Tax INFORM

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DIRECT TAX

A. Recent Case Laws

Authority for Advance Rulings (Income-tax) & Ors. v. Tiger Global International (II, III & IV) Holdings [Civil Appeal Nos. 262–264 of 2026]

SC upheld rejection of the advance ruling as the transaction was prima facie tax-avoidant.

The Supreme Court held that Section 245R(2)(iii) of the Income-tax Act, 1961 (I-T Act) empowers the Authority for Advance Rulings (Income-tax) (AAR) to reject an application at the threshold where the transaction or issue is prima facie for the avoidance of income tax. The Court clarified that this threshold bar is jurisdictional, and the AAR is not required to enter into a merits determination of treaty eligibility once it forms a prima facie view of impermissible avoidance within the meaning of the proviso to Section 245R(2) of the I-T Act.

In this case, the Assessees, Mauritian entities of the Tiger Global group, held shares of Flipkart Private Limited, a company incorporated in Singapore ("Singapore Co."), whose value was stated to be derived substantially from assets located in India. The Assessees transferred shares of the Singapore Co. to Fit Holdings S.à r.l., a Luxembourg company, as part of Walmart Inc.'s majority acquisition of the Singapore Co., and sought advance rulings in relation to the tax consequences while claiming benefits under the India–Mauritius Double Taxation Avoidance Agreement (DTAA). The Revenue objected to maintainability and contended that the structure and the impugned transfer constituted a preordained arrangement for avoidance of Indian tax. The AAR rejected the applications under Section 245R(2)(iii) of the I-T Act. The Delhi High Court set aside the AAR's order and directed admission of the applications.

The Supreme Court allowed the Revenue's appeals and set aside the Delhi High Court's judgment on January 15, 2026. The Court held that the High Court had erred in interfering with the AAR's threshold jurisdiction under Section 245R(2)(iii) of the I-T Act. It upheld the AAR's approach in treating the transaction as prima facie tax-avoidant, including on the basis that what was transferred were shares of the Singapore Co. (and not shares of an Indian company), and restored the rejection of the applications, with no order as to costs.

M/s Jindal Equipment Leasing Consultancy Services Ltd. v. Commissioner of Income Tax & Ors. [2026 INSC 46; Civil Appeal Nos. 152–155 of 2026]

SC held that shares received on amalgamation in substitution of stock-in-trade may constitute taxable business income under Section 28.

The Supreme Court held that Section 28 of the Income-tax Act, 1961 (I-T Act) is a comprehensive charging provision that brings to tax real profits and gains arising in the course of business, including income received in kind. The Court clarified that taxability upon amalgamation depends on the nature of the asset held. While Section 47(vii) grants exemption only in respect of capital assets, no such exemption exists for stock-in-trade. Where shares

held as stock-in-trade are substituted by shares of the amalgamated company, such substitution may constitute a taxable commercial realisation under Section 28, provided the benefit is real, presently realisable, and capable of definite valuation.

In this case, the appellants, investment companies of the Jindal Group, held shares of Jindal Ferro Alloys Limited as part of promoter holdings. Pursuant to a court-sanctioned scheme of amalgamation, Jindal Ferro Alloys Limited merged into Jindal Strips Limited, and the appellants received shares of Jindal Strips Limited in the prescribed exchange ratio. The appellants claimed exemption under Section 47(vii) of the I-T Act, treating the shares as capital assets. The Assessing Officer treated the shares as stock-in-trade and taxed the receipt as business income under Section 28. While the Income Tax Appellate Tribunal held that no taxable profit arose in the absence of sale or transfer, the Delhi High Court set aside the Tribunal's order and remanded the matter to determine whether the shares were held as capital assets or stock-in-trade, holding that if they were stock-in-trade, the receipt would be taxable under Section 28.

The Supreme Court upheld the decision of the Delhi High Court by its judgment dated January 9, 2026. The Court held that the High Court acted within its jurisdiction and correctly identified the governing legal principles. It ruled that the charge under Section 28 is attracted only upon allotment of the new shares, and not on the appointed date or the date of court sanction. The Court further held that where the shares received on amalgamation are freely marketable, possess definite commercial value, and confer a presently realisable benefit, their receipt in substitution of stock-in-trade constitutes taxable business income. However, since the factual issue of whether the shares were held as stock-in-trade or as investments, and whether they were commercially realisable, required determination, the matter was remitted to the Income Tax Appellate Tribunal for fresh adjudication.

