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Chartered Accountants

FIN-O-SCOPE

15th June,2026

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Top Trends

- India's GDP growth outlook for FY26 remains strong amid resilient domestic demand.
- RBI continues its cautious stance balancing inflation and growth.
- Inflation shows signs of moderation but food prices remain volatile.
- Government capex push continues to drive infrastructure growth.

Top Trends

- CBDT continues to streamline tax administration through large-scale transfer and posting orders across cadres.
- Increased scrutiny of high-value transactions through AIS and TIS analytics.
- Greater focus on faceless assessments and appeals to enhance transparency.
- Litigation on reassessment proceedings under Sections 147 and 148 remains active.
- Courts continue to examine the validity of notices issued under the new reassessment regime.
- Section 115BBE continues to be litigated in demonetisation-related assessments.
- Judicial trends favour taxation of real income over notional additions.
- Bogus purchase cases increasingly restrict additions to profit elements.
- Importance of maintaining quantitative records in trading businesses is growing.

Gazette of India Update – Income-tax Amendment Ordinance, 2026

The Ministry of Law and Justice has issued the Income-tax (Amendment) Ordinance, 2026 (No. 2 of 2026), published in the Gazette of India on 5th June 2026.

Key Highlights:

1. Effective Date

- The Ordinance is deemed to have come into force from 1st April 2026.

2. Main Amendment in Income-tax Act, 2025

- Changes have been made in Schedule IV of the Income-tax Act, 2025.

3. New Tax Exemptions Introduced

The following incomes are now exempt (subject to conditions):

Foreign Institutional Investors (FII)

- Interest income from Government securities
- Capital gains arising from sale, exchange, or transfer of Government securities
- Exemption is subject to furnishing prescribed information in the required format.

Bank for International Settlements (BIS)

- Same exemptions as above:
  - Interest on Government securities
  - Capital gains from transfer of such securities
- Subject to prescribed reporting requirements.

4. Definitions Clarified

- Bank for International Settlements (BIS): International financial institution established in 1930, headquartered in Basel, Switzerland.
- Foreign Institutional Investor (FII): As defined under section 210(6)(a) of the Income-tax Act.
- Government Security: As defined under section 2(f) of the Government Securities Act, 2006.

Conclusion:

This amendment aims to provide targeted tax relief to international investors in government securities while ensuring compliance through reporting requirements.

Summary of CBDT Guidelines for Compulsory Selection of Returns for Complete Scrutiny, FY 2026–27

The uploaded document is CBDT Instruction/Guidelines dated 04 June 2026, issued under Section 536(2)(c) of the Income-tax Act, 2025, prescribing parameters for compulsory selection of returns filed during FY 2025–26 for complete scrutiny during FY 2026–27.

1. Survey cases: CS 01

Cases where survey under section 133A, or survey under section 133A(2A), has been conducted on or after 01.04.2024 shall be selected for compulsory scrutiny.
Selection will be done by the Directorate of Income-tax Systems with approval of DGIT Systems, based on information from Commissioner OSD Investigation, CBDT.
Notice under section 143(2) is to be served by the prescribed Income-tax authority or the Assessing Officer.
Where the case is outside Central Charges, it must be transferred to Central Charge within 15 days of service of notice under section 143(2).

2. Search and requisition cases: CS 02

Cases where search under section 132 has been initiated or requisition under section 132A has been made on or after 01.04.2024 shall be selected for compulsory scrutiny.
For searches/requisitions initiated on or after 01.09.2024, the return shall be selected for the assessment year covered by section 158BA(6). Selection is to be made by the concerned Assessing Officer with prior administrative approval of the concerned Pr. CIT/Pr. DIT/CIT/DIT.

3. Reassessment cases where notice under section 148 has been issued: CS 03

This category is divided into two parts:
A. Search/seizure/survey linked reassessment cases
Where search and seizure action was initiated on or after 01.04.2021 but before 01.09.2024, or survey action was conducted on or after 01.04.2021, and notice under section 148 has been issued, such cases are to be handled by the Jurisdictional Assessing Officer.

