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NEWSLETTER

TAX

- Income Tax
- Goods and Services Tax

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Income Tax

1. Condonation of delay in filing Form No. 10AB

CBDT
Circular No. 06 /2026 dated 02.07.2026

Vide this circular, CBDT has provided relief to charitable funds and institutions **that failed to file Form 10AB** within the prescribed due date for renewal of their **Section 80G approval**.

Background
A fund or institution approved under section 80G(5) and whose approval was expiring on 31st March 2026, were required to furnish an **application in Form No. 10AB** electronically, **at least six months prior** to expiry of the said period.

Relief Granted by CBDT

- CBDT has **condoned the delay** where **Form 10AB was filed electronically between 1 October 2025 and 31 March 2026.**
- If an application filed during **1 October 2025 to 31 March 2026** was **rejected solely because it was filed after the due date**, such delay will now be **deemed to have been condoned**.
- The **Jurisdictional Principal Commissioner/Commissioner of Income-tax** has been authorized to examine these applications **on merits** and pass orders **on or before 31 December 2026**.

Important Clarification:

- The circular **does not grant automatic approval** under Section 80G.
- All applications will still be subject to examination and approval based on the prescribed eligibility conditions.

[Circular No. 06/2026]

2. TDS Exemption on Aircraft and Ship Lease Payments to IFSC Units

CBDT
Notification No. 74 & 75 /2026 dated 03.07.2026

Vide this notification, CBDT has notified that **no tax is required to be deducted at source (TDS)** under **Section 393(1) [Table S. No. 2]** of the Income-tax Act, 2025 on **lease rent or supplemental lease rent** paid by a lessee to an **IFSC unit engaged in aircraft leasing or ship leasing**, provided the prescribed conditions are fulfilled.

Conditions for the IFSC Lessor

- The lessor must furnish **Form No. 1(N)** (Statement-cum-Declaration) to the lessee.
- The form must specify the **20 consecutive tax years** for which the lessor opts to claim the deduction under **Section 147**.
- Form 1(N) must be furnished and verified **for each tax year** during the opted period.

Responsibilities of the Lessee

- The notification does **not provide an automatic TDS exemption from 1 April 2026.** The lessee can stop deducting TDS **only after receiving the prescribed Form No. 1(N)** from the eligible IFSC lessor. **Payments made before receipt of the form remain subject to TDS.**

- The lessee must **report all such payments** in the quarterly TDS statement prescribed under **Section 397(3)(b)** read with **Rule 219 of the Income-tax Rules, 2026**.

Validity of the Exemption

- The TDS exemption is available **only for the 20 consecutive tax years** declared by the lessor in Form 1(N).
- For any other tax year outside the opted period, **normal TDS provisions will apply**.

The notification shall be effective from **1st April 2026.**

Notification No. 74
Notification No. 75

3. TDS Exemption for Payments to Eligible IFSC Units

CBDT
Notification No. 80 /2026 dated 10.07.2026

Vide this notification, CBDT has notified that **no tax is required to be deducted at source (TDS)** on specified payments made to eligible **International Financial Services Centre (IFSC) Units** under the provisions of **Section 393** of the Income-tax Act, 2025, subject to prescribed conditions.

Eligible IFSC Units and Covered Payments

- The notification covers various categories of IFSC units, including:
  - Banking Units
  - IFSC Insurance Intermediary Offices
  - Finance Companies
  - Finance Units
  - Fund Management Entities
  - Broker Dealers
  - Investment Advisers
  - Registered Distributors
  - Custodians
  - Credit Rating Agencies
  - Investment Bankers
  - Debenture Trustees
  - International Trade Finance Service (ITFS) Units
  - FinTech Entities

- The exemption applies to specified receipts such as:
  - Interest on External Commercial Borrowings (ECBs)/Loans
  - Professional and technical fees
  - Referral fees
  - Brokerage and commission income
  - Insurance commission
  - Dividend income
  - Distribution fees
  - Investment advisory fees

- Trusteeship fees
- Credit rating fees
- Investment banking fees
- Factoring and forfaiting commission income.

