

# CONNENKT

May 2026

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# DIRECT TAX

## Case Laws



### **Case Law 1:**

**IN THE ITAT MUMBAI BENCH 'G' Unilever Industries (P.) Ltd. vs Assistant Commissioner of Income tax APRIL 22 ,2026**

### **Facts:**

The assessee, a wholly owned subsidiary of a UK-based company, was engaged in providing enterprise and technology support services, back-office support services, and contract R&D services to its associated enterprises (AEs). For benchmarking its international transactions, it applied the Transactional Net Margin Method (TNMM) and reported its margins to be at arm's length.

During the transfer pricing proceedings, the TPO rejected certain comparables, including Buzzworks Business Services Pvt. Ltd. and Crayons Advertising Ltd., on the ground that they were functionally dissimilar to the assessee's routine support service profile.

In the contract R&D segment, the assessee incurred bought-in costs by engaging third-party vendors due to lack of infrastructure or expertise. These costs were recovered from AEs on a cost-to-cost basis without any markup, and the assessee excluded them from operating cost and revenue while computing its Profit Level Indicator (PLI).

The TPO, however, treated such costs as operating in nature, included them in the cost base, recomputed margins, and proposed a transfer pricing adjustment. The TPO also denied working capital adjustment claimed by the assessee. Further, the TPO attributed a portion of global royalty income of the group to the assessee using a headcount-based allocation method along with an ad hoc adjustment. The Dispute Resolution Panel (DRP) upheld most of the TPO's findings but directed that the income earned from contract R&D services be set off against the royalty attribution adjustment.

However, while passing the final assessment

order, the Assessing Officer (AO) failed to give effect to this binding DRP direction.

Additionally, the assessee had originally claimed deduction of education cess, which it later withdrew by filing Form 69 and submitted a revised computation. There was an arithmetical discrepancy between the assessed income and the income considered for tax computation. The assessee claimed foreign tax credit (FTC) and submitted Form 67 along with supporting documents, but the AO did not grant the credit.

### **Held:**

The Tribunal held that companies engaged in financial consultancy and advertising services are functionally dissimilar to a routine back-office support service provider and were rightly excluded as comparables. It further held that bought-in costs incurred as pass-through expenses, which were recovered from AEs without any markup and involved no value addition, do not form part of the operating cost base and must be excluded while computing the Profit Level Indicator (PLI). The Tribunal also observed that working capital differences materially affect margins and, therefore, working capital adjustment under TNMM should be granted on an actual basis after due verification.

It was further held that directions issued by the Dispute Resolution Panel are binding on the Assessing Officer under section 144C, and failure to give effect to such directions is impermissible; accordingly, the AO was directed to allow set-off of R&D income against the royalty attribution adjustment. The Tribunal also held that once the assessee had voluntarily

withdrawn its claim for deduction of education cess, no dispute survived for adjudication and the issue became merely academic. Further, the AO was directed to verify and rectify the arithmetical discrepancy in the computation of tax liability. Lastly, the Tribunal held that foreign tax credit is a statutory entitlement under sections 90/91, and the AO must verify the claim based on Form 67 and supporting documents and allow the same in accordance with law.

### **Case Law 2:**

**IN THE ITAT AHMEDABAD BENCH 'D'**

**Kiritkumar Ganpatsinh Parmar vs Income-tax**

**Officer, April 22, 2026**

### **Facts:**

The assessee, an individual, did not file his return of income for Assessment Year 2020–21. Based on information received under the Risk Management Strategy, including SFT data, the Assessing Officer (AO) noticed that the assessee had undertaken substantial financial transactions during the relevant year, particularly cash deposits amounting to approximately ₹1.03 crore along with other bank credits. Since these transactions remained unexplained and no return of income had been filed, the AO formed a belief that income chargeable to tax had escaped assessment and accordingly initiated reassessment proceedings under section 147 of the Act.

During the reassessment proceedings, the AO issued multiple statutory notices requiring the assessee to furnish details regarding the nature and source of the cash deposits and

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## Case Laws

bank credits. However, the assessee failed to comply with any of the notices and remained completely non-responsive throughout the proceedings. In the absence of cooperation, the AO invoked powers under section 133(6) and directly obtained bank statements from various banks maintained by the assessee.

On examination of these bank statements, the AO observed that the total credits, including cash deposits, aggregated to ₹1.64 crore during the relevant financial year. As no explanation or supporting evidence was furnished by the assessee to explain these transactions, the AO proceeded to complete the assessment under section 147 read with section 144 (best judgment assessment). The AO treated the entire amount of bank credits as unexplained money under section 69A and brought the same to tax under section 115BBE. Penalty proceedings under the relevant provisions were also initiated.