Sharp Business System (India) Ltd. v. Commissioner of Income Tax [Civil Appeal Nos. 4072 of 2014]

SC held that non-compete fees are allowable as revenue expenditure under Section 37(1).

The Supreme Court held that non-compete fees paid by an Assessee are allowable as revenue expenditure under Section 37(1) of the Income-tax Act, 1961 (I-T Act), as such payments do not result in the acquisition of a capital asset or an addition to the profit-making apparatus. The Court clarified that the test of enduring benefit is not determinative by itself and must be applied in a commercial sense, with reference to whether the expenditure merely facilitates the efficient conduct of business or creates a new source of income or capital structure.

In this case, the Assessee entered into a joint venture arrangement for marketing and distribution of electronic office products in India and paid a non-compete fee to restrain the counterparty from carrying on a competing business for a specified period. The Assessee claimed the payment as a deductible business expenditure under Section 37(1) of the I-T Act. The Assessing Officer disallowed the claim by treating the expenditure as capital in nature. This view was upheld by the Commissioner of Income Tax (Appeals), the Income Tax Appellate Tribunal, and the Delhi High Court, primarily on the ground that the payment conferred an enduring benefit by eliminating competition.

The Supreme Court allowed the appeal by judgment dated December 19, 2025. The Court held that the non-compete payment did not create any exclusive or proprietary right in favour of the Assessee, nor did it bring into existence a capital asset or profit-earning structure. It concluded that the advantage obtained was limited to facilitating the Assessee's business operations and improving commercial efficiency, and therefore the expenditure was revenue in nature and allowable as a deduction under Section 37(1) of the I-T Act.

Ernst and Young LLP v. Assistant Commissioner of Income Tax, International Circle-1-2-2, New Delhi [W.P.(C) No. 16158 of 2025]

Delhi HC held that remote services rendered from outside India do not create a "virtual service permanent establishment" under the India–UK DTAA.

The Delhi High Court held that Article 5(2)(k) of the India–United Kingdom Double Taxation Avoidance Agreement (DTAA) contemplates the furnishing of services within India through employees or other personnel who are physically present in India, and does not recognise the concept of a "virtual service permanent establishment". The Court reaffirmed that treaty provisions must be interpreted strictly, and concepts not expressly incorporated in the DTAA cannot be read into it by interpretation, notwithstanding technological or business model developments.

In this case, the Petitioner challenged a certificate and order dated September 17, 2025, issued under Section 195 of the Income-tax Act, 1961 (I-T Act), whereby the Assessing Officer rejected the Petitioner's application for a nil withholding certificate in respect of payments proposed to be made to Ernst & Young (EMEIA) Services Limited, a United Kingdom entity. The rejection was founded solely on the ground that the recipient constituted a virtual service permanent establishment in India under Article 5(2)(k) of the India–UK DTAA, rendering the income taxable as business profits. The Petitioner contended that the issue stood concluded in its favour by the Delhi High Court's earlier decision in Clifford Chance Pte. Ltd., which interpreted a pari materia provision in the India–Singapore DTAA and rejected the notion of a virtual service permanent establishment in the absence of physical presence.

The Delhi High Court allowed the writ petition by judgment dated January 14, 2026. The Court held that the reasoning adopted in Clifford Chance Pte. Ltd. applied with equal force to Article 5(2)(k) of the India–UK DTAA, and that in the absence of personnel physically performing services in India, no service permanent establishment could be said to exist. It accordingly set aside the impugned certificate and order passed under Section 195 of the I-T Act, and remanded the matter to the Assessing Officer to pass a fresh order on the Petitioner's application in accordance with law within a period of two weeks, with no order as to costs.

The Dharmapuri District Co-operative Milk Producers Union Ltd. v. Deputy Commissioner of Income Tax [T.C.A. No. 285 of 2021]

Madras HC held that subsidy received under a rehabilitation scheme is a capital receipt not chargeable to tax.

The Madras High Court held that the nature of a subsidy or grant must be determined by applying the "purpose test" laid down by the Supreme Court in Ponni Sugars and Chemicals Ltd., and that the form, source, or mechanism through which the subsidy is disbursed is irrelevant. Where the dominant object of the financial assistance is rehabilitation of a financially distressed entity and liquidation of its liabilities, the receipt is capital in nature and falls outside the charging provisions of the Income-tax Act, 1961 (I-T Act).

