

THE CHARTERED ACCOUNTANT WORLD

VOLUME XXXIV | NO. 2 | February 2026

ANNUAL SUBSCRIPTION

For Chartered Accountants
Rs 1500/- (Single Copy Rs 150/-)

For Others
Rs 2000/- (Single Copy Rs 200/-)

For CA Students
Rs 1000/- (Single Copy Rs 100/-)

EDITORIAL ADVISORY BOARD

CA Vinod Jain, Chairman
CA Pramod K. Kapur, President
CA Anil Sharma, Vice President

CA Aastha Jain, Member
CA Avineesh Matta, Member
CA Praveen Sharma, Member
CA Rajesh Jain, Member

CA Shiv Mittal, Member
CA Sunil Khemka, Member
CA Vijay Gupta, Member
CA Vaibhav Jain, Member

EDITORIAL Independent GST Audit - An Urgent Need



CA Vinod Jain*

B.Com (H) (SRCC), FCA FCS FCMA LLB,
DISA (ICAI), FAFD (ICAI)

The Government of India has a highly positive experience of more than 42 years from tax audit under the Income-tax Act. The tax audit has enabled deep-rooted financial discipline among assessee, a substantial increase in tax collection year after year, and has enabled the tax department to focus on high-risk assessee. It has also led to a substantial reduction in the need for detailed tax scrutiny by tax officers,

empowered faceless assessment, and ensured effective tax compliance.

The Government has rightly initiated major reforms in GST law with a highly positive approach, and it is important for the Government to consider the active involvement of Chartered Accountants to undertake a mandatory GST audit of all entities having an annual aggregate turnover of ₹10 Crore or more.

The GST audit by Independent Chartered Accountants in Practice will ensure:

- A comprehensive and full control over bogus sales bills and circular trading turnover including tracking of actual movement of goods.
- Eradication of non-genuine supplies by unscrupulous tax payers holding GST registration.
- Substantial reduction in genuine errors and mistakes due to wrong understanding of GST legal provisions and will even check manipulation of books and records.
- Educating taxpayers to ensure timely and accurate issuance of tax invoices, e-way bills, and maintenance of books of accounts and GST records.
- Verification of physical inventory, inventory records, monitoring actual movement of goods, avilment of input tax credit, and timely payment of GST output tax.
- Enabling government officer-led audit (scrutiny assessments) to be limited to only 1% sample out of high-risk cases.

▶ contd. to page 8

Empowering the Financial Soldiers and Real MSME 'Mitra': Chartered Accountants



CA Vaibhav Jain

B.Com (Hons), FCA, ACS, LLB, DISA (ICAI), MBF (ICAI),
FAFD (ICAI), CCIDT (ICAI), CCCA (ICAI), ID (MCA-IICA)
Registered Valuer (SFA) (IBBI)

+91-97113-10004
vaibhavjain@mehragoelco.com
vaibhavjain@inmacs.com

The Union Budget 2026-27, presented by the Hon'ble Finance Minister, strongly reaffirms the government's commitment to the growth of Micro, Small, and Medium Enterprises (MSMEs). Among the various progressive measures, the proposal to create a cadre of 'Corporate Mitras' reflects a sincere and well-meaning intent to assist small businesses with their regulatory requirements. As professionals and partners in

nation-building, we deeply appreciate the government's continuous focus on the ease of doing business.

To ensure this noble vision achieves its maximum potential, it is essential to align the initiative with the ground realities of India's robust compliance ecosystem. Here are a few constructive thoughts on how we can collectively serve our MSMEs better.

The Reality of Professional Costs and Quality

The foundational premise that professional compliance services are unaffordable for MSMEs merits a gentle re-evaluation. A little over two years ago, a consultation paper by the National Financial Reporting Authority (NFRA) itself highlighted that the fees charged by Chartered Accountants for MSME audits are, in fact, remarkably low. Notably, there have been no recorded grievances from MSME Forums or Chambers of Commerce regarding the affordability of CA services. Indian CAs have always stood as true partners to small businesses, ensuring high-quality service at highly reasonable costs.

There is a sincere concern that introducing para-professionals—trained with just around 3 months of theoretical input and 6 to 9 months of practical exposure—might inadvertently lead to sub-standard compliance. Inadequate or erroneous compliance can lead to severe financial and legal repercussions for MSMEs,

▶ contd. to page 2

* CA Vinod Jain, is Founder & Past President, All India Chartered Accountant Society, Former Member, Central Council, ICAI, Advisor to GST Council, Former Member High Powered Income Tax Simplification Govt. committee. **Email:** vinodjain@inmacs.com, vinodjain@vinodjainca.com **Mobile:** +91 98110 40004

ultimately costing them far more in penalties and litigation. Furthermore, associating premier statutory bodies like ICAI, ICSI, and ICMAI with such brief, foundational training modules risks diluting their hard-earned global reputation for rigorous academic and professional excellence.