Aggrieved by the assessment order, the assessee filed an appeal before the CIT(A) with a delay of 116 days, which was condoned. However, despite being granted multiple opportunities during the appellate proceedings, the assessee again failed to furnish any substantive submissions or documentary evidence. Consequently, the CIT(A) decided the appeal ex parte based on the material available on record and confirmed the addition made by the AO, holding that the assessee had failed to discharge the onus of explaining the source of the bank credits.

### **Held:**

The Tribunal observed that the addition in the present case had been made primarily due to

complete non-compliance on the part of the assessee at both the assessment and appellate stages. It was noted that the AO had relied entirely on third-party information, namely bank statements obtained from banks, in the absence of any explanation from the assessee, and the same had been sustained by the CIT(A) due to non-prosecution of the appeal.

At the same time, the Tribunal reiterated the settled legal position that the burden of proof lies on the assessee to satisfactorily explain the nature and source of cash credits or deposits appearing in his bank accounts. However, it also emphasized that principles of natural justice require that a reasonable and effective opportunity be granted to the assessee to present his case and substantiate his claims with evidence.

The Tribunal took note of the fact that the addition made by the AO represented the entire bank credits of ₹1.64 crore. It observed that such credits could potentially include business receipts, circulation of funds, inter-account transfers, or other explained transactions, which cannot be automatically treated as unexplained income without proper verification. Therefore, in the absence of a detailed examination of the nature of these transactions, the addition could not be conclusively sustained.

Considering the magnitude of the addition and the possibility that the bank credits may include explained components, the Tribunal held that the matter required fresh examination. Accordingly, in the interest of substantial justice and to ensure that only the correct income is brought to tax in accordance with law, the Tribunal restored the matter to

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the file of the AO for de novo adjudication. The AO was directed to examine afresh the nature and source of the bank credits after considering the explanations and evidences to be furnished by the assessee and to pass a speaking order after providing adequate opportunity of being heard.

However, the Tribunal also took serious note of the consistent non-compliance by the assessee throughout the earlier proceedings. Therefore, as a condition for granting this opportunity, it imposed a cost of ₹5,000 on the assessee to be deposited with the Prime Minister's Relief Fund, with a direction to furnish proof of such payment before the AO. The assessee was further directed to fully cooperate in the set-aside proceedings and avoid unnecessary delays, failing which the AO would be at liberty to proceed in accordance with law.

# INDIRECT TAX

## Case Laws



### **Case Law 1:**

**Niket Bipinbhai Patel vs Assistant Commissioner  
on 10 February, 2026**

### **Facts:**

The petitioner, an NRI based in the USA, had acquired leasehold rights in a GIDC plot at Ankleshwar and was engaged in sub-plotting and transfer of leasehold rights of such sub-plots to buyers. The petitioner had GST registration only for discharging GST on these transfers and had also availed ITC on various GIDC charges such as transfer fees, administrative charges, and other statutory dues.

During FY 2022-23, the petitioner sold two sub-plots and discharged the GST liability in cash, except for an inadvertent ITC utilisation of Rs. 38,60,608/- in July 2022, which was later reversed through DRC-03 on 11.04.2023. The department thereafter issued a show-cause notice under Section 74(1) of the GST Act alleging wrongful availment and utilisation of ITC of Rs. 98,11,678/-.

### **Issue:**

The main issue was whether ITC availed on GIDC charges could be treated as blocked credit under Section 17(5)(d) of the GST Act, which applies to goods or services used for construction of immovable property on own account. Another issue was whether the department could invoke Section 74(1) in the absence of fraud, wilful misstatement, or suppression of facts.

### **Clarification:**

The Court held that Section 17(5)(d) applies only to construction-related expenditure, and not to a case where the petitioner was specifically transferring leasehold rights in GIDC plots. Since the department failed to show any construction activity by the petitioner, the Court found that the provision was wrongly invoked.

The Court also observed that Section 74 requires fraud, wilful misstatement, or suppression of facts, and none of these

ingredients were present in this case. It noted that the petitioner had already reversed the inadvertently utilised ITC and had discharged the output GST liability in cash, which further weakened the basis for invoking Section 74.

### **Conclusion :**

The Gujarat High Court quashed the show-cause notice dated 28.10.2025 and held that the action of the department was without jurisdiction. The Court also directed the respondent to unblock the ITC of Rs. 98,11,678/- lying in the petitioner's electronic credit ledger within three weeks.

