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TaX Edge

Your Monthly Guide to Staying Ahead

JUNE 2026

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CBDT Issues Guidelines for Compulsory Income Tax Scrutiny for FY 2026-27

The Central Board of Direct Taxes (CBDT) has released the guidelines for compulsory selection of Income Tax Returns (ITRs) for complete scrutiny during Financial Year (FY) 2026-27. These guidelines apply to returns filed in FY 2025-26 and have been issued under Section 536(2)(c) of the Income Tax Act, 2025.

Who Will Face Compulsory Scrutiny?

The CBDT has identified six categories of cases that will be selected for mandatory scrutiny.

1. Survey Cases

Returns will be picked for scrutiny if the taxpayer was subject to a survey under Section 133A of the Income-tax Act, 1961 (except surveys conducted under Section 133A(2A)) on or after 1 April 2024. These cases will be identified based on information provided by the Investigation Wing and approved by the Directorate of Income-tax (Systems).

2. Search and Requisition Cases

Compulsory scrutiny will also apply where:

- A search under Section 132; or
- A requisition under Section 132A

was initiated on or after 1 April 2024.
For searches conducted on or after 1 September 2024, scrutiny will cover the assessment years falling under the block assessment provisions.

3. Reassessment Cases

The following reassessment cases will undergo compulsory scrutiny:

- Cases arising from search or survey proceedings where a notice under Section 148 has been issued; and
- Other reassessment cases that remain pending as of 31 March 2027.

In such cases, jurisdictional Assessing Officers must upload the documents that formed the basis for issuing the reassessment notice.

4. Trusts and Institutions with Registration Issues

Charitable trusts and institutions will be selected for scrutiny if they continue to claim exemption or deduction in ITR-7 despite:

- Rejection of registration or approval under Sections 12A, 12AB, 35(1)(ii), 35(1)(iia), 35(1)(iii), or 10(23C); or
- Cancellation or withdrawal of such registration or approval on or before 31 March 2025.

However, cases where the cancellation has been overturned by an appellate authority will not be covered under this category.

5. Recurring Additions in Earlier Years

Returns may be selected where additions made in earlier assessment years involve a recurring issue of fact or law and exceed:

- ₹50 lakh in metro cities (Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai, and Pune); or
- ₹20 lakh in non-metro jurisdictions.

This applies only where the additions have become final or have been upheld in favour of the Revenue by appellate authorities.

6. Specific Information Indicating Tax Evasion

Compulsory scrutiny will also apply if the Income Tax Department receives credible information suggesting tax evasion from law enforcement, intelligence, regulatory, or investigation agencies, provided the taxpayer has filed the relevant income tax return.
However, returns filed in response to notices under Section 142(1) based solely on information from NMS, AIS, SFT, CPC-TDS, or the Directorate of I&CI will not automatically be selected unless they fall within this category.

Approval and Selection Process

For cases covered under . Recurring Additions in Earlier Years and Specific Information Indicating Tax Evasion, jurisdictional Assessing Officers must prepare and submit the list of eligible cases through the prescribed administrative channel. The consolidated lists must reach the Directorate of Income-tax (Systems) by 15 June 2026.

International Taxation and Central Charges

Cases handled by the International Taxation and Central Charges divisions may also be selected under these guidelines with prior administrative approval. Such cases will continue to be assessed by their existing jurisdictions and will not be transferred to the National Faceless Assessment Centre (NaFAC).

Deadline for Scrutiny Notices

For returns filed during FY 2025-26, the last date for serving a notice under Section 143(2) is 30 June 2026, as prescribed under the Income-tax Act.

How to respond to a scrutiny notice

- Read the notice, identify information and documents sought.
- File accurate, complete and timely response through income-tax e-filing portal.
- Upload supporting documents.
- Avoid delay as non-response can lead to ex parte assessment without considering taxpayer's submissions.

6.Key Legal References

Case/Provision	Relevance
Section 36(1)(iii)	Interest on borrowed capital deduction
S.A. Builders vs. CIT (2007)	Commercial expediency test
Sharp Business Systems vs. CIT (2025)	Reaffirmation of borrowing purpose test
Madhav Prasad Jatia vs. CIT (1979)	Scope of 36(1)(iii) vs. 57(iii)

Form 130 Replaces Form 16: New Salary TDS Certificate for FY 2026-27

What is Form 130?

Form 130 is India's new salary TDS (Tax Deducted at Source) certificate under the Income Tax Act, 2025. It replaces Form 16, which was issued under Section 203 of the Income-tax Act, 1961. Form 130 is issued under Section 395(4)(b) of the Income Tax Act, 2025 and serves as proof that tax has been deducted from an employee's salary and deposited with the Government.

The new form introduces a more structured, fully digital, and TRACES-integrated format to improve compliance and reduce errors.

Key Highlights

- Form 130 replaces Form 16 from Tax Year 2026-27 onwards.
- Form 16 remains valid for FY 2025-26 and must be issued by 15 June 2026.
- The first Form 130 will be issued by 15 June 2027.
- Form 130 consists of three parts—Part A, Part B, and Part C.
- The form must be generated only through the TRACES portal.
- Employees should reconcile Form 130 with Form 168 (new Form 26AS) before filing their income tax returns.

Why Was Form 16 Replaced?

The replacement of Form 16 is part of the broader reforms introduced under the Income Tax Act, 2025 and the Income Tax Rules, 2026, which came into effect on 1 April 2026.