Empowering Sole Proprietary Setups in Tier-II and Tier-III Cities

It is vital to recognize the unsung heroes of our financial ecosystem: the thousands of dedicated sole proprietary CA firms operating in Tier-II and Tier-III cities. These professionals operate with minimal overheads and already provide highly reliable, personalized, and affordable services to local MSMEs. They are the existing, highly qualified 'Friends' or 'Mitras' on the ground as Financial Soldiers.

If the government wishes to further subsidize compliance costs for MSMEs in these regions, a highly effective alternative exists. The government could consider an annual monetary grant of ₹2 Lakhs to ₹5 Lakhs for young CAs establishing their practice (for the first five years) with head offices in Tier-II and Tier-III cities. This direct support would seamlessly subsidize their operational costs, allowing them to pass on the benefits to MSMEs through even lower fees, while simultaneously encouraging more young professionals to set up practice in developing towns.

Building the Right Infrastructure

Contemplating the vast resources required to train a new cadre of Corporate Mitras raises questions about funding and infrastructure. Currently, ICAI successfully runs its flagship CA qualification primarily through a rigorous distance-learning and practical article-ship model, without full-time, physical academic training colleges for its students. Expecting the institutes to absorb the infrastructural and financial burden of training para-professionals without substantial government funding is an area that requires deeper consideration.

A visionary step by the government would be to sanction a capital grant of ₹50,000 Crores, distributed among ICAI, ICSI, and ICMAI in proportion to their member and student bases. This grant could be used to build state-of-the-art, full-time training colleges for CA, CS, and CMA students in at least 100 Cities in India. Once this world-class infrastructure is established and our core professionals are fully empowered, a portion of these facilities could certainly be utilized to train support staff or Corporate Mitras, should an organic need arise in the future.

The Path Forward: Detailed Consultation

To the best of our knowledge, the finer contours of the Corporate Mitra scheme have not yet been drawn through detailed, structural consultation with the ICAI, ICSI, or ICMAI. The government's intent is undeniably positive, and to ensure flawless implementation, a comprehensive dialogue with these professional bodies is highly recommended.

By working together, the government and the professional institutes can ensure that India's MSMEs receive nothing less than the highest standard of financial guidance, keeping the wheels of our economy running smoothly and safely.

GDP Growth Macro View

The Indian economy is projected to grow around 6.5% in the medium term with the possibility of growth accelerating to 7-8% if structural reforms are sustained as per the Economic Survey. Despite global turmoil and geopolitical tensions expected to shape 2026, India continues to stand resilient.

The GDP Growth (IN %): FY23: 7.6% | FY24: 9.2% | FY25: 6.5% | FY26: 7.4% | FY27: 6.8% - 7.2%

RBI's new upper layer list could include NBFCs promoted by banks, strong promoters.

The Reserve Bank of India is likely to issue its updated list of upper layer non-banking financial companies (NBFCs) by mid-2026, sources say, and could add large NBFCs promoted by banks and strong promoters in the list.

- NBFCs in the middle and upper layers are considered to be systemically significant
- Upper layer NBFCs attract higher regulatory scrutiny, and unlisted upper layer NBFCs must list on the stock exchanges within three years of classification. Presently, there are 15 large NBFCs in the upper layer category

Banks gives nod run pension funds for managing NPS

The pension regulator said that it has granted in-principle approval for scheduled commercial banks to independently set up pension funds to manage the National Pension System (NPS). The framework seeks to address existing regulatory constraints that had limited bank participation till now, while introducing clear eligibility criteria based on net worth, market capitalisation and prudential soundness, in line with RBI norms

Govt rolls out Rs 7.3K Crore schemes to boost MSME financing

The scheme titled "Interest Subvention for Pre- and Post-Shipment Rupee Export Credit" will enable micro, small, and medium enterprises (MSMEs) to access export credit at competitive rates, below market interest rates.

RBI's removes limits for FPI's

RBI removed the 2.5 trillion investment cap under VRR for FPIs. Foreign investors had utilised over 80 per cent of this limit, highlighting strong demand for long-term exposure to debt market all foreign investments made earlier under the route (across government bonds, treasury bills, state development loans, and corporate bonds) will now be counted under the normal general route limits. This creates a common investment framework instead of parallel routes. All existing VRR investments will be smoothly transferred to the general route from April 1, without any need for unwinding or fresh approvals. Overall, the move simplifies the investment framework, reduces compliance complexity, and signals the RBI's confidence in the maturity of India's bond market.

New NHAI InvIT for retail investors gets offer for Rs 9500 crore

The National Highways Authority of India (NHAI) has accepted the offer of Rajmarg Infra Investment Trust (RIIT) the latest highway InvIT open for retail investors - of 9,500 crore towards asset monetisation of five sections spanning over 260 km in four states, the Ministry of Road Transport and Highways said.

Bank Loans may unlock fresh growth for REIT's

The Reserve Bank of India's decision to allow banks to lend directly to real estate investment trusts (REITs) is expected to lower funding costs and improve balance-sheet flexibility for listed trusts.