Top Trends

- Venture capital funding showed selective recovery, especially in fintech, AI, and green energy sectors.
- Start-up IPO activity witnessed gradual improvement amid stabilizing market conditions and investor sentiment.
- Pillar One and Pillar Two continue to reshape international taxation.
- Global Minimum Tax implementation is progressing across jurisdictions.
- Cross-border tax disputes are increasing worldwide.
- Tax certainty mechanisms such as APAs are gaining importance.
- Countries are strengthening anti-abuse provisions in tax treaties.
- Beneficial ownership tests remain under judicial scrutiny.
- PE exposure for digital businesses continues to evolve.
- Cross-border service taxation remains a contentious area.

Top Trends

- Tribunals reiterated that reassessment cannot be initiated merely on change of opinion without fresh material.
- GST authorities are increasingly relying on data analytics.
- ITC mismatches remain a major area of dispute.
- E-invoicing requirements continue to expand.
- Fake invoice investigations remain a key enforcement priority.
- GST audits are increasingly technology driven.
- Classification disputes continue across industries.
- Export refund claims remain under scrutiny.
- Businesses are strengthening vendor compliance mechanisms.
- E-way bill compliance remains critical for businesses.
- Litigation regarding place of supply provisions continues to evolve.

B. Other section 148 cases
Other cases where notice under section 148 has been issued and assessment is to be completed on or before 31.03.2027 will be forwarded by Systems to NaFAC for necessary action. Notice under section 143(2) shall be served through NaFAC where return has been furnished. JAOs must upload the underlying documents forming the basis of notice under section 148, whether return has been furnished or not.

4. Registration/approval cases: CS 04

This applies to cases involving registration or approval under provisions such as: Sections 12A, 12AB, 35(1)(ii)/(iia)/(iii), 10(23C)(iv)/(v)/(vi)/(via) etc.
Cases shall be selected where:
1. registration/approval has not been granted, or has been cancelled/withdrawn by the competent authority on or before 31.03.2025; and
2. the assessee is found claiming exemption/deduction in the return filed in ITR 7.
However, where the order withdrawing or cancelling registration/approval has been reversed or set aside in appeal, such cases shall not be selected under this parameter. Selection will be made by Systems with approval of DGIT Systems. Notice under section 143(2) is to be served through NaFAC or the prescribed authority.

5. Recurring additions: CS 05

Cases involving additions on a recurring issue of law, fact, or mixed law and fact, including transfer pricing issues, shall be selected if the earlier year addition exceeds:
Charge Monetary threshold
Eight metro charges: Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai, Pune ₹50 lakh
Other charges ₹20 lakh
The addition must either:
1. have become final because no further appeal has been filed; or
2. have been upheld by appellate authorities in favour of Revenue, even if further appeal by the assessee is pending.

For CS 05 and CS 06, JAOs must prepare lists and submit them for prior administrative approval of Pr. CIT/Pr. DIT/CIT/DIT. Consolidated lists must be forwarded by the Pr. CCIT concerned to Systems latest by 15.06.2026.

6. Specific tax evasion information: CS 06

Cases shall be selected where:

1. specific information pointing to tax evasion is received from law enforcement, Investigation Wing, Intelligence, Regulatory Authority, Agency etc.; and
2. the return for the relevant assessment year has been furnished by the assessee.

Important clarification: If notice under section 142(1) was issued based on AIS/SFT/CPC TDS information from I&CI, and the return was furnished in response, such return will not be selected for compulsory scrutiny merely on that basis, unless it falls under CS 06.

7. International Taxation and Central Charges

Assessing Officers in International Taxation and Central Charges may select cases for compulsory scrutiny based on the above parameters with prior administrative approval. Such cases will continue to be handled by those charges. The communication to NaFAC for access/further action after compulsory selection does not apply to International Taxation and Central Charges.

8. Time limit for section 143(2) notice

For returns filed during FY 2025–26, the time limit for service of notice under section 143(2) is 30.06.2026.