## Notifications

### 1. Notification No. 01/2026-Integrated Tax (Rate) dated 30th April 2026:

Central Board of Indirect Taxes and Customs (CBIC) issued Notification No. 01/2026-Integrated Tax (Rate) on 30th April 2026

Effective date for the notification shall be 1st May 2026.

Core Functions: It amends an earlier notification No. 9/2025 – Integrated Tax (Rate) dated 17th September 2025

#### Key Changes in Notification :

Serial No.	Schedule	Tax Rate	Existing Entry as per Notification No. 09/2025 IGST (Rate)	Substituted Entry as per Notification No. 01/2026 IGST (Rate)
150	I	5%	2202 99 20	2202 99 21 , 2202 99 29
151	I	5%	2202 99 30	2202 99 31, 2202 99 39
2	III	40%	2202 91 00 , 2202 99 90	2202 99 90 , 2202 99 91 2202 99 99
3	III	40%	2202 99 90	2202 99 91 , 2202 99 99

### 2. Notification No. 01/2026-Central Tax (Rate) dated 30th April 2026:

Central Board of Indirect Taxes and Customs (CBIC) issued Notification No. 01/2026-Central Tax (Rate) on 30th April 2026.

Effective date for the notification shall be 1st May 2026.

Core Functions: It amends an earlier notification No. 9/2025 – Central Tax (Rate) dated 17th September 2025

### Key Changes in Notification :

Serial No.	Schedule	Tax Rate	Existing Entry as per Notification No. 09/2025 CGST (Rate)	Substituted Entry as per Notification No. 01/2026 CGST (Rate)
150	I	2.5%	2202 99 20	2202 99 21 , 2202 99 29
151	I	2.5%	2202 99 30	2202 99 31 , 2202 99 39
2	III	20%	2202 91 00, 2202 99 90	2202 99 90 , 2202 99 91 2202 99 99,
3	III	20%	2202 99 90	2202 99 91 , 2202 99 99

### 3. Notification No. 01/2026-Union Territory Tax (Rate) dated 30th April 2026:

Central Board of Indirect Taxes and Customs (CBIC) issued Notification No. 01/2026- Union Territory Tax (Rate) on 30th April 2026

Effective date for the notification shall be 1st May 2026.

Core Functions: It amends an earlier notification No. 9/2025 – Union Territory Tax (Rate) dated 17th September 2025

### Key Changes in Notification :

Serial No.	Schedule	Tax Rate	Existing Entry as per Notification No. 09/2025 CGST (Rate)	Substituted Entry as per Notification No. 01/2026 CGST (Rate)
150	I	2.5%	2202 99 20	2202 99 21 , 2202 99 29
151	I	2.5%	2202 99 30	2202 99 31 , 2202 99 39
2	III	20%	2202 91 00, 2202 99 90	2202 99 90 , 2202 99 91 2202 99 99
3	III	20%	2202 99 90	2202 99 91 , 2202 99 99

### **1. Companies (Registration Offices and Fees) Amendment Rules, 2026 (Notification number G.S.R. 300 (E) dated April 21, 2026)**

Pursuant to Notification G.S.R. 300 (E) dated April 21, 2026, the Ministry of Corporate Affairs (MCA), has issued the Companies (Registration Offices and Fees) Amendment Rules, 2026, amending the Companies (Registration Offices and Fees) Rules, 2014.

The amendment revises the fee structure relating to filing of Form DIR-3 KYC Web under Rule 12A of the Companies (Appointment and Qualification of Directors) Rules, 2014.

As per the amended provisions, no fee shall be payable where Form DIR-3 KYC Web is filed within the prescribed timeline. However, a fee of Rs. 5,000 shall be levied in case of delayed filing or for re-activation of DIN, and a fee of Rs. 500 shall be applicable for each subsequent filing made for updating details.

The amendment is effective from the date of its publication in the Official Gazette i.e. April 21, 2026

**For more details:**

<https://www.mca.gov.in/bin/dms/getdocument?mds=cHzM3fSmBxK31349Sdz2yg%253D%253D&type=open>



## The expanding role of 'Ethics' in Consulting and Finance functions

Puneet Sharma

### **Introduction :**

As the contemporary business environment is evolving at a rapid pace, Ethics has become a legal and operational necessity from being just a desirable corporate pillar a few years back.

This is particularly true in the consulting and finance functions. Corporate scandals, financial frauds, and audit failures have demonstrated that all professionals must operate with integrity, independence, and transparency and their subject matter expertise alone won't be sufficient going forward.

The importance of ethics in consulting and finance cannot be over-emphasised, particularly from an Indian regulatory perspective. As businesses operate in an increasingly complex and evolving environment, the role of ethical practices becomes crucial for ensuring transparency, accountability, and trust.