SEZ rules easing to aid a few sectors

The budget proposal to relax the rules allowing units in special economic zones (SEZs) to sell their output in the domestic market will be for a select labour-intensive sectors that are under pressure due to global trade disturbances, an official said on Monday.

Interest Subvention Support for Kisan Credit Card (KCC) Loans Continued for FY 2025–26

The Modified Interest Subvention Scheme (MISS) for short-term agricultural and allied activity loans availed through the Kisan Credit Card (KCC) will continue for the financial year 2025–26. Under the scheme, farmers are eligible for short-term crop loans and allied activity loans up to an overall limit of ₹3 lakh at a concessional interest rate of 7% per annum. Lending institutions receive an interest subvention of 1.5%, while farmers who repay their loans promptly are further eligible for an additional 3% incentive, reducing the effective interest cost to 4% per annum. The scheme lays down separate sub-limits for allied agricultural activities, accords priority to crop loans within the overall ceiling, and extends interest benefits to loans against negotiable warehouse receipts. It also provides for continuation of benefits in respect of loans restructured due to natural calamities, subject to specified conditions.

Editorial Comment: The KCC credit limit of Rs 3 Lakh per farmer is too small considering current prices. The restriction of subvention only for 1 year and mandatory 100 % repayment being insisted on or before end of 12 months is against the basic spirit of a 5-year KCC with 10 percent increment in limit each year needed for capital expenditure. In the current system, a failure to make full repayment at the end of year also increase rate of interest on the facility to more than 12% resulting in heavy unexpected burden on poor farmers. The KCC limit should be permitted like an OD limit rather than expecting a Kisan to every year seek a fresh limit. RBI and Government may please examine.

Interest Subvention Introduced for Pre- and Post-Shipment Export Credit Latest in Finance

An Interest Subvention Scheme has been launched for pre- and post-shipment export credit under the Export Promotion Mission – Niryat Protsahan. Eligible Micro, Small and Medium Enterprise (MSME) manufacturer and merchant exporters can avail an interest subvention of 2.75% per annum, subject to a maximum benefit of ₹50 lakh per exporter per financial year. Operational guidelines for Interest Subvention on pre- and post-shipment export credit under Niryat Protsahan have been amended. This benefit is available strictly for exports falling under a specifically notified and exhaustive list of six-digit Harmonised System of Nomenclature (HSN) tariff lines. DGFT – Trade Notice No. 20/2026 dated 2 January 2026

Collateral Support Facility Introduced for MSME Export Credit Latest in Finance

A Collateral Support for Export Credit facility has been launched under the Export Promotion Mission – Niryat Protsahan to improve access to formal credit for MSME exporters. Implemented on a pilot basis through the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), the scheme provides credit guarantee cover of up to 85% for Micro and Small exporters and 65% for Medium exporters. The maximum guarantee coverage is capped at ₹10 crore per exporter for FY 2025–26. Directorate General of Foreign Trade – Trade Notice No. 21/2026 dated 2 January 2026

Operational Guidelines Revised for Interest Subvention under Niryat Protsahan

Operational guidelines for Interest Subvention on pre- and post-shipment export credit under Niryat Protsahan have been amended. Eligibility has been aligned with RBI's consolidated credit directions, and support is restricted to the actual interest cost borne by eligible MSME exporters. The revised framework applies to credit facilities sanctioned on or after 2 January 2026. Deemed exports and accounts that become non-performing before completion of the export cycle are excluded. Exporters graduating out of MSME status will continue to receive benefits for three years, in line with Ministry of MSME norms. Directorate General of Foreign Trade – Amended Guidelines under Trade Notice dated 2 January 2026

RBI may cap bank dividends at 75% of PAT

The board of directors should consider long-term growth plans and capital position while considering a proposal for the declaration of dividends or remittance of profit. The RBI proposed capping bank dividend payouts to shareholders at 75% of their net profit

IFSCA issues regulations to operationalise global in house centres in IFSCs

The International Financial Services Centres Authority has notified regulations to operationalise Global In-House Centres (GICs) with the objective of developing IFSCs as global hubs for high-value financial and related services, thereby generating employment and strengthening India's integration into the global financial services value chain.

Sun Submits non-binding offer to acquire organon

Sun Pharmaceutical Industries Ltd submitted a non-binding offer to acquire US-headquartered Organon on Thursday, said people in the know, pushing ahead with its boldest global bet ever. It has already tied up acquisition financing in the form of bridge loans from at least three global banks—one each from Wall Street, Europe and Japan—to the tune of \$10-14 billion to show its commitment to the board of Organon. The due diligence process will start shortly, following which a binding bid will be made. But being a listed company, typically these diligences are much shorter in nature.

Unspent funds of Rs 43K crore lying in state's SNA accounts

₹43,636 crore under Centrally Sponsored Schemes remains unspent in states' Single Nodal Agency (SNA) accounts with an additional ₹25,000 crore yet to be transferred. The largest unspent balances pertain to Samagra Shiksha, Jal Jeevan Mission, and Saksham Anganwadi and Poshan 2.0.