Key takeaway

The instruction identifies six compulsory scrutiny categories: survey, search/requisition, section 148 reassessment, denied/cancelled registration cases, recurring additions, and specific tax evasion information. The most important practical points are the 30.06.2026 deadline for section 143(2), the 15.06.2026 deadline for forwarding CS 05/CS 06 lists, and the clarification that AIS/SFT/CPC TDS based 142(1) cases are not automatically compulsory scrutiny cases unless they independently fall under CS 06.

Top Trends

- ESG reporting is becoming increasingly relevant for businesses.
- Corporate governance standards continue to strengthen.
- MCA compliance requirements are becoming more technology-driven.
- Digitalisation of corporate filings is increasing efficiency.
- Regulatory focus on beneficial ownership disclosures continues.
- Companies are strengthening internal control frameworks.
- Data privacy regulations are gaining prominence.
- Cybersecurity compliance has become a board-level concern.
- Risk management frameworks are evolving rapidly.
- Greater focus is being placed on compliance culture.
- g improved gradually after a period of market slowdown.
- Green energy investments attracted significant domestic and foreign capital inflows.

Top Trends

- Courts continue to emphasise natural justice in tax proceedings.
- Delay condonation principles remain taxpayer-friendly in deserving cases.
- Search and seizure assessments continue to generate litigation.
- Penalty provisions are being interpreted strictly by courts.
- Additions based solely on suspicion are increasingly being struck down.
- Documentary evidence remains crucial in tax disputes.
- Courts continue to distinguish between procedural and substantive violations.
- Burden of proof principles remain central to tax litigation.
- Judicial consistency is strengthening taxpayer certainty.
- Alternative dispute resolution mechanisms are gaining relevance.
- AI adoption accelerated across finance, taxation, and compliance sectors.
- GST collections consistently crossed strong monthly revenue benchmarks.
- Fintech companies witnessed higher regulatory oversight from RBI and SEBI.

CBDT Issues Transfer and Posting Order for Addl./Joint Commissioners

Office Order No. 124 of 2026
Date: 1st June, 2026

The Central Board of Direct Taxes (CBDT), through Office Order No. 124 of 2026 dated 1 June 2026, has ordered a series of local transfers and postings of officers in the cadre of Additional/Joint Commissioners of Income Tax.

The order covers a substantial number of officers and involves postings across key directorates and field formations, including the Directorates of Systems, Vigilance, Human Resource Development (HRD), Administration & TPS, Training, and CPC Bengaluru. Officers have been reassigned across various jurisdictions such as Delhi, Mumbai, Karnataka & Goa, Tamil Nadu & Puducherry, and West Bengal & Sikkim.

The restructuring is aimed at ensuring efficient utilization of departmental resources, strengthening specialized functions, and supporting the operational requirements of the Income Tax Department. The CBDT has also directed that relieving and joining formalities be completed through the IRS Officers Online portal and that compliance reports be submitted by the concerned authorities within the stipulated timeline.

Significance: The order reflects CBDT's ongoing administrative efforts to optimize workforce deployment and enhance functional effectiveness across its various offices and directorates.

CBDT Issues Transfer and Posting Order for Addl./Joint Commissioners

Office Order No. 125 of 2026
Date: 1st June, 2026

The Central Board of Direct Taxes (CBDT), vide Office Order No. 125 of 2026 dated 1 June 2026, has ordered a series of local transfers and postings in the cadre of Deputy Commissioners and Assistant Commissioners of Income Tax with immediate effect.

The order covers a large number of officers across various field formations and functional directorates, including Systems, Vigilance, Human Resource Development (HRD), Administration & TPS, Training, CPC Bengaluru, and Legal & Research (L&R). Officers have been reassigned across jurisdictions such as Delhi, Mumbai, Karnataka & Goa, Tamil Nadu & Puducherry, and West Bengal & Sikkim.

The transfers are aimed at strengthening departmental functions, ensuring efficient deployment of officers, and meeting operational requirements across key verticals of the Income Tax Department. The CBDT has further directed that all relieving and joining formalities be completed through the IRS Officers Online portal and that compliance reports be submitted by the concerned authorities within the prescribed timeline.

Significance: The order reflects CBDT's continued focus on optimizing workforce allocation and enhancing administrative efficiency across its field formations and specialized directorates.