As part of this overhaul, the government has replaced the concept of the Assessment Year with the Tax Year and renumbered several provisions, forms, and compliance processes. The introduction of Form 130 is aimed at making the TDS reporting system more streamlined, accurate, and technology-driven.

Key Reasons Behind the Change

1. Reduced Manual Errors

Unlike Form 16, which involved a greater degree of manual preparation, Form 130 is generated automatically using the quarterly TDS statements filed by employers through Form 138. This significantly reduces the chances of human error.

2. Better Data Accuracy

Since Form 130 is generated directly from the employer's TDS filings, the information is expected to match the employee's tax credit records. This helps avoid discrepancies while filing income tax returns

3. Greater Transparency

The new format includes a dedicated Part C, which provides a detailed salary computation. This gives employees a clearer understanding of how their taxable income has been calculated and makes return filing easier.

4. Fully Digital Compliance

The new system is entirely digital. Employers will no longer be allowed to prepare or issue TDS certificates offline, making the process more standardized, efficient, and secure.

Process for Generation of Form 130

The process involves the following steps:

1. The employer deducts TDS under Section 392.
2. Quarterly TDS returns are filed through Form 138.
3. After processing, the employer downloads Form 130 from TRACES.
4. The certificate is issued to employees on or before 15 June of the following year.
5. Employees should verify the details with Form 168 before filing their income tax returns.

Form 130 vs Form 16

Particulars	Form 16	Form 130
Governing Law	Income Tax Act, 1961	Income Tax Act, 2025
Relevant Section	Section 203	Section 395(4)(b)
Applicable Period	Up to FY 2025-26	Tax Year 2026-27 onwards
Structure	Two Parts (A & B)	Three Parts (A, B & C)
Salary Computation	Basic details in Part B	Detailed computation in Part C
Quarterly TDS Return	Form 24Q	Form 138
Tax Credit Statement	Form 26AS	Form 168
Offline Issue	Permitted in certain cases	Not permitted
Due Date	15 June	15 June

Applicability of Form 130

Salaried Employees

Every employer deducting TDS on salary under Section 392 is required to issue Form 130 annually. Employees changing jobs during the year will receive separate Form 130 certificates from each employer.

Specified Senior Citizens

Senior citizens aged 75 years or above opting under Section 393, where banks deduct tax on pension and interest income, will also receive Form 130 containing Annexure II.

Implications for Employers

Employers should:

- File quarterly TDS returns using Form 138.
- Upgrade payroll systems to support Form 130.
- Register and operate through TRACES.
- Maintain detailed salary records for Part C reporting.
- Ensure proper reconciliation during the transition from the old to the new law.

Implications for Employees

Employees should note that:

- Form 16 remains applicable only for FY 2025-26.
- Form 130 will be issued for Tax Year 2026-27 onwards.
- Multiple employers will issue separate certificates.
- Form 130 should be used along with Form 168 while filing income tax returns.

TCS Return Due Date: New Deadlines for Tax Year 2026-27

The Income Tax Act, 2025 has brought significant changes to the Tax Collected at Source (TCS) compliance framework. One of the key changes for Tax Year (TY) 2026-27 is the revision of quarterly TCS return due dates and the introduction of a new return form, Form 143, replacing the existing Form 27EQ. The objective behind these changes is to simplify compliance, provide additional time for reconciliation, and improve the overall efficiency of TCS reporting.

Introduction of Form 143

From Tax Year 2026-27 onwards, every person responsible for collecting tax at source is required to file quarterly TCS statements using Form 143. This new form replaces the earlier Form 27EQ under the Income Tax Act, 1961.

The revised reporting format aims to:

- Simplify the filing process.
- Improve data accuracy and validation.
- Ensure quicker reflection of TCS credits in taxpayers' records.
- Align TCS compliance with the broader framework introduced under the Income Tax Act, 2025.

Quarterly TCS Return Due Dates for TY 2026-27

The new law extends the filing deadlines for quarterly TCS returns. Instead of filing by the 15th day of the following month, returns are now due by the last day of the month following the relevant quarter.

Quarter	Period	Due Date for Filing Form 143
Q1	1 April 2026 – 30 June 2026	31 July 2026
Q2	1 July 2026 – 30 September 2026	31 October 2026
Q3	1 October 2026 – 31 December 2026	31 January 2027
Q4	1 January 2027 – 31 March 2027	31 May 2027

The extended timeline provides businesses with additional time to verify records, reconcile challans, and ensure accurate reporting before filing their returns.

TCS Deposit Due Dates Remain Unchanged

Although the return filing deadlines have been relaxed, the due dates for depositing TCS with the Government continue to remain the same.

For Non-Government Collectors

The TCS collected during a particular month must generally be deposited on or before the 7th day of the immediately succeeding month.

For Government Collectors

Government collectors making payments through book adjustments must continue to follow the existing government accounting procedures and timelines

Consequences of Delayed Filing

Failure to file Form 143 within the prescribed due date may result in various penalties and additional costs.

Late Filing Fee

A late fee of ₹200 per day may be levied for every day of delay until the return is filed.
However, the total fee cannot exceed the amount of TCS collectible for that quarter.

Additional Penalty

Apart from the late filing fee, continued non-compliance may attract additional penalties under the provisions of the Income Tax Act, 2025.

Interest on Delayed Deposit

If TCS is collected but not deposited within the stipulated time, interest will be payable for the period of delay, irrespective of whether the return has been filed on tim

Practical Tips for Smooth Compliance

Businesses and tax professionals can adopt the following practices to ensure timely and accurate TCS compliance:

- Upgrade accounting and ERP systems to support Form 143.
- Verify PAN details before filing returns.
- Reconcile TCS collections with challan payments regularly.
- Maintain proper documentation for future corrections or assessments.
- Perform TDS and TCS reconciliations together to minimize reporting mismatches.