New Mutual Fund Regulations Introduce Principle-Based and Differentiated Compliance Regime

The SEBI (Mutual Funds) Regulations, 2026 replace the existing framework with a comprehensive, principle-based regulatory regime governing sponsor, trustees, asset management companies (AMCs), and custodians. The regulations overhaul eligibility, governance, net worth, conflict-of-interest controls, valuation norms, disclosures, and investor grievance redressal mechanisms.

New Stock Broker Regulations Consolidate Governance, Risk and Technology Obligations

The SEBI (Stock Brokers) Regulations, 2026 consolidate and modernise the regulatory framework governing stock brokers. The regulations unify provisions on registration, eligibility, net worth, deposits, fees, and operational permissions, while clarifying circumstances where separate registrations are not required. They introduce enhanced obligations relating to client fund and securities protection, risk management, cybersecurity resilience, grievance redressal, record retention, and codes of conduct. Institutional mechanisms for fraud detection, market abuse prevention, whistle-blower protection, and periodic reporting are mandated. The framework also enables regulatory sandbox relaxations to encourage innovation.

Succession planning SEBI approval /guidelines for family ,trust Changing family dynamics.

Over the past decade, an increasing number of business families have been shifting their promoter holdings, or a portion of them, into trusts where family members are beneficiaries. **Under the SEBI Takeover Code, a change in control or transfer of 25% or more shares in a listed company triggers an open offer an invitation by the acquirer to public share- holders to sell their shares at a fixed price.** However, SEBI exempts a trust to which a promoter transfers shares by way of gift from making an open offer, provided the trustees are family members. A son, by virtue of being recognised as a relative, can be appointed a trustee even if he is not listed as a promoter of the companies whose shares the trust holds. **A daughter- in-law, however, cannot be appointed trustee as she is not recognised as an 'immediate relative' under the takeover code.** In December 2017, SEBI introduced a standard format for promoters to seek exemption from the takeover code. Subsequently, as SEBI administrative team began vetting applications instead of the takeover panel, as was done earlier - response times improved significantly. Even so, the framework has fallen short of addressing newer challenges and evolving family structures. The regulations discourage the appointment of independent trustees and disallow sub-trusts as beneficiaries. Further, transfer of shares of newly listed company to a private trust is permitted only after three years from listing. Under SEBI norms, a person's immediate relative includes the spouse, parents, brothers, sisters and children.



TRUTH
सत्य के लिए हम प्रतिबद्ध हैं



Consolidated FEMA Regulations Notified for Export and Import of Goods and Services

A unified set of Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 has been notified, replacing the earlier export regulations of 2015 and bringing exports and imports of both goods and services under a single FEMA framework. The regulations will come into effect from 1 October 2026. *Reserve Bank of India FEMA Notification dated 13 January 2026*

CA Body Urges CBDT to Streamline 12AB & 80G Registrations

It is noted that applicants are often subjected to repetitive notices, requests for documents already on record, and rejections on technical grounds, undermining transparency and confidence in the process. It urged adoption of faceless processing, risk-based scrutiny, clearer guidelines, and capacity enhancements to align administrative execution with legislative intent.

Editorial Comment: The issue is more than serious as most of the existing NGOs and Trust renewals are to be completed before 31st March 2026. NGOs are facing informal demands, show cause notices on flimsy grounds of undertaking business activity are being raised in respect of genuine Charitable activity of Export promotion, Education and other charitable activities. Even the Religious trusts are being harassed seeking their Memorandum and Articles of association, copies of initial approvals although latest approval is on record, allegation of cash donations (even though permitted by Income Tax law). Renewals are also pending on flimsy grounds of undertaking business activity in the shape of seminars, Conferences and exhibitions.

Income-tax Act, 2025 to Take Effect from 1 April 2026; Draft Rules Released for Consultation

The Central Board of Direct Taxes has initiated preparations for the implementation of the Income-tax Act, 2025, scheduled to come into force from 1 April 2026. As part of the transition, the Board has released the Draft Income-tax Rules, 2026 along with corresponding draft forms for public consultation. To facilitate structured review, two navigational tools mapping the existing Rules and Forms to the proposed framework have also been issued, enabling rule-wise and form-wise comparison. Stakeholders have been invited to provide feedback specifically on simplification of language, reduction of litigation, compliance easing, and identification of redundant provisions, signalling a consultative and reform-oriented approach ahead of the new law's rollout.

Amalgamation shares taxable if they yield real, immediate gains

The Supreme Court has ruled that shares allotted pursuant to a corporate amalgamation may attract taxes business income in the year of allotment if they replace shares held as stock-in-trade and yield an immediate, commercially realisable benefit. The case stemmed from the merger of Jindal Ferro Alloys Limited into Jindal Strips Limited.

PF Contribution by Employer fully Exempt even beyond 12%

The budget did away with the requirement for employer contribution to match employee contribution to PF and exempt taxability of employer contribution even in excess of 12% of wages. This has been done keeping in mind that employer contributions in aggregate to PF, New Pension System (NPS) and Superannuation Fund in excess of ₹7.5 lakh per employee per annum are in any case taxable. Employer contribution to provident fund is specifically exempt from tax in the employee's hands, irrespective of individuals following regular tax regime or the simplified regime.