Top Trends

- Real estate sector shows steady demand recovery.
- Offshore share transfer taxation remained a significant international tax issue.
- Courts reiterated that reassessment cannot be based on mere change of opinion.
- Tax tribunals increasingly relied on principles of procedural fairness.
- India's renewable energy capacity expanded through solar and wind projects.
- Economic growth in rural sectors improved due to higher infrastructure spending.
- Capital expenditure allocation remained a key driver of economic expansion.
- RBI maintained strict vigilance on inflationary pressures in food prices.
- Corporate tax compliance became increasingly technology-driven and automated.
- E-commerce taxation continued evolving with changing digital business models.

OECD Proposes Revised Transfer Pricing Guidance on Intra-Group Services

The OECD has released a Public Consultation Document proposing revisions to Chapter VII of the OECD Transfer Pricing Guidelines dealing with intra-group services. The objective is to align the guidance with the foundational principles of the OECD Transfer Pricing Guidelines while providing greater clarity and practical examples. The OECD has clarified that the proposed revisions do not intend to alter the existing principles governing intra-group services.

Key Highlights of the Discussion Draft

1. Greater Emphasis on Accurate Delineation of Services

The draft reiterates that merely labeling a payment as a service fee or executing an agreement does not establish that a service has actually been rendered. The transfer pricing analysis must examine the actual commercial and economic substance of the transaction.

2. Refinement of the 'Benefit Test'

The OECD has reaffirmed that an intra-group service exists only where the activity provides economic or commercial value to the recipient entity such that an independent enterprise would have been willing to pay for it or perform it itself. A service is not denied merely because the expected benefit ultimately does not materialise.

3. **Clarification on Shareholder Activities**

The discussion draft provides additional guidance on shareholder activities, emphasizing that costs incurred solely because of ownership interests—such as shareholder meetings, consolidated financial statements, investor relations and parent-level tax compliance—generally do not constitute chargeable intra-group services.

Top Trends

- ITAT ruled that redevelopment flats are not taxable under Section 56(2)(x).
- Courts stressed that cross-examination rights are essential in tax disputes.
- The government promoted domestic defence manufacturing through policy incentives.
- Digital taxation continued to be debated globally among major economies.
- Indian equity markets witnessed strong retail investor participation.
- Foreign institutional investment flows remained sensitive to global interest rates.
- Budget policies focused on employment generation and skill development.
- India's logistics and transportation sector saw rapid modernization initiatives.
- Compliance automation reduced manual intervention in indirect tax administration.
- MSMEs received increased policy support through credit and subsidy schemes.
- Global recession concerns affected international trade and investment sentiment.

4. Guidance on Duplicative and Incidental Benefits

The OECD clarifies that services merely duplicating functions already performed by an entity may not qualify as intra-group services, except in limited circumstances such as risk mitigation or regulatory requirements. Similarly, incidental benefits arising from group membership alone should not attract service charges.

5. Direct vs. Indirect Charging Mechanisms

The draft discusses both direct-charge and indirect-charge approaches for allocating service costs. While direct charging is generally preferred, indirect allocation methods may be used where services benefit multiple entities, provided the allocation keys reasonably reflect expected benefits.

6. Allocation Keys and Documentation

The OECD stresses the importance of robust documentation, including explanations of expected benefits, service agreements, communications, deliverables, allocation methodologies and supporting evidence for costs and mark-ups.

7. Low Value-Adding Intra-Group Services

The discussion draft retains the simplified approach for low value-adding services. Such services are generally supportive in nature, do not involve unique intangibles or significant risks, and are not part of the MNE's core business activities.

Comments Invited

Stakeholders have been invited to submit comments on the draft by 22 July 2026, and the OECD intends to hold a public consultation in November 2026 in Paris. The draft currently reflects proposals for consultation and does not represent the final consensus of the OECD Committee on Fiscal Affairs.

Our Comments

The proposed revisions are expected to enhance certainty in transfer pricing analyses of intra-group services by refining the application of the benefit test, improving guidance on cost allocation and documentation, and clarifying the treatment of shareholder activities and low value-adding services. Multinational enterprises may need to review existing transfer pricing policies and documentation frameworks in light of the proposed changes.