CBDT Notifies University of Hyderabad and PHFI as Approved Scientific Research Institutions Under the Income Tax Act, 2025

Introduction

The Central Board of Direct Taxes (CBDT) has recently notified the University of Hyderabad (UoH) and the Public Health Foundation of India (PHFI) as approved institutions for scientific research under the Income Tax Act, 2025. This recognition enables taxpayers making eligible donations to these institutions to claim tax benefits, while also promoting research and innovation in India.

The approval demonstrates the Government's continued commitment to strengthening scientific and public health research by encouraging private contributions and institutional development.

Approval Granted Under the Income Tax Act, 2025

The approvals have been issued under Section 45(4)(b) of the Income Tax Act, 2025, for the purposes of Section 45(3)(a)(i) and the related provisions of the Income Tax Rules, 2026. The institutions have been recognized under the category of universities, colleges, or other institutions engaged in scientific research.

The approvals will remain valid from Tax Year 2026-27 to Tax Year 2030-31, subject to compliance with the prescribed conditions under the Income Tax Rules, 2026.

University of Hyderabad Receives Approval

The University of Hyderabad, one of India's leading higher educational institutions, has been officially approved for scientific research purposes by the CBDT.

The approval allows eligible donors contributing to research activities undertaken by the university to avail themselves of the tax benefits provided under the Income Tax Act, 2025. The institution is required to comply with all conditions prescribed under Rule 34 of the Income Tax Rules, 2026.

Public Health Foundation of India (PHFI) Also Recognized

The Public Health Foundation of India (PHFI) has similarly been notified as an approved scientific research institution. PHFI plays a significant role in public health education, policy research, and healthcare innovation across the country.

With this approval, contributions made towards eligible scientific research activities conducted by PHFI may qualify for tax deductions, thereby encouraging greater investment in public health research and development.

Conditions Attached to the Approval

Both institutions must satisfy certain conditions to continue enjoying the approved status. These include:

1. Compliance with Rule 34

The institutions must adhere to all requirements specified under Rule 34 of the Income Tax Rules, 2026, relating to scientific research institutions.

2. Filing Annual Statements

They are required to prepare and submit an annual statement in Form No. 15 to the Director General of Income Tax (Systems) or the authorized officer by 31 May following the relevant tax year in which donations are received.

3. Issuing Donation Certificates

The institutions must issue certificates in Form No. 16 to donors, clearly specifying the amount of donation eligible for tax benefits in accordance with Rule 31 of the Income Tax Rules, 2026.

Benefits for Donors

The approval offers significant advantages to individuals and organizations supporting scientific research. Some of the key benefits include:

- Eligibility to claim tax deductions for qualifying donations.
- Greater confidence that contributions are being made to government-approved institutions.
- Encouragement for increased participation in research funding and innovation initiatives.
- Support for advancements in higher education, healthcare, and public welfare.

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Impact on Scientific Research in India

The recognition of institutions such as the University of Hyderabad and PHFI is expected to strengthen India's research ecosystem. By providing tax incentives for donations, the Government aims to encourage greater private sector participation in scientific and public health research.
These measures not only help institutions secure additional funding but also contribute to innovation, academic excellence, and long-term national development.

GST Slab Rate

When GST first launched everyone was confused about which slab their product fell under? Well, the government just made life a whole lot simpler .

The 56th GST Council meeting rolled out what's now being called GST 2.0, and if you buy groceries, pay insurance premiums, or run a business, this affects you directly.

Key Takeaways

- The 56th GST Council meeting unveiled a simplified GST 2.0 regime, reducing slabs to 5%, 18%, and 40%, effective from September 22, 2025, to streamline compliance and spur economic growth.
- Essential items, including dairy products, 33 lifesaving drugs, and educational materials, are now at a nil GST rate, while individual health/life insurance is exempted.
- Daily essentials, agricultural goods, and healthcare equipment were moved to the 5% GST slab, and electronics like small cars, motorcycles, and appliances now attract 18% GST.
- Sin goods such as pan masala, aerated and caffeinated beverages, and luxury vehicles face a steep GST rate hike to 40%.
- All these GST rate changes, barring tobacco products, are effective from September 22, 2025, with comprehensive notifications aligning rules, exemptions, and refund mechanisms to council decisions.

Rates That Stay Special

Not everything fits neatly into the main slabs. A few categories keep their own lanes

Category	Rate
Gold, silver & precious metal jewellery	3%
Rough & sawn diamonds	0.25%
Pan masala	28%
Tobacco & cigarettes	28%
Composition scheme dealers	1.5% / 5% / 6%

For Your Home Appliances

Appliance	Then	Now
Air conditioners	28%	18%
TVs above 32 inches	28%	28%
Monitors & projectors	28%	28%
Dishwashing machines	28%	28%

Services Also Changed — Key Highlights

It's not just goods. Services got reshuffled too under Notification 15/2025-CTR:

- Now at 18% (up from 12%) : Courier & postal services, transport (non-rail), local e-commerce delivery, professional & business services, manufacturing job work.
- Now at 5% : Tailoring, food & textile job work, printing educational materials, brick manufacturing, handicrafts, beauty & cleaning services.
- Special : Job work on diamonds taxed at just 1.5%.
- One important clarification for hotels: "premises" for GST rental purposes now specifically means a place where hotel accommodation is provided — effective April 1, 2025.

