

NEWSLETTER
MAY-2026

R. C. JAIN & ASSOCIATES LLP

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS

“ Success is the sum of small efforts,
repeated day in and day out.

– Robert Collier



Index

| | |
|---------------|-------|
| 1. Direct Tax | 3 |
| 2. Case Laws | 4-9 |
| 3. GST | 10-13 |
| 4. RBI | 14-15 |
| 5. ROC | 16 |

EDITORIAL TEAM

CHIEF EDITOR

CA R. C. Jain

EDITOR

CA Ekta Bhanushali

CA Affan Siddiqui

MEMBERS

Aryan Jain

Atharva Vaishampayan

Anushka Rajbhar

Harsh Verma

Mrunali Bavkar

Omkar Pawar

Punam Ramgade

Sahil Bhatt

Selena Surendra

SUPPORT TEAM

Ulhas Jain

CA Meera Joisher

Mangesh Kolekar

DIRECT TAX

❖ **Notification No. 6/2026: Order under clause (IIa) of sub-section (1) of section 35 of the Income Tax Act, 1961 read with Rule 5F of the Income Tax Rules 1962**

- The Income Tax Department has officially approved Shree Hari Arogyam Foundation as a recognized organization for carrying out scientific research under Section 35 of the Income Tax Act.
- The government has given this organization a special approval related to scientific research activities. Because of this approval, people or companies who donate money for eligible scientific research to this organization may be able to claim income tax benefits/deductions, subject to the Income Tax rules. The approval is valid for 5 assessment years, from: AY 2026–27 to AY 2030–31

❖ **Key details**

- Organization Shree Hari Arogyam Foundation
PAN ABGCS1785A
Location Gandhinagar, Gujarat
Notification No. 06/2026
Date of issue 12 May 2026

❖ **Conclusion**

- The Income Tax Department has officially recognized this foundation for scientific research purposes, allowing eligible tax benefits under the law for a limited period of 5 years.

CASE LAWS

IN THE ITAT MUMBAI BENCH 'G'

SHREEM PROPERTIES

V

DEPUTY COMMISSIONER OF INCOME-TAX

**RAHUL CHAUDHARY, JUDICIAL MEMBER
AND OM PRAKASH KANT, ACCOUNTANT MEMBER**

IT APPEALS NO. 6874 OF 2025

18TH MAY 2026

❖ Issues Involved

- Whether, for the purpose of applying the safe harbour tolerance under Section 43CA, the comparison should be made with the stamp duty valuation or with the valuation determined by the DVO, once the DVO valuation substitutes the stamp duty value.

❖ Facts of the Case

- The assessee, a partnership firm engaged in construction and real estate development, sold four office units during AY 2018-19.
- The sale consideration disclosed by the assessee was lower than the value adopted by the stamp valuation authority.
- The Assessing Officer invoked Section 43CA and referred the matter to the DVO after the assessee disputed the stamp duty valuation.
- Since the DVO report was not received before completion of assessment, the AO made an addition of Rs. 1,91,46,297 being the difference between stamp duty value and agreement value.
- During appellate proceedings, the DVO report became available and reflected substantially lower values than the stamp duty valuation.

- The CIT(A) restricted the addition to Rs. 20,20,500 being the difference between the DVO value and the actual sale consideration, holding that safe harbour benefit applies only to stamp duty valuation and not DVO valuation.
- The assessee appealed before the Tribunal.

❖ **Consideration Received and DVO Comparison:**

| Office No. | Agreement Value | DVO Value | Difference | Difference % |
|--------------|--------------------|--------------------|------------------|--------------|
| 305 | 83,25,000 | 89,33,000 | 6,08,000 | 7.30% |
| 405 | 83,25,000 | 90,12,000 | 6,87,000 | 7.62% |
| 503 | 78,62,000 | 79,32,000 | 70,000 | 0.80% |
| 612 | 72,40,000 | 78,96,000 | 6,56,000 | 9.06% |
| Total | 3,17,52,000 | 3,37,73,000 | 20,21,000 | — |

