$> 19.5\%$	100%

Final dividend = Lower of:

- % as per bucket
- 75% of PAT

Board Oversight Strengthened

Before declaring dividends, the Board must evaluate:

- NPA divergence (RBI findings)
- Auditor's report (qualifications/emphasis)
- Capital adequacy post-dividend
- Long-term growth plans

Eligibility Conditions

Payment Banks must:

- Maintain regulatory capital compliance (before & after dividend)
- Have positive Adjusted PAT

- Not be under RBI restrictions

Profits Not Eligible for Dividend

Dividend cannot be declared from:

- Extraordinary / exceptional income
- Overstated profits (as per audit report)
- Unrealised gains (Level 3 financial instruments)

Reporting Requirement

- Dividend details must be reported to RBI
- Timeline: Within 15 days of declaration

Regulatory Control & Penalties

- RBI may restrict dividend payouts for non-compliance
- No relaxation if eligibility conditions are not met
- Non-compliance may lead to supervisory/enforcement action.

RBI/2025-26/390

DOR.ACC.REC.No.431/21.02.067/2025-26

March 10, 2026

Reserve Bank of India (Regional Rural Banks – Prudential Norms on Declaration of Dividend) Directions, 2026

The Reserve Bank of India (RBI) vide notification dated March 10, 2026, has introduced the “Prudential Norms on Declaration of Dividend for Regional Rural Banks (RRBs), 2026.”

These norms will be effective from FY 2026–27 and aim to align dividend payouts with capital strength and asset quality.

Applicability

- Applicable to all Regional Rural Banks (RRBs)
- Supervision inputs also considered from National Bank for Agriculture and Rural Development (NABARD)

Key Concept: Adjusted PAT

- Adjusted PAT = PAT – 50% of Net NPAs
- Ensures that banks with higher NPAs distribute lower dividends, promoting prudence.

Dividend Framework (Tier 1 Based)

RRBs can declare dividend subject to:

- Overall cap: 80% of PAT (higher than other banks)
- Additional cap based on Tier 1 Capital Ratio

Tier 1 Ratio	Max Dividend (% of Adjusted PAT)
≤ 7%	Nil
7% – 11%	20% – 30%
11% – 15%	40% – 50%
15% – 19%	60% – 90%
> 19%	100%

Final dividend = Lower of:

- % as per bucket
- 80% of PAT

Board & Governance Requirements

Before declaring dividend, Boards must evaluate:

- NPA divergence (as per RBI/NABARD findings)
- Auditor’s report (qualifications/emphasis)
- Capital adequacy after payout
- Long-term growth plans

Eligibility Conditions

RRBs must:

- Maintain regulatory capital (pre & post dividend)
- Have positive Adjusted PAT
- Not be under regulatory restrictions

Profits Not Allowed for Dividend

Dividend cannot be declared from:

- Extraordinary / exceptional income
- Overstated profits (flagged in audit report)
- Gains from reversal of provisions or stressed asset transfers (as per RBI norms)

Reporting Requirement

- Dividend details to be submitted to NABARD
- Timeline: Within 15 days of declaration

Restrictions & Penalties

- RBI can restrict dividend payouts for non-compliance
- No relaxation if eligibility criteria not met
- Non-compliance may lead to supervisory / enforcement action

RBI/2025-26/391

DOR.ACC.REC.No.428/21.02.067/2025-26

March 10, 2026

Reserve Bank of India (Small Finance Banks – Prudential Norms on Declaration of Dividend) Directions, 2026

Small Finance Banks – Prudential Norms on Declaration of Dividend, 2026

Effective: FY 2026–27

Applicability: Small Finance Banks (SFBs)

Legal Basis: Section 35A of Banking Regulation Act, 1949

1. Key Definitions

- Adjusted PAT = PAT – 50% of Net NPAs (as on March 31)
- Dividend: Includes interim dividend (excludes PNCPS)
- Extraordinary income: As per accounting standards

2. Board Oversight (Mandatory Considerations)

Before declaring dividend, Board must evaluate:

- RBI supervisory findings (NPA divergence trends)
- Auditor's report (qualifications / emphasis of matter)
- Capital adequacy (current & projected)
- Long-term growth plans

3. Eligibility Criteria (ALL must be satisfied)

- Compliance with regulatory capital norms (before & after dividend)
- Positive Adjusted PAT
- No RBI / regulatory restriction on dividend