What This Means If You Run a Business

Three things need your immediate attention:

1. Reclassify your products/services

Several items have moved slabs. What you invoiced at 28% yesterday may now be 18%. Get this wrong and you're either overcharging customers or underpaying tax.

2. Revisit your ITC claims

Rate changes affect your input tax credit calculations. The new rules under the Third Amendment Rules, 2025 have also updated GSTR-9 (annual return) and GSTR-9C (reconciliation) formats — new rows, clearer ITC placement, and tighter definitions.

3. If you supply via e-commerce platforms

Local delivery through e-commerce operators now falls under Reverse Charge Mechanism (RCM) — meaning the platform pays the GST, not you (unless you're mandatorily registered under Section 22(1)).

Also note : Provisional refunds under Section 54(6) are restricted from October 1, 2025 for suppliers of areca nuts, pan masala, tobacco, and essential oils — and for anyone without Aadhaar authentication.

E-Way Bill

An amendment to the E-Way Bill (EWB) system is introduced through the GSTN portal, as notified in GSTN Advisory dated 21st May 2026. It mentions two changes that relate to e-Way Bill generation and closure processes. One is compulsory while the other can be considered optional. If you have Bill-To/Ship-To transactions, then the amendments apply to you.

Key Takeaways

- Effective Date Of API's Changes : The GSTN has released an advisory outlining changes to the APIs of the e-Invoice and e-Way Bill systems, effective from 1st August 2026. The Ship-to GSTIN would become mandatory in IRN & e-Way Bill APIs when Ship-to information is present ("URP" if the consignee is unregistered). In B2B/SEZ transactions, any Ship-to details entered during the IRN would not be overridden during e-Way Bill creation.

- Deadline Extention : Recently, GSTN has extended the e-way bill updates deadline from 15th June 2026 to 1st August 2026. Here's the official advisory.

- Entering "URP" for Unregistered Consignees : Where the delivery is to an unregistered location or person, enter "URP" in the Ship-To GSTIN field. The portal will accept it.

- Voluntary e-Way Bill Closure Facility : GSTN has introduced a voluntary EWB closure facility. Once goods are delivered, suppliers, recipients, transporters, or drivers can close the e-Way Bill. As per the advisory, closure is permitted on the same day of delivery or the immediately succeeding day.

- ERP/API Deadline : ERP systems, APIs, and accounting software must be updated before 15th June 2026. , e-Way Bills generation will be failed after this date if the Ship-To GSTIN field is not filled.

- Risk of Scrutiny on Mismatch : Mismatches between the Ship-To GSTIN on the e-Way Bill and the recipient GSTIN on the invoice can trigger scrutiny under Section 129 of the CGST Act, 2017.

Why GSTN Is Upgrading the EWB Portal

- The e-way bill portal update 2026 is a targeted response to a compliance issue that the GSTN has been monitoring for some time.

- The primary challenge in E-Way Bills was resulting from incomplete or inaccurate data in the "Ship To" section. In multi-location supply chains, the goods would be invoiced to one party, but land at a project site, a warehouse, or a third-party location with no GSTIN recorded. This created a gap in the audit trail. GSTN could not accurately cross-verify e-Way Bill data against GSTR-1 and GSTR-3B.

- The second problem was the open-EWB issue. After goods were delivered, the e-Way Bill stayed active in the system until its validity expired. There was no confirmation of delivery. Cancelled invoices, failed deliveries, and transactions that never materialised still had active EWBs floating in the portal.

- Both problems fed into the same concern: the system could not confirm that goods had actually moved, reached the right place, or reached an identifiable registered entity.

- The GST e-way bill changes from the new advisory fix both of these gaps. Mandatory ship to GSTIN validation closes the first. The EWB closure facility addresses the second

Mandatory Changes From August 1ST

1 . Mandatory Ship-To GSTIN for Bill-To/Ship-To Transactions

This is the harder of the two changes to implement. Not because it is complicated, but because it requires system changes.
Under the new e-way bill changes effective from 1st August 2026 (originally 15th June 2026), the Ship-To GSTIN field will be mandatory when generating an e-Way Bill for any Bill-To/Ship-To transaction. It cannot be skipped. The portal will not allow the EWB to be generated without it.

2 . Voluntary e-Way Bill Closure Facility

The EWB closure compliance change is a new functionality that did not exist before. It is voluntary for now, which means there is no penalty today for not using it.
GSTN has introduced the EWB closure facility to allow an official "delivery confirmed" status to be recorded against an e-Way Bill. Earlier, once goods reached the destination, the e-Way Bill simply expired on its own. There was no active step to confirm delivery. This left open e-Way Bills on cancelled shipments, returned goods, or transactions that never concluded.

What Businesses Should Do

- Update ERP, billing, and E-Way Bill software to capture the mandatory Ship-To GSTIN.
- Review customer and delivery master data to ensure GSTIN details are accurate or mark unregistered locations as URP.
- Train dispatch, logistics, and accounts teams on the revised E-Way Bill process.
- Consider adopting the new E-Way Bill Closure feature to strengthen documentation and audit readiness.

Why It Matters

These enhancements are aimed at improving transparency, reducing mismatches between invoices and goods movement, and strengthening GST compliance. Businesses that proactively update their systems and processes will be better prepared for smoother operations and reduced compliance risks.