❖ **Gist of the Decision:**

- The Tribunal observed that once the assessee disputes the stamp duty valuation and the matter is referred to the DVO, the DVO valuation effectively substitutes the stamp duty valuation for the purposes of Section 43CA.
- Reliance was placed on the Special Bench decision in Shreyas Naynesh Modi v. ITO, which held that the safe harbour tolerance band must also be applied with reference to the DVO valuation.
- The Tribunal emphasized that the safe harbour provisions are remedial and curative in nature and should be interpreted liberally to avoid hardship in genuine transactions.
- Since the variation between the agreement value and DVO valuation in all four transactions was below the permissible 10% threshold, no addition under Section 43CA could survive.

❖ **Conclusion:**

The Tribunal deleted the entire addition sustained by the CIT(A) and held that:

- Once the DVO valuation replaces the stamp duty valuation, the safe harbour tolerance under Section 43CA must be tested with reference to the DVO valuation.
- As the difference between the agreement value and DVO value was within 10% in all transactions, no addition under Section 43CA was justified.
- Accordingly, the assessee's appeal was allowed.

❖ **Key Takeaway:**

- DVO valuation substitutes stamp duty value once reference is made and valuation is determined.
- Safe harbour benefit under Section 43CA applies even to DVO valuation, not merely to stamp duty valuation.
- If the variation between actual sale consideration and DVO valuation is within the prescribed tolerance band (10%), no addition can be made under Section 43CA.
- The ruling reinforces a purposive and taxpayer-friendly interpretation of safe harbour provisions to reduce hardship in genuine real estate transactions.
- The Special Bench ruling in *Shreyas Naynesh Modi v. ITO* now serves as an important precedent for disputes involving Sections 43CA, 50C and 56(2)(x).

IN THE ITAT MUMBAI BENCH 'H(SMC)'

JOANA DIAGO D'SOUZA

V

INCOME-TAX OFFICER

MS. KAVITHA RAJAGOPAL, JUDICIAL MEMBER
AND MAKARAND VASANT MAHADEOKAR, ACCOUNTANT MEMBER

IT APPEAL NO.8471 OF 2025
[ASSESSMENT YEAR 2017-18]

MAY 18 2026

❖ **Issues Involved:**

- Whether reassessment proceedings initiated under Section 147 were valid when notice under Section 148 was issued beyond 3 years from the end of the relevant assessment year.
- Whether approval obtained from PCIT instead of PCCIT/Specified Authority under Section 151(ii) was legally valid.
- Whether reassessment notice issued on 26.07.2022 for AY 2017-18 was liable to be quashed for lack of proper sanction.
- Whether addition made under Section 56(2)(vii)(b)/56(2)(x) on account of difference between purchase consideration and stamp duty valuation was sustainable before the ITAT.
- Whether legal grounds challenging jurisdiction can be raised for the first time.

❖ **Facts of the Case:**

- The assessee, an individual, had not filed the return of income for AY 2017-18.
- Based on information received from the Investigation Wing regarding purchase of immovable property at a value lower than stamp duty valuation, reassessment proceedings were initiated.
- An order under Section 148A(d) was passed and notice under Section 148 was issued on 26.07.2022.
- The assessee thereafter filed return declaring income of Rs. 3.48 lakh.
- During reassessment proceedings, the Assessing Officer observed that the assessee had jointly purchased a flat for Rs. 1.29 crore whereas stamp duty value was Rs. 1.42 crore.
- The AO invoked Section 56(2)(vii)(b) and added Rs. 6.89 lakh being assessee's 50% share of the differential amount.
- The reassessment was completed under Sections 143(3) r.w.s. 147 and 144B.

- CIT(A) dismissed the appeal ex-parte and upheld reopening as well as the addition.
- Before the Tribunal, the assessee challenged the validity of reopening on the ground that approval was taken from PCIT instead of PCCIT as required under Section 151(ii).