4. Quantum of Dividend (Core Rule)

Dividend allowed = Lower of:

1. 75% of PAT, OR
2. % of Adjusted PAT based on Tier 1 Capital Ratio:

Tier 1 Ratio	Max Dividend (% of Adjusted PAT)
$\leq 7.5\%$	0%
7.5% – 11.5%	20% – 30%
11.5% – 15.5%	40% – 50%
15.5% – 17.5%	60% – 70%
17.5% – 19.5%	80% – 90%
$> 19.5\%$	100%

5. Ineligible Profits (Cannot be used for Dividend)

- Extraordinary / exceptional income
- Overstated profits (as per audit qualification)
- Unrealised gains (Level 3 financial instruments)
- Reversal of provisions & certain credit risk transfers

6. Reporting Requirement

- Submit dividend details to RBI within 14 days
- Format prescribed in Annex II

7. RBI Powers & Restrictions

- RBI can restrict dividend for non-compliance
- No relaxation if eligibility criteria not met

8. Penalty

- Non-compliance may lead to supervisory / enforcement action

RBI/2025-26/256

DOR.CRE.REC.448/21-01-002/2025-26

March 30, 2026

Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026 (Revised)

Background

This amendment is issued in continuation of:

- Capital Adequacy Directions, 2025
- Second Amendment (Feb 13, 2026) (*now superseded*)
- Linked with Credit Facilities Amendment Directions, 2026 (Revised)

What is the Amendment? (Core Change)

Treatment of Irrevocable Payment Commitments (IPC)

Banks issue irrevocable payment commitments to clearing corporations (stock exchanges) on behalf of clients.

Earlier Position

- Treated as financial guarantee

- Capital maintained on full exposure (100% CCF)

Revised Position (March 30, 2026)

- IPC continues to be classified as Financial Guarantee (CCF = 100%)
- But Capital requirement is restricted only to Capital Market Exposure (CME)

Capital Treatment Now

- Capital to be maintained on CME portion only
- Applicable Risk Weight = 125%

ROC

DIR-3 KYC Compliance – Major Changes

(Effective 31 March 2026)

Overview

The Ministry of Corporate Affairs (MCA) has introduced significant amendments to the DIR-3 KYC compliance framework with the objective of simplifying procedures and reducing repetitive compliance for Directors.

Key Changes at a Glance

1. KYC Filing Frequency Reduced

- Earlier: Annual filing required
- Now: Filing required **once every 3 financial years**
- Due Date: **On or before 30th June**

2. Mandatory Update for Changes

In case of any change in:

- Mobile Number
- Email ID
- Residential Address
- Directors must update details **within 30 days**
Filing to be done through **DIR-3 KYC Web** with applicable fees

3. Single Form Introduced

- Earlier Forms:
 - DIR-3 KYC
 - DIR-3 KYC Web

Now replaced with a single unified form: **DIR-3 KYC Web**

4. Treatment of Pending Forms

- Any forms currently in:
 - Draft
 - Pending for DSC
 - Pending for payment
 - Will be **cancelled**
 - Fresh filing will be required after 31 March 2026

Effective Date

These amendments are applicable from **31st March 2026** (Notification No. G.S.R. 943(E) dated 31st December 2025).

Illustrative Scenarios

Scenario 1: New DIN Holder

- DIN allotted in FY 2025-26
 - ➔ First KYC due: **April–June 2029**
 - ➔ Thereafter: Every 3rd financial year

Scenario 2: Existing Director (KYC already filed for FY 2025-26)

- ➔ No filing required for FY 2026-27 & FY 2027-28
- ➔ Next KYC due: **April–June 2028** (if no changes)

Scenario 3: Change in Details During Cycle

- DIN allotted: FY 2025-26
 - Details updated: FY 2027-28
- ➔ Next KYC due remains: **April–June 2029**
 - ➔ Update does **not reset the 3-year cycle**

Key Takeaways

- ✓ Annual DIR-3 KYC requirement removed
- ✓ Filing required only once in **every 3 years**
- ✓ Timely update (within 30 days) is mandatory for any changes
- ✓ Simplified compliance with reduced burden on Directors

Conclusion

This amendment is a welcome move towards improving ease of doing business by minimizing repetitive compliance while ensuring that Director information remains updated and accurate in MCA records.

Hunar Art



By Laxmi Yadav

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