Conditions for the IFSC Payee

- The IFSC unit (payee) must furnish **Form No. 1(N)** (Statement-cum-Declaration) to the payer.
- The form must specify the **20 consecutive tax years** for which the payee opts to claim the deduction under **Section 147**.
- Form 1(N) is required to be furnished and verified **for each tax year** covered by the option.

Responsibilities of the Payer

- The payer is required to **stop deducting TDS only from the date of receipt of Form No. 1(N)** from the eligible IFSC unit. Any payment made or credited before receipt of Form 1(N) will continue to be subject to TDS under the applicable provisions.
- The payer must also **report all payments on which TDS has not been deducted** in the TDS statement prescribed under Section 397(3)(b) read with **Rule 219 of the Income-tax Rules, 2026**.

Validity of the Exemption

- The TDS exemption is available **only for the 20 consecutive tax years** declared by the payee in Form 1(N).
- For payments relating to any other tax year, **normal TDS provisions will apply**.

Notification No. 80

4. Cost Inflation Index (CII) for Tax Year 2026-27

CBDT
Notification No. 85 /2026 dated 15.07.2026

Vide this notification, CBDT has notified the **Cost Inflation Index (CII)** under **Section 72(8)(a)** of the **Income-tax Act, 2025** for the purpose of computing the **indexed cost of acquisition** and **indexed cost of improvement in the Capital Gains calculation.**

The **Cost Inflation Index (CII) for Tax Year 2026–27** has been notified as **384**.

The **CII for Financial Year 2025–26** was **376**.

This notification shall come into force with effect from **1 April 2026** and shall apply to **Tax Year 2026–27.**

Notification No. 85

5. Protocol amending India- Sri Lanka DTAA

CBDT

Notification No. 88 /2026 dated 16.07.2026

Vide this notification, CBDT has notified the **Protocol signed on 16 December 2024** amending the **India–Sri Lanka DTAA** for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income.

Key Amendments:

1. Preamble Revised (Anti-Treaty Abuse Objective)

Earlier Preamble

The DTAA primarily stated that its objective was:

- To avoid double taxation; and
- To prevent fiscal evasion.

New Preamble

The Protocol replaces the preamble to clarify that the treaty also aims to:

- Promote economic cooperation between India and Sri Lanka.
- Prevent tax evasion and tax avoidance.
- Prevent treaty shopping and arrangements that create opportunities for non-taxation or reduced taxation for residents of third countries.

2. Introduction of the Principal Purpose Test (PPT)

The Protocol replaces the existing **Article 28(6)** with a **Principal Purpose Test (PPT)**.
A treaty benefit **will be denied** if:

- it is reasonable to conclude that **one of the principal purposes** of an arrangement or transaction was to obtain a treaty benefit; **unless**
- granting the benefit is consistent with the **object and purpose** of the DTAA.

Example

- A company resident in a third country sets up a shell company in Sri Lanka only to claim a lower withholding tax rate under the India–Sri Lanka DTAA.
- The Sri Lankan company has no real business activities or commercial substance.

Under the new **PPT**, India can deny the treaty benefit because obtaining the DTAA benefit was one of the principal purposes of the arrangement.
Conversely, if a Sri Lankan company has genuine business operations and commercial substance, the treaty benefits should continue to be available.

Applicability in India

The amended provisions will apply in India to **income derived in fiscal years beginning on or after 1st April 2027.**

Notification No. 88

6. Introduction of Form "ITR-BN"

CBDT Notification No. 97 /2026 date 24.07.2026

Vide this notification, CBDT has notified **Form ITR-BN** and inserted **Appendix IV** in the Income-tax Rules, 2026 for filing the **Income-tax Return for Block Assessment** in cases involving **search and seizure** under **Chapter XVI-B** of the Income-tax Act, 2025.