Top Trends

- Courts invalidated reassessment notices lacking fresh tangible material.
- Tax authorities increased scrutiny on unexplained cash credit transactions.
- India's digital economy continued witnessing rapid structural expansion.
- Public sector banks recorded improved profitability and capital adequacy ratios.
- RBI promoted stronger cybersecurity measures across financial institutions.
- International taxation issues gained importance due to cross-border transactions.
- ESG reporting became increasingly relevant for listed companies.
- Cryptocurrency regulations continued evolving amid investor protection concerns.
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Acceptance of Sales and Closing Stock Bars Entire Disallowance of Alleged Bogus Purchases: ITAT Delhi

Vineet Agarwal vs. ACIT, Moradabad

Case Citation: ITA No. 8836/Del/2025 (Assessment Year: 2017-18)
Court/Tribunal: Income Tax Appellate Tribunal (ITAT), Delhi Bench "A", New Delhi
Date of Order: 05th June 2026
Counsel:

- For the Assessee: Shri Piyush Kaushik, Advocate
- For the Revenue: Shri Ajay Kumar Arora, Sr. Departmental Representative

Statutory Provisions Involved:

- Income Tax Act, 1961 – Section 143(3), Section 145(3)

Key Facts:

The assessee, an individual engaged in the business of trading in bullion and jewellery, filed his return of income for AY 2017-18. During assessment proceedings, the Assessing Officer (AO) treated jewellery purchases amounting to ₹1,92,47,792 as bogus and added the entire amount to the assessee's income. Consequently, the assessed income was enhanced substantially over the returned income.

The assessee contended that the disputed purchases were genuine and were duly recorded in the books of account. It was submitted that purchases had either been incorporated into sales amounting to ₹53,88,946 or were reflected in the closing stock amounting to ₹1,48,74,451. Further, detailed quantitative records were maintained and accepted by the VAT authorities. The books of account were also accepted by the AO, who had not invoked the provisions of Section 145(3) for rejection of books. The CIT(A) upheld the addition made by the AO, following which the assessee preferred an appeal before the ITAT.

Tribunal's Detailed Analysis:

The Tribunal noted that the Revenue had accepted the assessee's books of account and had not rejected them under Section 145(3). It further observed that the quantitative details relating to the purchases were duly maintained and had been accepted by the VAT authorities.

A significant factor considered by the Tribunal was that the purchases alleged to be bogus had directly contributed either to the sales reported by the assessee or formed part of the closing stock. Thus, the corresponding sales and inventory arising from such purchases had already been accepted by the Revenue authorities.

The Tribunal referred to settled judicial principles laid down in various decisions dealing with alleged bogus purchases. It observed that where sales are accepted and the existence of corresponding stock is not disputed, disallowance of the entire purchase amount would result in taxation of gross receipts rather than real income. In such circumstances, only the profit element embedded in the purchases can reasonably be subjected to tax. The Tribunal therefore held that sustaining the entire addition of ₹1.92 crore was unjustified in the facts of the case.

Key Findings and Final Ruling:

The ITAT held that the Assessing Officer had accepted the assessee's books of account and had not invoked Section 145(3) to reject them. It further noted that the disputed purchases were duly reflected in the assessee's sales and closing stock, both of which had been accepted by the Revenue authorities. In such circumstances, the Tribunal observed that the entire purchase amount could not be disallowed merely on the allegation of bogus purchases. Relying on the settled legal principle that only the profit element embedded in such purchases can be brought to tax, the ITAT set aside the full disallowance of ₹1.92 crore and directed the Assessing Officer to recompute the income by applying the average Gross Profit (GP) rate of the preceding five years. Accordingly, the assessee's appeal was partly allowed

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Rajasthan High Court Clarifies Prospective Applicability of Enhanced Tax Rate under Section 115BBE

Deepak Maratha S/o Ramchandra Maratha v. Union of India & Ors.