DIRECT TAX CASE LAW

Mauritius Treaty Benefit Denied for Impermissible Share Transfer Arrangement

The Supreme Court held that the capital gains exemption under the India-Mauritius Double Taxation Avoidance Agreement (DTAA) cannot be claimed where the transfer of unlisted equity shares forms part of a composite arrangement impermissible under Indian law. The Court found that the transaction involving Tiger Global was not an independent commercial transfer, but part of a structured arrangement culminating in Walmart's acquisition of Flipkart. Treaty protection was denied based on substance over form, considering the overall transaction design. **This is a landmark ruling on treaty abuse, indirect transfers, and structured exits, with far-reaching implications for cross-border M&A and private equity transactions.** SC — *AAR vs Tiger Global International Holdings*

Supreme Court Upholds Strict Procedural Discipline in Reassessment Proceedings

The Supreme Court dismissed the Revenue's appeal and affirmed that income tax reassessment notices issued without following mandatory procedures under Sections 148A(d) and 148 are invalid. The Court applied its earlier ruling in *Rajeev Bansal*, reiterating that reassessment powers cannot be exercised mechanically or in violation of prescribed safeguards. The ruling reinforces that failure to follow due process vitiates reassessment proceedings, regardless of the merits of the case. [*SC— ITO vs Bharat Jayantilal Soni*]

Virtual Service Permanent Establishment Not Recognised Under Indian Tax Law

The Delhi HC held that the concept of a "Virtual Service Permanent Establishment (PE)" is not recognised under the Income-tax Act, 1961 or under applicable Double Taxation Avoidance Agreements (DTAAs). The Court ruled that in the absence of physical presence or rendition of services within India, a PE cannot be constituted merely on the basis of remote or virtual service delivery. Accordingly, the Court set aside the tax department's action denying a Nil Withholding Certificate under Section 197, holding that withholding tax cannot be imposed on speculative or non-existent tax exposure. **This ruling provides strong judicial support for cross-border professional services, remote consulting, and global delivery models, and limits aggressive PE-based tax positions in the digital economy.** [*Delhi HC — Ernst & Young LLP vs Assistant Commissioner of Income Tax*]

Validity of Final Assessment Order Passed in the Name of a Non-Existent Amalgamating Company Post NCLT-Approved Amalgamation

The Delhi Bench of the Income Tax Appellate Tribunal held that a final assessment order passed in the name of an amalgamating company, which had ceased to exist pursuant to an NCLT-approved scheme of amalgamation, is void ab initio and without jurisdiction. The Tribunal observed that once the amalgamation was duly approved and the fact thereof was expressly intimated to the Assessing Officer and the DRP, the Revenue could not lawfully continue assessment proceedings or pass orders in the name of a non-existent entity. Relying on the binding judgment of the Supreme Court in *Maruti Suzuki Ltd.*, it was held that such a jurisdictional defect is incurable and cannot be saved by section 292B or by participation of the successor company in the proceedings. Accordingly, the impugned final assessment order was quashed in its entirety. [*Kadimi Special Steels Pvt. Ltd. (Amalgamated with Kadimi Tool Manufacturing Co. Pvt. Ltd.) v. ACIT, Circle-13(1), Delhi, ITA Nos. 2245 & 2246/Del/2022, A.Ys. 2017-18 & 2018-19, order dated 23.01.2026, ITAT Delhi*].]

Sustainability of Addition under Section 68 on Share Capital and Premium Despite Complete Documentary Evidence and Identifiable Investors

The Calcutta High Court held that an addition under Section 68 for unexplained share capital and share premium cannot be sustained merely on the basis of high share premium or alleged lack of creditworthiness where the assessee has furnished complete documentary evidence and the investors are identifiable, traceable, and active taxpayers. The assessee had submitted PANs, ITR acknowledgments, audited financial statements, bank statements, and confirmations from all corporate subscribers, who also responded to notices under Section 133(6). **The Court observed that mere non-appearance of directors or doubts about commercial prudence cannot override verifiable evidence, and that share valuation is a matter of commercial judgment. Accordingly, the addition under Section 68 was held unsustainable.**

GST CASE LAW

GST Payable on Reimbursement of Foreign Patent Filing Expenses Under Reverse Charge

The Authority for Advance Ruling (AAR), West Bengal, has ruled that GST is payable under the reverse charge mechanism on reimbursement of expenses incurred by a foreign patent attorney for filing a patent overseas. In the case, the applicant reimbursed costs incurred by a Japanese patent attorney for filing a patent with the Japanese Patent Office, even though the company had no intention of carrying on business in Japan and the patent was filed in favour of one of its directors. The AAR held that such reimbursement constitutes import of legal services, attracting GST under Entry No. 2 of Notification No. 13/2017 (Rate) dated 28 June 2017. *AAR, West Bengal — Medtrainai Technologies Private Limited, Ruling dated 24 December 2025*