In this case, the Assessee, a co-operative milk producers' union, received grant-in-aid from the Government of India and the State Government under a Central Sector rehabilitation scheme. For the relevant assessment year, the Assessing Officer treated the subsidy as a revenue receipt and brought it to tax. This view was affirmed by the Commissioner of Income Tax (Appeals) and the Income Tax Appellate Tribunal, which held that the subsidy was operational in nature. The Assessee contended that the assistance was granted solely for rehabilitation, subject to strict conditions requiring the funds to be used for clearing accumulated liabilities, and therefore constituted a capital receipt.

The Madras High Court allowed the Assessee's appeal by judgment dated December 17, 2025. The Court examined the sanction letters and conditions attached to the scheme and held that the dominant purpose of the financial assistance was to extricate the Assessee from financial distress and enable it to clear outstanding liabilities, and not to supplement its trading receipts or enhance profitability. Applying the purpose test, the Court concluded that the subsidy was a capital receipt not chargeable to tax. The appeal was allowed with no order as to costs.

LG Electronics India Pvt. Ltd. & Anr. v. Director of Income Tax (International Taxation) & Anr. [W.P.(C) No. 15181 of 2004]

Delhi HC held that payments for use of the ICC mark constitute royalty under the India–Singapore DTAA and are subject to withholding tax.

The Delhi High Court held that consideration paid for the right to use trademarks, including event marks and logos, squarely falls within the definition of "royalty" under Section 9(1)(vi) of the Income-tax Act, 1961 (I-T Act) and Article 12 of the India–Singapore Double Taxation Avoidance Agreement (DTAA). The Court clarified that where an agreement confers substantive and independent rights to use a trademark across territories and media, such use cannot be characterised as merely incidental to advertising or sponsorship activities.

In this case, the Petitioners entered into a global partnership agreement with Global Cricket Corporation Pvt. Ltd., a Singapore entity, pursuant to which the Petitioners acquired advertising and promotional rights in connection with ICC cricket events, including the right to use the ICC mark and event marks on advertising material. The Petitioners applied under Section 195 of the I-T Act for permission to remit payments without deduction of tax, contending that the dominant purpose of the payment was advertisement and that use of the ICC mark was only incidental. The application was rejected by the Assessing Officer, and the revisional authority under Section 264 of the I-T Act apportioned the consideration, attributing two-thirds to advertisement and one-third to royalty for use of the ICC mark, directing withholding tax at fifteen per cent on the royalty component. The Petitioners challenged this determination before the Delhi High Court.

The Delhi High Court dismissed the writ petition by judgment dated December 24, 2025. The Court held that the agreement granted the Petitioners substantive rights to use the ICC mark and event marks across the licensed territory and on various forms of advertising material, and that the Petitioners had themselves conceded such use. It ruled that the attribution of one-third of the consideration to royalty could not be faulted, particularly in the absence of any substantive challenge to the apportionment or the applicable rate. The Court distinguished earlier decisions where trademark use was found to be incidental, and upheld the orders passed under Sections 195 and 264 of the I-T Act, with no order as to costs.

B. Notifications/Press Releases

CBDT Press Release dated December 23, 2025

CBDT launched a data-driven "NUDGE" initiative to encourage voluntary correction of ineligible deduction or exemption claims.

The Central Board of Direct Taxes (CBDT), under the Ministry of Finance, has identified cases of understatement of income arising from ineligible refunds claimed through deductions or exemptions under the Income-tax Act, 1961 (I-T Act). Using its risk management framework and advanced data analytics, the CBDT has flagged certain Income-tax Returns for Assessment Year 2025–26, including cases involving bogus donations to Registered Unrecognised Political Parties, incorrect or invalid Permanent Account Numbers of donees, and errors in the quantum of deductions or exemptions claimed.

As part of its "Non-intrusive Usage of Data to Guide and Enable (NUDGE)" campaign, the CBDT has commenced outreach to identified taxpayers through SMS and email communications, requesting them to review and correct such claims, where necessary, before December 31, 2025, which is the due date for filing revised returns. The initiative reflects a trust-first and taxpayer-friendly approach, emphasising voluntary compliance and correction of errors rather than immediate enforcement action.

From a practical standpoint, taxpayers who have received such communications are advised to promptly verify the eligibility and accuracy of their deduction and exemption claims and revise their returns, if required, within the prescribed time to avoid further scrutiny. The CBDT has clarified that taxpayers whose claims are genuine and correctly made in accordance with law need not take any action, and that even thereafter, the option to file an updated return from January 1, 2026, remains available, subject to payment of additional tax, as permitted under law.