❖ **Gist of the Decision:**

- The ITAT held that since notice under Section 148 was issued on 26.07.2022 for AY 2017-18, it was clearly beyond 3 years from the end of the relevant assessment year.
- Therefore, provisions of Section 151(ii) became applicable and prior approval of the specified authority, namely PCCIT/PCIT as prescribed under the section, was mandatory.
- In the present case, approval had been granted by PCIT-20, Mumbai instead of PCCIT.
- The Tribunal relied upon the decisions of the Bombay High Court in:
 - Mrs. Chitra Supekar v. ITO
 - Prakash Pandurang Patil v. ITO
- The Tribunal also noted that the SLP filed by the Revenue against the decision in Prakash Pandurang Patil was dismissed by the Supreme Court of India.
- Accordingly, the Tribunal held that approval obtained from PCIT was invalid and reassessment proceedings were liable to be quashed.

❖ **Conclusion**

The ITAT quashed the reassessment proceedings holding that:

- For cases where notice under Section 148 is issued beyond 3 years from the end of the relevant assessment year, approval under Section 151(ii) must be obtained from the specified higher authority.
- Approval from PCIT instead of PCCIT/Specified Authority renders the reopening invalid.
- Consequently, the notice issued under Section 148 and the entire reassessment proceedings were declared void ab initio.
- Since reassessment itself was quashed, issues on merits including addition under Section 56(2)(vii)(b)/56(2)(x) became academic and were not adjudicated.

❖ **Key Takeaways**

- In reassessment cases beyond 3 years, sanction under Section 151(ii) is mandatory from the specified higher authority.
- Approval by an incorrect authority such as PCIT instead of PCCIT can invalidate the entire reassessment proceedings.
- Jurisdictional defects can be raised for the first time before the ITAT as they go to the root of the matter.
- Judicial precedents of the jurisdictional High Court and dismissal of SLP by the Supreme Court strengthen the legal position against defective sanction.
- Taxpayers should carefully verify:
 - Date of notice under Section 148,
 - Applicable limitation period,
 - Competent sanctioning authority under Section 151,
 - Validity of approval before contesting reassessment proceedings.

GST

ADVISORY ON ENHANCEMENTS IN E-WAY BILL (EWB) SYSTEM (EFFECTIVE FROM 15 JUNE 2026)

- The GST Network (GSTN) has issued advisory introducing key enhancements to the e-Way Bill (EWB) system aimed at improving compliance, transaction traceability, and logistics reporting. Businesses using the EWB portal or API-based integrations should review the changes and align their systems and processes before the effective date.

❖ 1. Mandatory “Ship To GSTIN” in Bill-To/Ship-To Transactions

- GSTN has made it mandatory to capture the “Ship To GSTIN” while generating e-Way Bills in Bill-To/Ship-To transactions.
 - Where the consignee is registered, the applicable GSTIN must be provided.
 - In case of unregistered recipients, taxpayers are required to enter “URP”.
- Example in a Bill-To/ Ship-To model:
 - One party receives the invoice (Bill to)
 - Goods are delivered to another party (Ship to)
- Earlier
 - Bill to: A Ltd
 - Ship to: B Ltd
 - EWB could sometimes proceed without mandatory Ship-to GSTN validation
- After enhancement:
 - Bill to: A Ltd
 - Ship to: B Ltd
 - Mandatory fields:
 - Bill-To GSTIN → A Ltd
 - Ship-To GSTIN → B Ltd GSTIN
 - If B Ltd is unregistered → “URP”
- Implication: This measure is expected to improve data accuracy, strengthen reconciliation between invoices and movement of goods, and enhance compliance monitoring.

❖ **2. Introduction of Voluntary E-Way Bill Closure Facility**

- A new voluntary EWB closure mechanism has been introduced to facilitate confirmation of delivery completion.
- The closure can be performed by:
 - Supplier
 - Recipient
 - Transporter
 - Authorized person/driver linked through a registered mobile number
- Implication The feature is expected to support better shipment tracking, improve audit trails, and provide additional operational visibility over goods movement.