DISCIPLINE
अनुशासन के लिए हम प्रतिबद्ध हैं



GSTAT Adopts Lenient Approach During Initial Phase of Online Appeal Portal

The Goods and Services Tax Appellate Tribunal (GSTAT) has issued an office order to ease procedural requirements during the initial rollout of its online appeal filing portal. For a period of six months, GSTAT registries have been directed to adopt a liberal and facilitative approach while scrutinising appeals. During this transition phase, registries are instructed to raise only substantive defects that affect the merits of the case, and not reject filings for minor technical or procedural lapses. The order also clarifies documentation requirements, stating that digitally generated documents downloaded from the GST Network (GSTN) do not require certification. However, scanned copies of physical documents uploaded with appeals must be duly signed.

GST

Interest Computation, ITC Utilisation in GSTR-3B and other major System-Driven Changes

- Goods and Services Tax Network has issued an advisory introducing system-driven changes in interest calculation, tax liability reporting, and Input Tax Credit (ITC) utilisation in Form GSTR-3B.
- Interest calculation in Table 5.1 has been aligned with Rule 88B(1) of the Central Goods and Services Tax (CGST) Rules, whereby the portal now considers the minimum balance available in the Electronic Cash Ledger (ECL) from the return due date until the actual date of tax payment. The interest is auto-computed and auto-populated by the system and cannot be reduced by the taxpayer, though additional interest may be declared through self-assessment.
- A new auto-populated Tax Liability Break-up Table will separately reflect liabilities arising from earlier period supplies reported later through GSTR-1 or Invoice Furnishing Facility (IFF), ensuring interest computation is aligned with Section 50 of the CGST Act.
- Additionally, the portal now allows greater flexibility in ITC cross-utilisation—after exhaustion of Integrated GST (IGST) credit, IGST liability can be discharged using Central GST (CGST) and State GST (SGST) credits in any order.
- Interest liability becomes fully system-controlled, increasing the risk of automatic interest demands and making timely tax payment and accurate reporting critical.

OTHER LAWS

Penalty Upheld for Incorrect MCA Filing Despite Subsequent Rectification

An Adjudicating Officer has held that incorrect particulars filed in a statutory e-form attract penalties even if the error is later rectified. The case involved Form AOC-4, where a company incorrectly selected its status as a One Person Company (OPC) or Small Company. Although the company acknowledged the mistake as inadvertent and sought to have the form marked as defective, the Adjudicating Officer ruled that post-filing correction does not erase a completed contravention. Emphasising that MCA filings constitute public records relied upon by regulators and stakeholders,

the order placed responsibility for accuracy on the authorised signatory. Penalties of ₹10,000 each were imposed on the company and the signatory officer, along with directions to correct the filing within the prescribed time.

Editorial Comment: The action is against ease of Doing business and decriminalisation being pushed as a major agenda of our honourable Prime Minister. The system should understand and cooperate.

OTHER IMPORTANT CASELAWS

INSOLVENCY LAW

IBBI Penalises Insolvency Professional for Allowing Suspended Management to Run Operations

The Disciplinary Committee of the Insolvency and Bankruptcy Board of India held that an Insolvency Professional (IP) cannot delegate day-to-day management or operational control to directors of the suspended board without approval or ratification by the Committee of Creditors (CoC). The IP was also found non-compliant with Goods and Services Tax (GST) requirements by failing to obtain a fresh registration during CIRP and allowing suspended management to file returns. The IP's registration was suspended for one year. *Insolvency and Bankruptcy Board of India — Disciplinary Committee Order dated 13 January 2026*

Editorial Comment: The Government may permit the existing management to continue to manage the day-to-day operations of the Company during the period of CIRP. The financial and major operating decisions may be undertaken under supervision of COC and direct monitoring of IP appointed as RP of the Corporate Debtor. This will bring significant reduction in closure of operations and loss of employment as well as will improve realisation from a running operation. Most of the Corporate Debtor as of now close their business during CIRP resulting into further losses.

Personal Liability Cannot Be Fastened in Execution Without Prior Adjudication

The Supreme Court held that once a moratorium under the Insolvency and Bankruptcy Code, 2016 (IBC) is in force, execution proceedings must cease. The Court further clarified that directors or promoters cannot be made personally liable in execution proceedings unless there is a specific adjudicatory order fixing such liability against them. Execution courts cannot travel beyond the decree or impose personal liability by implication. *[SC — Ansal Crown Heights Flat Buyers Association vs Ansal Crown Infrabuild Pvt Ltd]*

Homebuyers' Society Has No Locus to Intervene in Section 7 IBC Proceedings

The Supreme Court ruled that a co-operative housing society or Resident Welfare Association (RWA), not being a creditor in its own right and not recognised as an authorised representative of allottees, has no locus standi to intervene in proceedings arising out of an application under Section 7 of the IBC. The Court emphasised that intervention rights under the IBC are strictly statutory. *SC — Elegna Cooperative Housing Society vs Edelweiss Asset Reconstruction Company Limited*