Click here to read the Press Release.

INDIRECT TAX

Goods & Services Tax

Recent Case Laws

M/s. BirlaNu Ltd. v. Union of India and Others [W.P. No. 14564 of 2024]

Telangana HC struck down the same-month ITC distribution requirement for Input Service Distributors as ultra vires the CGST Act.

The Telangana High Court held that Rule 39(1)(a) of the Central Goods and Services Tax Rules, 2017 (CGST Rules), insofar as it imposes a mandatory timeline requiring distribution of input tax credit (ITC) in the same month in which it becomes available, travels beyond the scope of Section 20 of the Central Goods and Services Tax Act, 2017 (CGST Act). The Court reiterated that delegated legislation cannot introduce substantive restrictions or extinguish vested statutory rights in the absence of an express legislative mandate, and that procedural rules cannot curtail substantive entitlements under the GST framework.

In this case, the petitioner, registered as an Input Service Distributor (ISD), had accumulated ITC during the financial years 2017–18 and 2018–19 and distributed such credit in the last month of the respective financial years, instead of distributing it on a month-wise basis. During audit proceedings, the tax authorities alleged contravention of Rule 39(1)(a) of the CGST Rules, finalised audit objections in haste, and issued a show cause notice proposing a penalty of approximately ₹8.38 crore under Section 122(1)(ix) of the CGST Act. The petitioner challenged the constitutional validity of Rule 39(1)(a), contending that Section 20 of the CGST Act, as it stood prior to April 1, 2025, did not empower the rule-making authority to prescribe any time limit for distribution of ITC, and further alleged violation of principles of natural justice and improper invocation of extended limitation.

The Telangana High Court allowed the writ petition by judgment dated December 30, 2025. The Court held that prior to its amendment by the Finance Act, 2024, with effect from April 1, 2025, Section 20 of the CGST Act was conspicuously silent on any timeline for distribution of ITC, and therefore Rule 39(1)(a), to the extent it mandated same-month distribution, was ultra vires the parent statute. The Court further held that the denial of flexibility available to regular taxpayers resulted in arbitrary deprivation of vested credit, offending Articles 14 and 300-A of the Constitution, and that the audit proceedings were vitiated by breach of natural justice and unsustainable invocation of extended limitation. Accordingly, the Court struck down Rule 39(1)(a) to the aforesaid extent, quashed the final audit report and show cause notice, and set aside all consequential proceedings, with no order as to costs.

Aerocom Cushions Private Limited v. Assistant Commissioner (Anti-Evasion) [W.P. No. 2145 of 2025]

Bombay HC held that assignment of long-term leasehold rights is not a taxable supply under GST and quashed the show cause notice.

The Bombay High Court held that assignment of leasehold rights in land, where such rights are transferable under the lease deed and the original lessee's rights stand extinguished upon transfer, amounts to transfer of benefits arising out of immovable property and does not constitute a supply of goods or services under Section 7 of the Central Goods and Services Tax Act, 2017 (CGST Act). The Court reiterated that an essential element of "supply", namely that the activity be in the course or furtherance of business, must be satisfied, and that assignment of leasehold rights in immovable property has no nexus with the business of the assignor.

In this case, the petitioner was allotted an industrial plot by the Maharashtra Industrial Development Corporation (MIDC) on a long-term lease of ninety-five years. With prior consent of MIDC, the petitioner assigned its leasehold rights in the plot, along with the factory building constructed thereon, to a third party for consideration. The tax authorities issued a show cause notice under Section 74 of the CGST Act proposing a demand of approximately ₹27 lakh on the ground that the assignment constituted a supply of services classifiable as "other miscellaneous services" under Notification No. 11/2017-Central Tax (Rate). The petitioner contended that the transaction amounted to a transfer of immovable property and was not liable to GST, relying on the decision of the Gujarat High Court in Gujarat Chamber of Commerce and Industry.

The Bombay High Court allowed the writ petition by judgment dated January 9, 2026. The Court held that the impugned transaction was neither a lease nor a sub-lease, but a transfer of leasehold rights resulting in the extinguishment of the petitioner's interest, and therefore constituted a transfer of immovable property. It further held that the Gujarat High Court's ruling in Gujarat Chamber of Commerce and Industry was binding on authorities in Maharashtra in the absence of any contrary decision. Accordingly, the Court quashed the show cause notice issued under Section 74 of the CGST Act and set aside all consequential proceedings, with no order as to costs.