MCA Gazette Notification – Companies (Registered Valuers and Valuation) Amendment Rules, 1st June, 2026

The Ministry of Corporate Affairs (MCA) issued Notification No. G.S.R. 432(E) [Companies (Registered Valuers and Valuation) Amendment Rules, 2026] on June 1, 2026. It mandates strict new criteria for Registered Valuers Organisations (RVOs), including a ₹25 lakh minimum paid-up share capital requirement, though existing RVOs have a transition period to comply until March 31, 2028

Key highlights of the notification include:

- Minimum Capital Requirement: All RVOs must maintain a minimum paid-up share capital of ₹25 lakh.
- Corporate Structure: RVOs must be registered under Section 25 of the Companies Act, 1956 or Section 8 of the Companies Act, 2013.
- Sole Objective: Their sole objective must be regulating valuers for one or more asset classes.
- Transition Relief: Existing RVOs that do not currently meet the ₹25 lakh capital threshold have been granted a compliance extension until March 31, 2028.

Changes from Previous Provision

Before	After
RVOs needed only a Section 8 registration, sole regulatory objective, and compliant bye-laws — no minimum capital requirement.	Amendment adds a 4th condition — minimum paid-up share capital of ₹25 lakh — for RVO recognition, effective June 1, 2026, with existing RVOs given until March 31, 2028 to comply.

Companies Compliance Facilitation Scheme, 2026 (CCFS-2026)

The Companies Compliance Facilitation Scheme, 2026 (CCFS-2026) was a one-time MCA initiative allowing defaulting companies to regularize pending statutory filings (like AOC-4 and MGT-7) at just 10% of standard additional fees. It also enabled inactive companies to apply for dormant status (MSC-1) or voluntary strike-off (STK-2) at concessional rates.

Key Features of the Scheme:

- Validity Period : April 15, 2026, to July 15, 2026.
- Reduced Additional Fees: Companies with delayed annual filings paid only 10% of the total additional fees generally incurred on account of late filing.
- Voluntary Strike-Off: Companies with no business operations could apply for a name strike-off under section 248 (Form STK-2) with significantly reduced fees.

Changes from previous provision :

Before	After
Late filing of Annual Return/Financial Statements attracted a flat additional fee of ₹100/day with no upper limit — creating huge accumulated penalties for long-defaulting companies, with no relief route besides full payment or strike-off/dormancy at standard fees.	A one-time window (April 15 – July 15, 2026) lets companies clear pending filings by paying just 10% of the additional fee (90% waiver), go dormant at 50% of normal fee, or strike-off at 25% of normal fee — with automatic penalty immunity if filed before adjudication.

Director KYC – Major Structural Change

The Ministry of Corporate Affairs (MCA) fundamentally overhauled the Director KYC process. The annual filing requirement for Form DIR-3 KYC was replaced with a simplified compliance cycle, dramatically easing the administrative burden for all Director Identification Number (DIN) holders.

The Core Structural Changes:

- Triennial Filing Cycle: Directors holding a DIN are now required to file their KYC once every three consecutive financial years instead of annually.
- Extended Due Date: The regular triennial filing must be completed on or before June 30th of the relevant financial year in the three-year cycle.
- Exclusively Web-Based: The detailed e-form has been discontinued. The KYC process is now completed entirely via the streamlined DIR-3 KYC Web mode

Changes from previous provision :

Before	After
Every DIN holder had to file DIR-3 KYC annually (by Sept 30 each year) using either of two separate forms (e-form or Web) — even when no details had changed.	Filing frequency cut to once every 3 financial years (by June 30), using a single unified Form DIR-3 KYC Web; only a change inmobile/email/address triggers a filing within 30 days, without resetting the 3-year cycle.

DPT-3 Compliance:

What is DPT-3?

Form DPT-3 is an annual statutory return that companies file with the Registrar of Companies (RoC), under Rule 16 of the Companies (Acceptance of Deposits) Rules, 2014, read with Section 73 of the Companies Act, 2013.

It requires companies to report, as on March 31 each year:

- Deposits accepted from the public/members
- Loans or advances not treated as deposits but still exempted under the Rules — e.g., director loans, inter-corporate loans, bank loans, and certain other outstanding borrowings.

Applicability: All private, public, One Person, and Section 8 companies — except government companies, NBFCs, and NHB-registered housing finance companies.

Why it's important:

- Transparency: Gives regulators visibility into how companies fund themselves through borrowed money, not just equity.
- Depositor/creditor protection: Helps prevent companies from disguising deposits as loans to bypass deposit-acceptance rules.
- Compliance trigger: Non-filing attracts a steep additional fee (₹100/day, uncapped) and can affect a company's overall compliance standing

Changes from previous provision :

Before	After
Due date was June 30, 2026 for FY 2025-26.	Extended to July 31, 2026, without additional fees, via MCA General Circular No. 02/2026 (dated June 19, 2026) — triggered by a fire at the MCA Data Centre on June 5, 2026 that disrupted portal access during peak filing season.

FLA (Foreign Liabilities and Assets) return Due Date::

What is DPT-3?

The RBI FLA (Foreign Liabilities and Assets) return for FY 2025-26, covering outstanding foreign investments as of March 31, 2026, must be filed by July 15, 2026. This is a mandatory annual compliance for all Indian entities, including LLPs and companies, that have received FDI or made ODI.