Background

The Income-tax Act, 2025 introduced a new **block assessment** regime for search and requisition cases under **Sections 247 to 301**. Under **Section 294**, a person subjected to a search or requisition is required to furnish a **Block Return** in the prescribed form. This notification prescribes **Form ITR-BN** for this purpose.

Key Features of Form ITR-BN

The newly prescribed return requires the taxpayer to report:

- **General information** relating to the search/requisition, block period, and earlier income-tax returns filed.
- **Income for the relevant tax years** falling within the block period.
- **Computation of undisclosed income** for each tax year forming part of the block period.
- **Head-wise and item-wise break-up** of undisclosed income, including:
    - Cash/Money
    - Bullion
    - Jewellery
    - Other valuable articles
    - Virtual Digital Assets (VDAs)
    - Unexplained expenditure
    - Incorrect claims of expenses, deductions, exemptions or allowances
    - Other undisclosed income

Tax Computation

The form provides for computation of:

- Tax payable on undisclosed income at the prescribed rate.
- Applicable surcharge and Health & Education Cess.
- Interest payable.
- Details of self-assessment tax, advance tax, TDS/TCS credit and other taxes paid

Applicability

- The Rules **apply to any search initiated under Section 247 or requisition made under Section 248 on or after 1 April 2026.**
- Although the notification was issued on **24 July 2026**, it is **deemed to have come into force from 1 April 2026.**

Notification No. 97

Goods and Service Tax
1. Clarification regarding filing of appeal by department before GSTAT
CBDT Circular No. 256/02/2026 dated 25.07.2026
Vide this circular, CBIC has clarified the following where the department wishes to appeal against an order of the Appellate Authority in a DGGI case in which the Order-in-Original was passed by a Common Adjudicating Authority (CAA). • who will review the order, • who will file the appeal & • before which GSTAT Bench it is to be filed, **Background** • In DGGI cases involving taxpayers spread across more than one State, a single officer having all-India jurisdiction — the Common Adjudicating Authority (CAA) — passes one common Order-in-Original covering all the notices. • Earlier circulars covered the position up to the first appeal: assignment of notices to a CAA (Circulars169/01/2022 and 239/33/2024) and departmental appeal against the CAA's own order before the Appellate Authority (Circular 250/07/2025). • The next stage was unclear. Once the Appellate Authority passed its order, field formations were in doubt as to who would review it, which Commissionerate would file the appeal before the GSTAT, and which Bench of the GSTAT would hear it. This circular settles these three points. **Clarifications issued:** **1. Communication of appellate order** The Appellate Authority shall: ➢ Upload the order on the GST common portal; and ➢ Send a copy (both electronically and physically) to the **Principal Commissioner/Commissioner** having jurisdiction over the **Common Adjudicating Authority (CAA)**. **2. Examination of the appellate order** The Commissioner having jurisdiction over the CAA shall:

- Examine the appellate order;
- Obtain comments from the **DGGI**, wherever necessary; and
- Forward the comments and recommendations to the jurisdictional Commissioners of all the concerned taxpayers/notices covered by the order.

3. Reviewing Authority

- The **jurisdictional Principal Commissioner/Commissioner** of the respective taxpayer shall act as the **reviewing authority** under Section 112(3) of the CGST Act, 2017.
- If satisfied that an appeal should be filed, the reviewing authority may authorize a subordinate officer to file and pursue the appeal before the GSTAT.

4. Filing of appeal before GSTAT

- **Separate appeals** shall be filed for **each taxpayer/noticee**.
- The appeal shall be filed by the **jurisdictional CGST Commissionerate** of the concerned taxpayer.
- The appeal must be filed before the **GSTAT Bench having territorial jurisdiction over the taxpayer/noticee**, and **not** the Bench having jurisdiction over the Common Adjudicating Authority.

5. Intimation after filing

- After filing the appeal, the jurisdictional Commissioner shall inform the Commissioner having jurisdiction over the CAA and provide a copy of the appeal.
- If no appeal is proposed, the reviewing authority shall also communicate this decision to the Commissioner having jurisdiction over the CAA.

Circular No. 256/02/2026

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