Meghaaarika Enterprises Private Limited & Anr. v. State of Gujarat & Anr. [R/Special Civil Application No. 15713 of 2025]

Gujarat HC quashed the deficiency memo rejecting refund of interest paid under protest and directed fresh adjudication.

The Gujarat High Court held that a refund application filed under Section 54 of the Central Goods and Services Tax Act, 2017 (CGST Act) cannot be rejected at the threshold by issuance of a deficiency memo in Form GST RFD-03 on the sole ground that no specific notification or circular exists permitting such a refund. The Court reaffirmed that where the underlying levy itself is disputed, and the payment is made under protest, the refund claim must be examined on merits in accordance with the law, particularly in light of binding judicial precedents on taxability.

In this case, the petitioners had assigned leasehold rights in a plot allotted by the Gujarat Industrial Development Corporation (GIDC) to a third party pursuant to an assignment deed. During investigation, the State tax authorities issued summons under Section 70 of the CGST Act and required payment of GST along with interest at eighteen per cent on the assignment of leasehold rights. While disputing the taxability of the transaction, the petitioners paid the interest amount under protest through Form GST DRC-03. Relying on the Gujarat High Court's decision in Gujarat Chamber of Commerce and Industry, which held that assignment of leasehold rights in land amounts to transfer of immovable property and falls outside the scope of supply, the petitioners filed a refund application for the interest paid. The refund application was rejected at the threshold by issuance of a deficiency memo in Form GST RFD-03.

The Gujarat High Court allowed the writ petition by judgment dated December 18, 2025. The Court noted the submission of the Revenue that the deficiency memo deserved to be quashed and undertook to reconsider the refund claim. Accordingly, the Court set aside the deficiency memo, restored the refund application, and directed the authorities to pass a fresh order on the refund claim in accordance with law within three weeks, with no order as to costs.

E. P. Gopakumar v. Union of India & Ors. [WP(C) No. 38316 of 2025]

Kerala HC held that GST exemption applies only to individual health insurance policies and not to group policies.

The Kerala High Court held that Notification No. 16/2025–Central Tax (Rate), issued pursuant to the recommendations of the 56th GST Council meeting, grants exemption from GST exclusively to individual health insurance policies, including family floater policies and policies for senior citizens, and does not cover group health insurance policies. The Court held that exemption notifications must be construed strictly and that, in case of ambiguity, the benefit of interpretation must accrue to the State and not to the Assessee claiming exemption.

In this case, the petitioners, comprising retired bank employees and pensioners covered under group health insurance policies arranged through the Indian Banks' Association, challenged the levy of GST at eighteen per cent on insurance premiums, contending that their policies were entitled to exemption under Notification No. 16/2025. The petitioners argued that they did not fall within the definition of "group" under clause (zfb) of the notification, as the group was formed solely for the purpose of availing insurance. The respondents opposed the petitions, contending that the policies were classic group insurance policies obtained through collective bargaining, governed by the Insurance Regulatory and Development Authority of India regulations, and therefore expressly excluded from the scope of the exemption.

The Kerala High Court dismissed the batch of writ petitions by judgment dated January 8, 2026. The Court held that the subject policies were group insurance policies obtained through collective bargaining by the Indian Banks' Association, offering distinct advantages such as lower premiums, coverage for pre-existing diseases, and relaxed underwriting norms, which clearly distinguished them from individual policies. It further held that the exemption under Notification No. 16/2025 was consciously restricted to individual policies and could not be

extended to group policies, notwithstanding the manner in which the group was constituted. Accordingly, the Court upheld the levy of GST on premiums paid under the group health insurance policies and dismissed the petitions, with no order as to costs.

M/s. SEIL Energy India Limited v. Principal Commissioner of Central Tax & Ors. [W.P. Nos. 21938 of 2024 and connected matters]

Andhra Pradesh HC held that electricity supplied to an Indian intermediary for onward export is not a zero-rated supply and upheld the denial of ITC refund.

The Andhra Pradesh High Court held that for a supply of goods to qualify as an "export of goods" and consequently as a zero-rated supply under Section 16 of the Integrated Goods and Services Tax Act, 2017 (IGST Act), the supply must itself result in the goods being taken out of India. The Court held that a penultimate supply made to an Indian intermediary, even if undertaken for the purpose of fulfilling an export contract, does not constitute an export supply in the absence of privity of contract with the foreign buyer, and therefore does not attract zero-rating or entitlement to refund of input tax credit.