❖ **3. Bulk and Individual Closure Options**

- GSTN has enabled:
 - Individual EWB closure, and
 - Date-wise bulk closure functionality.
- Implication: The enhancement is particularly relevant for businesses managing high volumes of e-Way Bills and seeking operational efficiency in logistics management.

❖ **4. Timeline for e-Way Bill Closure**

- As per the advisory, e-Way Bills may be closed:
 - On the date of delivery, or
 - By the immediately succeeding day.
- Implication: Businesses may need to strengthen internal coordination between dispatch, logistics, and compliance teams to ensure timely closure.

FILING OF ANNEXURE-B THROUGH OFFLINE UTILITY FOR REFUND APPLICATION INVOLVING ACCUMULATED ITC

❖ 1.Introduction of Annexure-B Offline Utility

- Annexure-B is now mandatory through the prescribed offline utility for refund claims relating to exports without payment of tax, SEZ supplies, inverted duty structure and export of electricity involving accumulated ITC.
- GSTN has replaced the earlier PDF-based submission process to ensure uniform reporting and system-based verification of refund claims on the portal.

❖ 2. Annexure-B Online Utility

- The Excel-based utility requires invoice-wise inward supply details to be reported HSN/SAC-wise along with separate classification of Inputs, Input Services and Capital Goods for accurate refund computation.
- Where a single invoice contains multiple HSN/SACs or categories, taxpayers must split the invoice into separate line items with proportionate taxable value and tax allocation to enable proper portal validation.

❖ 3.Duplicate Document Validation

- The portal validates invoices based on Supplier GSTIN, Invoice Number, Invoice Date, Category of Input Supply and HSN/SAC combination.
- Multiple entries with identical parameters will not be accepted, making duplicate reporting likely to trigger upload failures or validation mismatches.

❖ 4.Reporting of ITC Reversals

- Reversals under Rules 38, 42, 43 and section 17(5) are required to be reported in line with the figures disclosed in GSTR-3B.
- Where multiple utility files are uploaded, reversal figures should be entered only in the final file since the portal recalculates consolidated Net ITC automatically.

❖ **5.Uploading Annexure-B JSON File**

- After preparing the utility, taxpayers must generate the JSON file and upload it through the “Statement of invoices (Unutilized ITC)” link in Form GST RFD-01.
- Manual modification of the generated JSON file should be avoided as it may result in technical errors or rejection during portal validation.

❖ **6.Post-Upload Validation and Reports**

- Uploaded invoice details are validated with GSTR-2B data and the portal displays valid or invalid document reports after processing.
- For invoices relating to periods up to October 2024, the system may show a non-validation message; however, such invoices can still be included in refund applications.

RBI

RBI/2026-27/78

A.P. (DIR SERIES) CIRCULAR NO. 09

MAY 06, 2026

❖ **Issuance of foreign exchange management (authorised persons) regulations, 2026**

- The Reserve Bank of India has introduced the Foreign Exchange Management (Authorised Persons) Regulations, 2026, effective from May 6, 2026, to simplify foreign exchange regulations and improve compliance under FEMA. The revised framework updates existing rules relating to money changing and remittance activities while removing outdated provisions.
- A key change is the discontinuation of new franchisee arrangements for money changing activities, with existing arrangements permitted only up to May 6, 2028, subject to limited exceptions. The regulations also strengthen reporting and compliance requirements for FFMCs and non-bank AD Category-II entities through mandatory submission of audited financial and forex turnover details.
- Overall, the revised regulations aim to modernise the foreign exchange authorisation framework by enhancing transparency, accountability, and operational efficiency across authorised foreign exchange entities.

RBI/2026-27/82

A.P. (DIR SERIES) CIRCULAR NO.10

MAY 13, 2026

❖ **Operating framework for facilitating outward remittance services by nonbank entities through authorized dealer (category i) banks in India**

- The Reserve Bank of India has revised the framework for outward remittance services through non-bank entities by removing the earlier requirement of prior RBI approval for tie-ups with third-party platforms. Authorised Dealer (Category I) banks can now directly enter such arrangements subject to compliance with revised guidelines.