Key 2025–26 Filing Details:

From FY 25-26

- Deadline: Submit by July 15, 2026.
- Audit Status: If audits are not finished by the deadline, file with provisional figures by July 15, and submit a revised, audited return by September 30, 2026.
- Applicability: Required even if no new transactions occurred during the year.
- Submission: Filed via the RBI's

RBI Regulatory Digest

June was an unusually active month on the regulatory front – from a unanimous hold on the repo rate to sweeping forex liberalisation for NRI deposits. Fresh master directions for payment systems, the Jan Vishwas Act amendments coming into force, a revamped digital fraud liability framework and new Kisan Credit Card directions all landed within the same four weeks. The key developments are summarised below.

1.Monetary Policy Committee – June 2026 Decision

From FY 25-26

The MPC met for its second bi-monthly review of FY 2026-27 and voted unanimously to hold the policy repo rate at 5.25%, with a neutral stance. The Standing Deposit Facility remains at 5.00%, the Marginal Standing Facility at 5.50% and the bank rate at 5.50%.

RBI Governor Sanjay Malhotra acknowledged a clouded environment – particularly the ongoing West Asia conflict, elevated crude prices and supply-chain disruptions – while striking an optimistic note on India's domestic resilience. He reiterated that exchange rate policy is unchanged and that the RBI does not target a specific rupee level or band.

Growth and inflation outlook

GDP growth projections for Q1 and Q2 of FY 2026-27 were revised to 6.9% and 7.0% respectively. A full-year forecast has been withheld pending a revised national GDP series. CPI inflation is projected at 4.0% for Q1 and 4.2% for Q2, close to the 4% target, giving the committee room to hold.

Market Analysis

With 125 basis points of cuts already delivered since February 2025, the prevailing view is that the RBI is in transmission mode, watching whether earlier rate cuts are feeding through to lending rates before any further action. The neutral stance keeps all options open.

2. Forex Measures – NRI Deposits & ECB Swap Facility

In a concerted push to attract foreign-currency inflows amid a weaker rupee and elevated crude prices, the RBI rolled out a multi-part package covering concessional swap windows, interest rate deregulation and CRR/SLR exemptions – all available through 30 September 2026.

FCNR(B) swap facility – announced 8 June 2026

A special USD-INR forex swap window has been opened for banks raising fresh FCNR(B) deposits with maturities of three to five years, removing the hedging risk that previously made such fund-raising expensive. A parallel swap facility applies to External Commercial Borrowings of PSUs (average maturity of three years or more) and Overseas Foreign Currency Borrowings raised by AD Category-I banks (minimum three-year maturity)

- The swap covers only the principal of deposits; interest accruals are excluded.
- Banks may offer differential interest rates and extend loans against FCNR(B) deposits with a lien.
- The swap facility for FCNR(B) is available in US dollars only, even though deposits themselves may be held in any freely convertible currency.
- Swaps already executed cannot be cancelled even if a depositor withdraws early.

RBI Interest rate cap removed – 17 June 2026

The RBI has temporarily lifted the interest rate ceiling on fresh FCNR(B) deposits (3 to 5 year tenor) and on NRE term deposits (3 years and above), effective through 30 September 2026. Banks have moved quickly on pricing – for instance, FCNR(B) rates at several banks have moved up by 100–300 basis points since the relaxation. Analysts estimate the combined measures could pull in USD 40–60 billion in foreign-currency inflows by September 2026.

CRR/SLR exemption on NRE and FCNR(B) deposits

Fresh NRE term deposits of 3 years and above (including renewals at maturity) raised between 19 June and 30 September 2026 are exempt from CRR and SLR maintenance for the life of the deposit. A parallel exemption applies to fresh FCNR(B) deposits with a minimum 3-year original tenor mobilised in the same window. Transfers from NRO to NRE accounts are not eligible for either exemption.

Daily reporting requirement – 19 June 2026

AD Category-I banks must report daily inflows of FCNR(B) deposits, ECBs and OFCBs raised under the swap facility by 6 PM each day (excluding Saturdays and holidays), even on nil-transaction days. Reporting began on 22 June 2026, covering all transactions since 8 June 2026.

3. Payment Systems – New Master Directions

The RBI has issued consolidated Master Directions on Authorisation to Operate a Payment System, bringing several existing circulars under a single regulatory document with immediate effect.

•Eligibility criteria and application process for Payment System Operators.

•Perpetual validity of Certificates of Authorisation – no mandatory renewal cycles.

•A voluntary surrender procedure requiring entities to first settle all liabilities and submit an auditor-certified confirmation.

•On-tap authorisation – applications may be made throughout the year.

•A one-year cooling-off period for entities whose authorisation is revoked, not renewed, rejected or voluntarily surrendered.

•Investment restrictions for entities connected to FATF non-compliant jurisdictions, and net worth computation norms for PSOs.

For fintechs, payment aggregators, card networks and payment gateways, the unified framework should simplify authorisation reviews and ongoing compliance monitoring

4.Compensation mechanism

•Covers individual customers and sole proprietors with losses up to Rs 50,000 due to fraudulent transactions involving customer negligence.

•The fraud must be reported to the bank and to the National Cyber Crime Reporting Portal (helpline 1930) within five calendar days.

•Compensation is 85% of net loss or Rs 25,000, whichever is lower, payable once per lifetime.

•The bank must pay within five calendar days of a completed application.

•The mechanism applies only to fraudulent transactions within one year of the directions coming into force.

5. Jan Vishwas (Amendment of Provisions) Act, 2026 – Notified

The Ministry of Finance has notified select provisions of the Jan Vishwas (Amendment of Provisions) Act, 2026 across the RBI Act, 1934, the LIC Act, 1956, the General Insurance Business (Nationalisation) Act, 1972, and the PFRDA Act, effective 23 June 2026. The framework decriminalises minor procedural violations and moves from a penalty-and-prosecution approach to a trust-based model for low-risk defaults. For RBI-regulated entities, certain violations under the RBI Act that previously carried criminal consequences are now reclassified or rationalised.