In this case, the Petitioner, engaged in the generation of electricity in Andhra Pradesh, supplied electricity directly to the Bangladesh Power Development Board (BPDB) under one arrangement, and also supplied electricity to Power Trading Corporation India Limited (PTC), an Indian entity, which in turn supplied electricity to BPDB under a separate contract. The Petitioner claimed a refund of accumulated input tax credit on the ground that both the direct supply to BPDB and the supply routed through PTC constituted zero-rated export supplies under Section 16 of the IGST Act. The tax authorities partially rejected the refund claims by treating the supply to PTC as a domestic supply, on the basis that the delivery point and transfer of electricity occurred within India and that there was no privity of contract between the Petitioner and BPDB in respect of the PTC-routed supply.

The Andhra Pradesh High Court dismissed the writ petitions by judgment dated December 31, 2025. The Court held that the supply of electricity by the Petitioner to PTC was a distinct and independent domestic supply, and could not be treated as an export merely because it was made in contemplation of a subsequent export by PTC. Relying on constitutional principles under Article 286 and settled jurisprudence on sales in the course of export, the Court held that only the supply which directly occasions the export qualifies as an export supply. However, the Court permitted the Petitioner to resubmit refund applications in respect of electricity supplied directly to BPDB by treating the supply to PTC as domestic supply for the purposes of Rule 89 of the CGST Rules, and directed that such applications be decided expeditiously without invoking limitation.

Baldeep Singh Sapra v. State (Directorate General of GST Intelligence), Chandigarh [Criminal Misc. No. M-47385 of 2025]

Punjab and Haryana HC granted regular bail in a fake ITC case, reiterating that GST arrests must comply with Article 21 safeguards and the "reasons to believe" requirement.

The Punjab and Haryana High Court held that arrest under Section 132 of the Central Goods and Services Tax Act, 2017 (CGST Act) must be founded on duly recorded "reasons to believe" based on tangible material, and that prolonged pre-trial incarceration in GST offences, which are triable by a Judicial Magistrate and carry a maximum punishment of five years, would infringe the right to personal liberty and speedy trial under Article 21 of the Constitution. The Court reiterated that bail is the rule and jail is the exception, particularly where investigation is complete, and the evidence is documentary in nature.

In this case, the petitioner, a director of M/s PMI Smelting Private Limited, was arrested by the Directorate General of GST Intelligence (DGGI) in connection with the alleged availment of fraudulent input tax credit of approximately ₹30.21 crore through a chain of non-existent firms issuing goods-less invoices. The petitioner sought regular bail, contending inter alia that the investigation was complete, nothing remained to be recovered, the offence was triable by a Magistrate, the trial was unlikely to conclude in the near future, and there were serious allegations regarding illegal detention beyond twenty-four hours and non-furnishing of written grounds of arrest. The Revenue opposed bail on the grounds of the gravity of the economic offence and alleged loss to the exchequer.

The Punjab and Haryana High Court allowed the bail application by judgment dated December 15, 2025. The Court noted that the investigation stood completed, the offence was punishable with imprisonment up to five years, and there was no material to suggest that the petitioner would tamper with evidence or evade trial if released. Relying on recent Supreme Court decisions, including Vineet Jain, Radhika Agarwal, and Satender Kumar Antil, the Court held that continued custody would serve no useful purpose and would violate Article 21. The petitioner was accordingly released on regular bail, subject to conditions imposed by the trial court, including furnishing of security and restriction on travel outside India.

Notifications/Circulars

CBIC Notification No. 20/2025–Central Tax, dated December 31, 2025

Central Government introduced retail sale price–based valuation for specified tobacco and pan masala products and aligned Rule 86B accordingly.

The Central Government, on the recommendations of the Goods and Services Tax Council, has notified the Central Goods and Services Tax (Fifth Amendment) Rules, 2025, inserting a new Rule 31D in the Central Goods and Services Tax Rules, 2017 (CGST Rules). These amendments are intended to prescribe a deemed valuation methodology for certain specified goods, primarily tobacco and pan masala products, with effect from February 1, 2026.