Unregistered Agreement to Sell Does Not Bar Asset Recognition in CIRP

NCLAT held that the existence of an unregistered Agreement to Sell (A2S) does not prevent recognition or treatment of an asset transfer in the context of the Corporate Insolvency Resolution Process (CIRP). The Tribunal observed that insolvency proceedings must focus on the economic substance and resolution framework, rather than formal defects in pre-CIRP documentation. *NCLAT (Delhi) — Late Babu Lal vs Jsrati Education Solutions Limited, Judgment dated 15 October 2025*

Erstwhile Management directed to compensate misuse of funds to Corporate Debtor Facts:

The Resolution Professional of Opulent Infradevelopers Pvt. Ltd. filed an application under Section 66 of the Insolvency and Bankruptcy Code, 2016 against the suspended directors, alleging fraudulent and wrongful trading. A transaction audit identified suspect transactions aggregating ₹10,46,58,571.95, including unjustified donations, non-collection of interest, falsification of books through adjustment entries, and booking of fictitious expenses during financial distress. Decision: The NCLT held that the directors knowingly carried on business with intent to defraud creditors under Section 66(1) and failed to exercise due diligence under Section 66(2). The respondents were directed to jointly and severally contribute 10,46,58,571.95 to the Corporate Debtor within 15 days. *Devendra Umrao, RP of Opulent Infradevelopers Pvt. Ltd. v. Amit Kumar Dubey & Ors., C.P. No. 304 (ND) of 2022 (NCLT)*

The Supreme Court directs that the mortgage transactions to support related party as voidable preferential transactions

Facts: During CIRP of Jaypee Infratech Limited (JIL), the IRP challenged mortgages of ~858 acres of JIL's land created to secure debts of its holding company, Jaiprakash Associates Limited (JAL). The transactions, executed during financial distress, were alleged to be preferential, undervalued, and fraudulent under Sections 43, 45, and 66 of the IBC. Decision: The Supreme Court held the mortgages to be voidable preferential transactions under Section 43, as they benefited a related party within the look-back period and were not in the ordinary course of business. It further ruled that JAL's lenders were not financial creditors of JIL, as no financial debt was disbursed to JIL, and consequently excluded them from the Committee of Creditors. *Anuj Jain Interim Resolution Professional for Jaypee Infratech Limited v. Axis Bank Limited*

Existence of Prior Dispute Bars Initiation of CIRP under Section 9 – IBC Not a Recovery Mechanism The Appellate Tribunal upheld the dismissal of the application, ruling that the existence of a prior dispute precluded the initiation of CIRP under Section 9 of the I&B Code. It was held that the I&B Code is not a substitute for a recovery forum and cannot be invoked when there is a "plausible contention" or a "real dispute" that is not merely a spurious defense.

The Tribunal emphasized that whether the Corporate Debtor was legally entitled to adjust the retention money is a

disputed question of law and fact that must be adjudicated by an appropriate forum, such as an Arbitration or Civil Court. *Kuntal Construction Pvt. Ltd. v. Bharat Hotels Ltd., Company Appeal (AT) (Insolvency) No. 542 of 2020 (NCLAT)*.

COMPANY LAW

Section 89 Non-Disclosure Does Not Constitute Oppression or Mismanagement

The National Company Law Appellate Tribunal (NCLAT) held that non-disclosure of beneficial interest under Section 89 of the Companies Act, 2013 attracts statutory penalties, but by itself does not amount to oppression or mismanagement under Sections 241–242. The Tribunal also ruled that private Memoranda of Understanding (MoUs) cannot be used to enforce disguised loan or share arrangements through company law petitions. *[National Company Law Appellate Tribunal (Delhi) — Satyanarayana Gupta vs Shivangan Real-estate Pvt Ltd]*

Handbook on "Writ" Remedies

The Institute of Chartered Accountants of India has released a **Handbook on Writs** to equip Chartered Accountants with a practical understanding of **constitutional remedies under Articles 32 and 226**. The handbook explains the scope and application of writs such as Mandamus, Certiorari, Prohibition, Habeas Corpus, and Quo Warranto, with specific relevance to tax, regulatory, and administrative disputes. The publication positions writ jurisdiction not merely as a legal concept but as a strategic tool to address administrative excess, violation of natural justice, and jurisdictional errors by authorities.

ED

ED freezes Rs 192Cr Winzo deposits in PMLA case

The Enforcement Directorate (ED) on Thursday said it had conducted searches at the accounting firm of real money online money gaming app WinZO and had frozen fresh bank deposits, mutual funds and fixed deposits worth 192 crore.

CCI

Leading steelmakers colluded to fix prices finds antitrust probe

An investigation by the Competition Commission of India (CCI) has found that Tata Steel, JSW Steel and the state-owned Steel Authority of India Ltd (SAIL), along with several other steelmakers, allegedly entered into anti-competitive agreements to collude on prices, according to sources.