Case Citation: DB Civil Writ Petition No. 3625 of 2020
Court/Tribunal: Rajasthan High Court
Date of Order: 27th May 2026
Counsel:

- For the Assessee: Mr. Sandeep Bhandawat, Mr. Shanker Singh Shekhawat & Mr. Narendra Kumar Taparia, Advocates
- For the Revenue: Mr. K.K. Bissa & Mr. Askaran Maru, Advocates

Statutory Provisions Involved:

- Income Tax Act, 1961 – Section 68, Section 115BBE, Section 271AAC, Section 145(3)

Key Facts:

The petitioner, engaged in the business of jewellery and bullion trading, deposited ₹66.17 lakh in bank accounts during November and December 2016, including deposits of specified bank notes during the demonetisation period. The assessee claimed that the deposits represented genuine business receipts duly recorded in the course of business.

During assessment proceedings, the Assessing Officer rejected the books of account under Section 145(3) and treated the cash deposits as unexplained cash credits under Section 68. Consequently, the AO subjected the additions to tax under the amended provisions of Section 115BBE at the enhanced rate of 60%, along with applicable surcharge, and also initiated penalty proceedings under Section 271AAC. Aggrieved by the application of the enhanced tax regime, the assessee challenged the validity of applying the amended provisions to Financial Year 2016-17.

Tribunal's Detailed Analysis:

The Rajasthan High Court examined the legislative history of Section 115BBE and the amendments introduced through the Taxation Laws (Second Amendment) Act, 2016. The Court observed that while Parliament possesses the power to enact retrospective fiscal legislation, such intention must be expressly stated or necessarily implied from the statutory language. Relying upon the Supreme Court's decisions in Karimtharuvi Tea Estate Ltd. v. State of Kerala and CIT v. Vatika Township Pvt. Ltd., the Court reiterated the settled principle that taxing provisions imposing a new burden or enhancing an existing liability are presumed to operate prospectively unless the legislature clearly provides otherwise.

The Court noted that although the Taxation Laws (Second Amendment) Act, 2016 came into force on 15 December 2016, the amendment enhancing the tax rate under Section 115BBE from 30% to 60% was specifically stated to take effect from 1 April 2017. According to the Court, this express effective date clearly reflected the legislative intent that the enhanced rate would apply prospectively and not to transactions pertaining to Financial Year 2016-17. The Court further observed that Parliament had demonstrated its ability to confer retrospective effect whenever intended, as evidenced by subsequent amendments where retrospective language was expressly employed. The absence of such language in the amendment enhancing the tax rate under Section 115BBE strongly indicated that retrospective application was not contemplated. With respect to Section 271AAC, the Court held that the penalty provision is consequential in nature and operates only when Section 115BBE is validly attracted. Therefore, the penalty provision could not independently survive where the enhanced tax regime itself was held to be inapplicable.

Key Findings and Final Ruling:

The Rajasthan High Court held that the amendment to Section 115BBE enhancing the tax rate on unexplained income from 30% to 60% is a substantive and onerous provision and, therefore, cannot be applied retrospectively in the absence of clear legislative intent. The Court ruled that the amendment operates prospectively from 1 April 2017 and cannot be applied to income relating to Financial Year 2016-17, including demonetisation-period deposits. Consequently, the linked penalty provisions under Section 271AAC were also held to be inapplicable for the relevant year insofar as they depended upon the amended Section 115BBE.

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- Capital market reforms aimed at strengthening investor confidence and governance.
- India's inflation trends remained influenced by global commodity prices.

Top Trends

- Corporate governance norms tighten.
- Sustainability reporting becomes more prominent.
- Integrated reporting gains acceptance.
- Risk management frameworks strengthen in corporates.
- Mergers & acquisitions activity remains selective.
- Tax administrations are moving toward integrated compliance ecosystems.
- Increased use of technology is reshaping tax audits.
- Greater international cooperation in taxation is expected.
- Cross-border information exchange will continue to expand.
- Substance over form remains a dominant tax principle.
- Documentation standards are becoming more rigorous.
- Tax certainty is emerging as a key business priority.
- Regulatory convergence across jurisdictions is increasing.
- Businesses are investing heavily in compliance infrastructure.

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