Under newly inserted Rule 31D, the value of supply of specified goods, including pan masala, unmanufactured tobacco, cigarettes, other manufactured tobacco, and products containing tobacco or nicotine intended for inhalation without combustion, shall be deemed to be the retail sale price declared on the package, less the amount of applicable tax. The notification also lays down detailed rules for determining the retail sale price, including cases where

multiple prices are declared, prices are altered, or different prices are specified for different areas.

Consequentially, Rule 86B of the CGST Rules has been amended to exempt registered persons, other than manufacturers, from the restriction on use of input tax credit for payment of output tax, but only in respect of supplies of goods covered under Rule 31D where tax has already been paid by the supplier on a retail sale price basis. From a practical standpoint, the amendment seeks to curb undervaluation and tax evasion in high-risk sectors such as tobacco and pan masala, while also providing operational relief from the Rule 86B restriction where tax incidence has been determined upfront on the basis of the declared retail sale price.

Click here to read the Notification.

CBIC Circular No. 30/2025 – Customs, dated December 31, 2025

CBIC extended the SCMTR transitional period and outlined steps for full pan-India implementation.

The Central Board of Indirect Taxes and Customs (CBIC) has reviewed the implementation status of the Sea Cargo Manifest and Transhipment Regulations, 2018 (SCMTR), which were originally notified vide Notification No. 38/2018-Customs and subsequently extended through Notification No. 79/2025-Customs (N.T.). The circular notes that import and export manifest messages have been successfully implemented across India, and stuffing messages have been made operational at all locations with effect from September 25, 2025.

To facilitate a smooth transition, the CBIC has extended the transitional provisions under SCMTR up to March 31, 2026. During this extended period, stakeholders are required to ensure the correct electronic filing of declarations in the prescribed formats. The Directorate General of Systems has been tasked with onboarding Special Economic Zone units through API integration by March 31, 2026, and with developing and operationalising the remaining inland transhipment messages within the extended timeline.

From a practical standpoint, customs formations have been directed to undertake weekly outreach and sensitisation programmes in coordination with the Directorate General of Systems to familiarise trade and other stakeholders with SCMTR requirements. The circular underscores the CBIC's focus on technology-driven facilitation while allowing additional time for industry and field formations to stabilise compliance with the SCMTR framework.

Click here to read the Circular.

CBIC Circular No. 01/2026–Customs, dated January 15, 2026

CBIC enabled electronic export incentives for postal exports through ICEGATE integration.

The Central Board of Indirect Taxes and Customs (CBIC) has amended Circular No. 25/2022–Customs dated December 9, 2022, to operationalise electronic processing and grant of export benefits for commercial postal exports. The amendment follows the establishment of system integration between the Postal Bill of Export (PBE) Automated System and the Indian Customs

Electronic Gateway (ICEGATE), which had earlier prevented exporters using the postal route from availing export incentives.

Pursuant to Notification No. 07/2026 – Customs dated January 15, 2026, the Postal Export (Electronic Declaration and Processing) Amendment Regulations, 2026 have been notified to automate the entire postal export procedure and connect the Department of Posts' DNK portal with ICEGATE. Key procedural changes include:

- Mandatory ICEGATE registration for exporters seeking to claim export incentives such as duty drawback, Remission of Duties and Taxes on Exported Products (RoDTEP), and Rebate of State and Central Taxes and Levies (RoSCTL) through the postal route.
- Electronic filing of PBE-III or PBE-IV forms on the DNK portal, with additional tables and fields introduced to capture scheme-specific and parcel-level details.
- Enabling of electronic claims for RoDTEP and RoSCTL for postal exports, in addition to electronic drawback claims.
- Requirement to upload supporting documents for each Postal Bill of Export on the E-Sanchit/ICEGATE portal.

From a practical perspective, the circular significantly expands the usability of the postal export channel by placing it at par with other export modes for the purpose of incentive claims. Exporters using the postal route can now access key export benefits in electronic mode, subject to compliance with the revised procedural requirements, thereby advancing trade facilitation and ease of doing business.

Click here to read the Circular.

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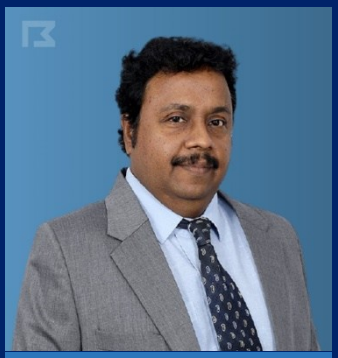

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