India's legal framework has historically maintained stringent ethical standards, which coupled with the increasing focus on ethical practices from the regulators as well as from the business owners themselves has led to a rise in the standards of corporate ethics and compliance.

### **Key points highlighting the significance of ethics in consulting and finance functions :**

#### **❖ Statutory Compliances :**

Indian laws and regulations uphold strict standards for statutory compliance across all areas and domains, aiming to address challenges like corruption, lack of transparency and conflicts of interest.

#### **❖ Trust and Credibility :**

Ethical practices help to build trust among clients, stakeholders, and the public at large. In consulting world, where advice can significantly impact client decisions, maintaining credibility is essential. Unethical and unscrupulous behaviour can lead to reputational damage and loss of business.

#### **❖ Regulatory Framework :**

We have a robust regulatory framework in the country which is aimed to promote ethical standards in consulting and finance. Institutions such as ICAI, SEBI and RBI among others, set guidelines that encourages and ensures ethical conduct.

## ❖ Risk Management

Adopting ethical standards in consulting and finance can mitigate risks associated with fraud, corruption, and unethical behaviour. A strong risk management framework helps organizations identify potential risks and develop strategies to address them proactively.

## ❖ Responsible Business Practices

Ethics contribute to sustainability by promoting responsible business practices. This is increasingly important as consumers and investors bring CSR into focus. Companies that prioritize ethical behaviour experience better long-term performance as well as employee and customer loyalty..

## ❖ Compliance with global standards as well as Technology

In a connected world, adherence to international ethical standards becomes important with most global clients demanding similar ethical standards as in their country. This aligns local practices with global best practices and enhances competitiveness. Understanding and implementing ethical standards that meet global expectations is critical for Indian consultancy and finance firms working with multinational companies and clients.

Further, ensuring data privacy and security are very critical ethical considerations for a global client.

## ❖ ESG

Lately, Ethics has expanded beyond financial considerations into ESG. All businesses are expected to ensure profitability while maintaining highest standards in sustainability, social responsibility, and governance. Regulators as well as investors assess the organizations not only by the returns, but also by their responsible conduct.

## Key Regulatory Bodies and their Roles :

### ❖ Institute of Chartered Accountants of India (ICAI)

As the primary body for CAs in India, ICAI has established professional codes of ethics that provide guidance its members in accounting, auditing, and financial consultancy.

### ❖ Securities and Exchange Board of India (SEBI)

SEBI is responsible for regulating the Indian securities market and protecting the interests of investors. Its regulations include provisions aimed at ensuring fair practices, preventing market manipulation, and promoting transparency among listed companies.

## ❖ **Comptroller and Auditor General of India (CAG)**

The CAG has its own Code of Ethics that integrates values and principles from the Central Civil Services Conduct Rules, ensuring ethical conduct in public auditing and accountability.

### **Ethical organisations as a tool to appeal to younger professionals :**

As mentioned above, the importance of ethics now a days extends beyond regulators, investors, and clients. Younger professionals entering the job market and more particularly consulting and finance functions are drawn towards organizations which rank higher on governance standards, transparency and values.

When it comes to joining the consulting domain, for many youngsters, compensation and brand value are often as important as ethical leadership, responsible business conduct, and organizational integrity.

Organisations which were traditionally driven by intellectual human capital are better positioned to attract talent and earn employee loyalty if they portray strong ethical standards. This shift in the thought process has further expanded the role of ethics from being a compliance driven function to an integral part of corporate identity and leadership strategy.

### **Conclusion :**

In India, the importance of ethics in consulting and finance has been reinforced not only by market expectations but also by an increasingly stringent legal and regulatory framework.

Incorporating ethics into consulting and finance functions is vital for fostering a robust economic environment in India. Chartered Accountants, financial consultants, investment advisors etc. are all entrusted with crucial responsibilities, including strategic planning, reporting, M&A advisory and taxation. Any amount of ethical misconduct in these roles, such as conflict of interest, insider trading, misrepresentation etc. can lead to lethal consequences for clients and the other key stakeholders.

In essence, Ethics is no longer a matter of choice, but has become a survival hack in today's business environment. It is not about avoiding penalties and prosecution, rather a source of competitive advantage. Firms will do well to embed best ethical practices Suo moto in their functioning to ensure greater client trust, enhanced investor confidence and long term, sustainable growth.

# IBA NEWS

## Training on Work smart not just fast



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An engaging session by Deepika Mehta on “Work Smart, Not Just Fast” highlighted the importance of smart planning, productivity, and efficient execution. The session was insightful, interactive, and well-received by the team..