- Under the new framework, the responsibility for compliance, including KYC and FEMA requirements, rests entirely with the Authorized Dealer. ADs must ensure transparency by clearly disclosing exchange rates, charges, timelines, and grievance details, along with issuing detailed invoices for every transaction.
- The revised guidelines also strengthen customer protection measures by ensuring secure handling of customer funds and direct transfer from the sender's account to the beneficiary's account. Additionally, ADs must maintain robust agreements with third-party entities covering cyber security, data privacy, audit rights, grievance handling, and compliance responsibilities.

RBI/DOR/2026-27/94 AND RBI/DOR/2026-27/95

DOR.GOV.REC.NO.83/18.10.015/2026-27

MAY 25, 2026

❖ Reserve bank of India (rural co-operative banks - governance) amendment directions, 2026

- The Reserve Bank of India has issued amendment directions for both Rural Co-operative Banks and Urban Co-operative Banks on May 25, 2026 to strengthen governance norms relating to directors' tenure.
- Under earlier amendments, the maximum continuous tenure of directors was increased from 8 years to 10 years. However, RBI observed cases where directors were circumventing these limits by temporarily resigning and subsequently getting reappointed.
- To address this issue, RBI has now mandated that any director completing 10 years of continuous service on the board of a co-operative bank can be reappointed only after a mandatory cooling-off period of 3 years. During this cooling-off period, such individual cannot hold any position in the same bank except as a customer or member, though they may serve on the board of another eligible bank if permitted.
- For tenure calculation purposes, continuous service will include breaks of less than 3 years, while a break of 3 years or more will reset the tenure count.
- The amendments are effective immediately and are intended to ensure genuine board rotation, avoid long-term entrenchment of directors, and improve governance standards in co-operative banks.

ROC

DIR-3 KYC – IMPORTANT COMPLIANCE UPDATE FOR FY 2026-27

❖ Dir-3 KYC due dates

- DIN allotted during FY 2025-26 :- The Director KYC will be required in FY 2029-30 and must be filed between 1st April 2029 to 30th June 2029.
- DIN whose KYC was completed during FY 2025-26 :- The next KYC will be required in FY 2028-29 and must be filed between 1st April 2028 to 30th June 2028.

❖ Who is required to file dir-3 KYC in FY 2026-27

The following directors are required to file dir-3 KYC during FY 2026-27:

- Directors whose din has been deactivated due to non-filing of KYC in previous years.
- Directors who wish to make any changes or updates in their din details, such as:
 - Mobile number
 - Email id
 - Address
 - Personal particulars

❖ Important note

- Non-filing of dir-3 KYC may result in:
 - Deactivation of din
 - Additional government fees
 - Inability to file MCA forms

R. C. Jain & Associates LLP
Chartered Accountants

Head Office:

Mumbai - 622-624, The Corporate Centre, Nirmal Lifestyle, L.B.S. Marg, Mulund (W),
Mumbai, Maharashtra - 400080.

Email: info@rcjainca.com

Tel.:022- 67081031/67700107.

Branch Offices:

Bhopal I - M-272, Near Arya Samaj Bhawan, Gautam Nagar, Bhopal,
Madhya Pradesh 462 023.

E-mail: hmjainca@rediffmail.com

Tel.: 0755-2600646.

Bhopal II - Plot No. 187, Near Milan Restaurant, MP Nagar, Zone-1, Bhopal,
Madhya Pradesh - 462 011.

E-mail: ajaygupta.agst@gmail.com

Tel.: 83195 56171

Aurangabad - Su-Shobha, Plot No. 7, Mitranagar, Behind Akashwani, Near Maratha
Darbar Hotel, Aurangabad, Maharashtra - 431001.

E-mail: sskasliwal@gmail.com

Tel.: 0240-2357556.

Guwahati – 3C, Gokuldharm, JP Agawala Path, Bye Lane-2, Sanitpur, Bharalumukh
Kamrup Metro, Guwahati, Assam - 781 009

E-mail: canavratn6725@gmail.com

Tel.: 8276887194

Website: www.rcjainca.com