6. CRR & SLR – Third Amendment Directions

Up to FY 24-25 From FY 25-26

The RBI has issued Third Amendment Directions to the CRR and SLR frameworks covering Commercial Banks, Small Finance Banks, Urban Co-operative Banks, Rural Co-operative Banks and Regional Rural Banks. These align CRR/SLR definitions and reporting forms with the Banking Laws (Amendment) Act, 2025, including expanded references to development financial institutions and rationalised reporting terminology, following the First and Second Amendment Directions issued earlier in 2026.

7. Kisan Credit Card Scheme – New Consolidated Directions

The RBI has issued formal Master Directions on the KCC Scheme, replacing the earlier patchwork of circulars and draft directions, and consolidating guidelines on eligibility, credit limits, working capital assessment, allied activities financing, collateral norms, repayment structure and digital operations.

- A six-year composite credit limit structure aligned with realistic farming cycles
- Collateral-free credit up to prescribed limits, with voluntary gold pledges permitted within those limits.
- Expanded coverage for allied activities such as animal husbandry and fisheries
- Integration of digital payment systems for disbursement and repayment.
- Standardised working capital assessment methodology across institutions.
- Existing KCC loans continue under the previous guidelines until renewal.

8. Interest Rate on Deposits – Amendment Directions

Separate Interest Rate on Deposits Amendment Directions have been issued for Commercial Banks, Small Finance Banks, Local Area Banks, Regional Rural Banks, Urban Co-operative Banks and Rural Co-operative Banks, aligning deposit interest rate regulations with the Banking Laws (Amendment) Act, 2025 and the NRE/FCNR(B) deregulation measures announced earlier in the month.

9. Credit Derivatives – New Master Directions

The RBI Credit Derivatives Directions, 2026 provide a consolidated regulatory framework for credit default swaps and related instruments used by banks and other regulated entities, part of a broader effort to modernise the market regulation rulebook.

10. Financial Products Advertising – New Amendment Directions

Amendment Directions on the Advertising, Marketing and Sale of Financial Products and Services operationalise consumer protection commitments announced at the February 2026 MPC meeting, targeting mis-selling, misleading advertisements, unconsented product bundling and dark patterns in digital sales journeys.

11. FPI Access to Government Securities – Amended Framework

The RBI has liberalised norms for Foreign Portfolio Investors in government securities and raised investment limits for NRIs and OCIs in equity instruments, supporting continued foreign investor interest in India's debt markets as the country's weight in global bond indices grows.

12. Enforcement Actions – June 2026

- Pahal Financial Services Private Limited – penalised for regulatory non-compliance.
- Can Fin Homes Limited (housing finance company) – penalised for violations of RBI directions.

These are standard supervisory actions and, as the RBI typically clarifies, do not call into question the general health or day-to-day operations of the entities concerned.

13. On the Horizon – Drafts & Consultations Open

Up to FY 24-25 From FY 25-26

- Draft Master Direction on Call, Notice and Term Money Markets Directions, 2026.
- Draft Master Direction on Secondary Market Transactions in Government Securities Directions, 2026.
- Draft Amendment Directions on the Standardised Approach for Counterparty Credit Risk (SA-CCR).
- Ongoing consolidation review of circulars issued under FEMA, 1999.
- Harmonisation and consolidation of instructions on control/assurance functions.
- The RBI Governor also met representatives of export organisations in Mumbai on 25 June 2026, signalling continued engagement with the trade sector amid global trade uncertainty.

14. Summary Table

Date	Update	Category	Status
Jun 5	Repo rate held at 5.25%, neutral stance	Monetary Policy	Effective
Jun 8	FCNR(B) & ECB forex swap facility opened	Forex	Open till Sep 30
Jun 15	Master Directions – Payment System Authorisation	Payments	Immediate
Jun 17	NRE & FCNR(B) interest rate caps removed	Forex / NRI	Till Sep 30
Jun 19	KCC Directions for all bank types	Agriculture	Effective
Jun 19	CRR/SLR Third Amendment Directions	Prudential	Effective
Jun 19	Interest Rate on Deposits Amendments	Prudential	Effective

Date	Update	Category	Status
Jun 19	NRE deposits exempt from CRR/SLR	Forex / NRI	Till deposit maturity
Jun 19	Penalties on Pahal Financial & Can Fin Homes	Enforcement	Announced
Jun 23	Jan Vishwas Act amendments operative	Legislation	Effective
Jun 2026	Digital fraud liability revised framework	Consumer Protection	Effective Jan 1, 2027
Jun 2026	Credit Derivatives Master Directions	Market Regulation	Effective
Jun 2026	Financial Products Advertising Directions	Consumer Protection	Effective
Jun 19	Interest Rate on Deposits Amendments	Prudential	Effective

Key changes

Scope of ‘Key functionaries’ widened :

Under Rule 2(1) a new clause (ca) has been inserted to expand the scope of ‘Key functionary’ which now includes:

- the Director of a company;
- a partner in a firm;
- a trustee of a trust;
- the Karta of a Hindu undivided family; From FY 25-26
- an office bearer, member of the governing body, managing committee or other controlling authority of a society, trust, trade union or association of individuals; and
- any other officer or person, by whatever name called, who has control over, or responsibility for the management or affairs of such person;

Inclusion of “other controlling authority of a society” has vide ramifications. In a society it could include all voting members of the general body. In the case of a non-profit company licensed under section 8, it could include ‘shareholders’ or members considering they have voting powers as also ‘Key Managerial Personnel’ (KMP) like CEO, COO and CFO.