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## Training on Audit takeaway from Indirect Tax



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An insightful session by Harit Dhupar on “Audit Takeaways from Indirect Tax” covered key audit learnings, compliance practices, and practical tax insights. The session was informative and well appreciated by the team

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# UPCOMING COMPLIANCES

Date	Compliance
May 11, 2026	Due Date for filing of Form GSTR-1 for the tax period April 2026 for the registered taxpayers who have opted for monthly filing of GST Returns.
May 13, 2026	Due Date for filing of IFF for the tax period April 2026 for the registered taxpayers who have opted for quarterly filing of GST Returns.
	Due Date for filing of Form GSTR-6 for the period April 2026 for the registered taxpayers who have obtained Input Service Distributor (ISD) registration
May 15, 2026	Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194M and (Income-tax Act, 1961) in the month of March, 2026
	Due date for furnishing of Form 24G (Income-tax Rules, 1962) by an office of the Government where TDS/TCS for the month of April, 2026 has been paid without the production of a challan.
	Monthly statement in prescribed Form by stock exchange in respect of transactions in which client codes been modified after registering in system for the month of April, 2026.
	Quarterly statement of TCS deposited for the quarter ending March 31, 2026
May 20, 2026	Due Date for filing of Form GSTR-3B for the period April 2026 for the registered taxpayers who have opted for monthly filing of GST Returns
May 30, 2026	Challan-cum-statement of deduction of tax under section 393(1) of the Income-tax Act 2025 [Table Sl. No. 2(i), 3(i), 6(ii) & 8(vi) in the month of April, 2026.
	Furnishing of statement required under Section 285B (Income-tax Act 1961) for the previous year 2025-26
	Issue of TCS certificates for the 4th Quarter of the Financial Year 2025-26
May 31, 2026	Quarterly statement of TDS deposited for the quarter ending March 31, 2026
	Return of tax deduction from contributions paid by the trustees of an approved superannuation fund
	Certificate of donation in Form no. 10BE (Income-tax Rules, 1962) as referred to in Section 80G(5)(ix) or Section 35(1A)(ii) (Income-tax Act 1961) to the donor specifying the amount of donation received during the financial year 2025-26

# UPCOMING COMPLIANCES

Date	Compliance
May 31, 2026	Furnishing of the certificate from a Chartered Accountant specifying the amount invested in each year by the company or fund making application under Section 2(48) (Income-tax Act 1961) for notification of zero-coupon bond
	Due date for furnishing of statement of financial transaction (in Form No. 61A) as required to be furnished under sub-section (1) of section 285BA (Income-tax Act, 1961) with respect to the financial year 2025-26
	Application in Form 9A (Income-tax Rules, 1962) for exercising the option available under Explanation to Section 11(1) (Income-tax Act 1961) to apply income of previous year in the next year or in future (if the assessee is required to submit return of income on or before July 31, 2026)
	Due date for e-filing of annual statement of reportable accounts as required to be furnished under section 285BA(1)(k) (Income-tax Act, 1961) (in Form No. 61B) for calendar year 2025 by reporting financial institutions
	Application for allotment of PAN where a person's total income exceeds the maximum amount not chargeable to income-tax during any Financial Year and no PAN has been allotted to him.
	Application for allotment of PAN in case of person being managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of the person referred to in prescribed Rule or any person competent
	Statement in Form no. 10 (Income-tax Rules, 1962) to be furnished to accumulate income for future application under Section 10(21) or Section 11(1) (Income-tax Act 1961) (if the assessee is required to submit return of income on or before July 31, 2026)
	Statement of donation in Form 10BD (Income-tax Rules, 1962) to be furnished by reporting person under Section 80G(5)(iii) or section Section 35(1A)(i) (Income-tax Act 1961) in respect of the financial year 2025-26

# Editorial Team



Harit Dhupar



Dipalee Verma



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## About Us

IBA is a leading financial and legal advisory company with specialization in Assurance, Risk Consulting, Legal, Direct Tax, Indirect Tax (GST), and Corporate Advisory for midsize, SMEs, and start-up firms. IBA constitutes a young team of pathbreaking professionals, who believe in creating value through innovation and creativity to provide ultimate client satisfaction. Clients benefit from our fresh thinking, constructive challenge, and practical understanding of the issues they face. We aim to alloy a perfect blend of professionalism with high standards of service, in our pursuit of excellence.

Founded in the Year 2003, the company witnessed immense growth from 2 members to currently a 200 members team. IBA continues to offer wholesome service experience to boost highly valued client relationships by combining the technical and industry expertise together with a personal commitment to optimize client service.

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