FEMA

FDI 100% Allowed in Insurance under Automatic Route

The Department for Promotion of Industry and Internal Trade (DPIIT) has issued Press Note No. 1 (2026 Series) amending the Consolidated FDI Policy, 2020 to permit up to 100% foreign investment under the automatic route in Indian insurance companies and insurance intermediaries, subject to regulatory compliance and verification. The Life Insurance Corporation of India (LIC) continues to remain subject to a 20% FDI cap under the automatic route, in accordance with the LIC Act, 1956 and applicable insurance laws.



EXCELLENCE
उत्कृष्टता के लिए हम प्रतिबद्ध हैं



EDITORIAL Independent GST Audit - An Urgent Need

▶ contd. from page 1

- Scrutiny assessments can also be conducted in a faceless manner, similar to the Income Tax framework, ensuring the complete elimination of harassment and corruption.
- GST refund and claim verification in accordance with the law, along with their examination as part of the GST audit process, will help ensure effective control over revenue leakage.
- Substantial improvement in GST collections can be achieved if the Government mandates specific disclosures by the assessee in Form 9C (Annual Return), duly verified and certified by an independent GST Auditor (Chartered Accountant).
- Preparation of audited details of state-wise turnover.
 - Proper reconciliation of the financial statements with the GST returns of the entity, ensuring that tax liabilities are duly discharged by the assessee.
 - — Ensuring payment of GST on a reverse charge basis, especially on the import of services and other areas prone to revenue leakage.
 - — Preparation of annual returns on a state-wise basis as well as the total aggregate annual turnover of the entity; audited figures will enable accurate allocation of GST output tax in favour of the consuming State.
- The GST auditor will also be able to bring out in the report that the national and state-wise (GST number-wise data and GST returns) figures are true and fair and will also be able to highlight key audit matters, emphasis of matter, qualifications, and other matters requiring action and attention of the Government and taxpayers.
- The GST audit report and disclosures will in depth, disclose all areas and aspects that require action and attention. The professionalism of Chartered Accountants will also make compliance with GST law simple, automatic, accurate, and fair. When taxpayers are subject to GST tax audit, the Government can rely on fully audited and verified data, including full mapping of the physical movement of goods and supply of services.

Let CAs come forward and support the Government in this time of need to ensure adequate resources for growth. The Government by introducing GST Audit will promote maximum governance and minimum government intervention in GST administration.

CELEBRATING 40 YEARS OF EXCELLENCE SINCE 1984

INMABS
 MERCHANT BANKERS
 REGISTERED VALUERS

VALUATIONS & DUE DILIGENCE
TRANSACTION SUPPORT & RESTRUCTURING
TECHNO ECONOMIC VIABILITY
PROJECT ADVISORY & ENGINEERING CONSULTING

solutions@inmacs.com | +91 95606 30318

AUDIT AND ACCOUNTS

Government Reconstitutes Part-Time Membership of NFRA

The Central Government has revised the composition of part-time members of the National Financial Reporting Authority (NFRA) by substituting the existing list with senior officials drawn from key financial and regulatory institutions.

The revised part-time membership includes:

- a Joint Secretary from the Ministry of Corporate Affairs,
- the Deputy Comptroller and Auditor General of India,
- the Chief Financial Officer of the Reserve Bank of India, and
- an Executive Director of the Securities and Exchange Board of India.

AI NEWS

DeepSeek to launch new AI model in February

Chinese AI startup DeepSeek is expected to launch its next-generation AI model V4, featuring strong coding capabilities, in mid- February. The latest V4 model has also made breakthroughs in handling and processing extremely long coding prompts, a potential advantage for developers working on complex software projects, the Information added.

THE CHARTERED ACCOUNTANT
A WORLD
 connecting professionals
 Knowledge • Networking • Compliance • Opportunities

Assignment Portal, Matrimonial Portal, Job Portal, Events Portal, News Snippets, Newsletter

GET IT ON Google Play
 Download on the App Store

Contact details : Dharampal (9013363257) All India Chartered Accountants' Society - CFO World 503, Chiranjiv Tower, 43, Nehru Place, New Delhi-110019. Ph: 26223712, 26228410, 26226933 E-mail: aicas.cfo@gmail.com / cfoworld@gmail.com **EDITOR: Pankaj Gupta**, LLB, FCS E-mail: pankajguptafcs@gmail.com **PUBLISHED & PRINTED:** At New Delhi by Satish Chandra, Administrative Officer, on behalf of All India Chartered Accountants' Society, 4696, Brij Bhawan, 21A, Ansari Road, Darya Ganj, New Delhi-110 002 Phone 23265320, 23288101 E-mail : aicas.cfo@gmail.com Printed at: EIH Ltd., Unit : Printing Press, No. 7, Sham Nath Marg, Delhi-110054. Views expressed by contributors are their own and the Society does not accept any responsibility.

If undelivered, please return to :
 All India Chartered Accountants' Society
 4696, Brij Bhawan 21A, Ansari Road,
 Darya Ganj, New Delhi-110 002