1. Foreign nationals disallowed as “key functionaries”

An association having foreign nationals, other than those of Indian origin (PIO or OCI), as its key functionaries shall ordinarily not be considered eligible for grant of registration or prior permission under the Act. However, the Central Government may, by order, specify such cases or circumstances in which foreign nationals may be permitted to be key functionaries of an association for the purposes of consideration of registration or prior permission, and the conditions to be fulfilled for such consideration.

2. Disclosure of purpose and geographic outreach

Every application for registration under FCRA shall mention:

- the purpose or purposes for which registration is sought, chosen only from such list of purposes as specified in the Schedule appended to the rules; and
- the States or Union territories in which the association proposes to undertake the activities.

Every association registered before the commencement of the Foreign Contribution (Regulation) Amendment Rules, 2026 shall, within one year of such commencement, submit to the Central Government an intimation in Form FC-6F specifying the purpose or purposes and the States or Union territories for which it seeks to retain its registration.

The purpose for registration could be Religious, Cultural, Economic, Education or Social. Under each of these five broad heads specific activities are listed in the Schedule which organizations must choose. Under Religious there as sixteen, under Cultural there are eighteen, under Economic there are nineteen, under Education there are twenty-two and under Social there are thirty.

3. Change in purpose or geographic outreach

An association registered under FCRA which intends to change its area of operation by including or deleting any purpose or any State or Union territory specified in its certificate of registration shall apply, in Form FC-6F, for such inclusion or deletion, along with:

(a) a resolution of the governing body approving such application;

(b) the prescribed fee.

The Central Government may, after such inquiry as it deems fit, approve or reject the application.

4. Fees to operate

There shall be a fee for registration to operate in one State or Union territory and to conduct activities for one purpose only. Where the application relates to more than one State or Union territory, an additional amount of rupees three hundred per State or Union territory shall be payable, and where the application relates to more than one purpose, an additional amount of rupees three hundred per purpose shall be payable.

5. Utilization of FC funds only in India and as per objects

Foreign contribution shall be utilized only for activities carried out in India in accordance with the association's stated objectives and for the purposes for which such contribution has been received.

6. New Form for receiving subsequent instalments

Organizations granted prior permission (to receive a specific sum of foreign contribution from one specific donor) shall make an application in a new Form FC-3BB for the second or any subsequent instalment and which shall be released only after utilization of seventy-five per cent of the foreign contribution received in the previous instalment and after field inquiry of such utilization.

7. Enhanced Disclosures (including Social Media Accounts)

In the online application for registration under FCRA, Social Media accounts of the association will also have to be disclosed.

Annual Return in Form FC-4 will also require more details including, website and social media handles, detailed activity report, UDIN on the Chartered Accountant's Certificate, details of all books, articles, blogs, and social posts published by the organization and all key functionaries during the year.

In case funds are received from an intermediary or aggregator (e.g. a 501C in the USA) name and other details of every donor contributing funds through such intermediary must be disclosed.

SEBI Board Meeting – Key Decisions, June 2026

At its meeting on 19 June 2026, SEBI approved reforms covering corporate buy-backs, alternative investment funds (AIFs), mutual fund liquidity management, and the securitisation market. The aim is to ease capital formation and simplify compliance while keeping investor protection intact.

1. Open Market Buy-backs via Stock Exchanges

SEBI amended the Buy-back of Securities Regulations, 2018 to allow open market buy-backs through stock exchanges, effective 1 August 2026, in addition to the existing tender offer and book-building routes.

•Buy-back must be completed within 66 working days, with at least 40% of the amount used in the first half

•Buy-back details must be shared electronically, in addition to newspaper advertisements

•Promoters and associates cannot participate; their holdings are frozen during the buy-back period

•Appointing a merchant banker is now optional; if not appointed, duties shift to the company, compliance officer, auditors and exchanges

2. GARUDA Framework for Faster AIF Launches

SEBI approved the GARUDA mechanism, amending the AIF Regulations, 2012 to shorten launch timelines for fund schemes.

•Regular AIF schemes can now launch within 10 working days of filing

•Accredited Investor-only schemes and Angel Funds no longer need a merchant banker to file the Private Placement Memorandum, and may launch immediately on registration or filing

Disclosure and investor protection norms remain unchanged

3. Intraday Borrowing for Mutual Funds

SEBI amended the Mutual Funds Regulations, 2026 to allow intraday borrowing to manage temporary liquidity mismatches during the trading day.

•Borrowed funds must usually be repaid before close of business the same day

•Any borrowing extending beyond the day must stay within existing borrowing limits

SEBI clarified this cannot be used as a source of leverage

4. Strengthening the Listed Securitisation Market

Amendments to the Securitised Debt Instruments and Security Receipts Regulations, 2008 align the listed securitisation framework with RBI's regime.

- RBI-regulated entities can now undertake single-asset securitisation, with enhanced risk disclosure
- Periodic disclosure and reporting duties shift to the servicer managing the underlying assets
- Trustee board governance is aligned with RBI norms, and SEBI can appoint a replacement trustee if needed

Conclusion

These reforms follow earlier public consultations and reflect SEBI's continued push for ease of doing business, without diluting investor safeguards. Market participants should watch for the formal notifications and operational circulars .

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