

Katalyst Kaleidoscope

April 2026: Tax and Regulatory Insights

SUMMARY OF CONTENTS

A. Income Tax Highlights	2
1. HC Delhi: Buy-back of shares not taxable under Section 56(2)(x) of the Income Tax Act, 1961. ...	2
2. ITAT Mumbai: ESOP discount allowable as revenue expenditure as prior year adjudication in assessee's own case followed in absence of change in facts or law	2
3. ITAT Kolkata: No Surcharge on Discretionary Trusts below Rs.50 Lakh	3
4. HC Bombay: Improper authority approval invalidates notice for reopening of assessment	4
B. Corporate Law Highlights	4
1. Companies Law: The Corporate Laws (Amendment) Bill, 2026- Key takeaways.....	4
2. MCA: Proposed Amendments - Companies (Incorporation) rules, 2026.....	7
3. MCA: Director's KYC compliance framework simplified	8
4. NCLT Mumbai: Capital reduction cannot be structured as a scheme of arrangement	8
C. SEBI and Other Highlights	9
1. SEBI: Consultation paper for public comments on re-introduction of open market buy-back of shares or other specified securities through stock exchange	9
2. The Jan Vishwas (Amendment of Provisions) Bill, 2026.....	10
D. Goods and Service Tax Highlights	11
1. AAR Odisha: GST is applicable on transfer of developed property as capital contribution to the LLP.	11
2. HC Bombay (Nagpur Bench): Clubbing multiple financial years in a single SCN is impermissible under the GST	12
3. HC Tripura: Purchasers cannot be penalised for Seller's GST default in bonafide transactions ..	12

Katalyst Kaleidoscope

April 2026: Tax and Regulatory Insights

A. Income Tax Highlights

1. HC Delhi: Buy-back of shares not taxable under Section 56(2)(x)¹ of the Income Tax Act, 1961.²

A share broking and clearing company, undertook a buy-back of equity shares during A.Y. 2018-19 at a price lower than the Fair Market Value ("FMV"); the AO applied Section 56(2)(x) and added the differential amount between the buy-back price and FMV to the assessee's income on the basis that the shares bought back constituted "property" acquired below FMV.

The matter went up to the Delhi High Court which upheld the decisions of the lower appellate authorities and held that a buy-back of shares conducted in accordance with Section 68 of the Companies Act, 2013 is fundamentally a capital reduction mechanism and not an acquisition of "property". The Court reasoned that Section 68(viii) of the Companies Act 2013 mandates extinguishment and physical destruction of the bought-back shares, meaning the underlying "property" ceases to exist upon buy-back, and a person cannot be taxed on deemed profit from property that has been extinguished. Accordingly, the premise underlying Section 56(2)(x), (i.e. the assessee acquired an asset at less than FMV), was held to have no legal basis in the context of a buy-back, rendering the provision wholly inapplicable.

Katalyst comment:

There is a provision in Section 50CA³ of the Income Tax Act in relation to transfer of shares of an unlisted company, which has a formula floor price, and if the transfer is for less than that formula price, there is a deemed capital gains for the transferor and a deemed gift in the hands of the transferee; this floor price provision is in the context of capital gains and the above judgment is in the context of buyback, which is not in the same framework of taxation. As such, the Delhi High Court has rightly held that the floor price does not apply to a buy back, albeit on a more technical reasoning.

2. ITAT Mumbai: ESOP discount allowable as revenue expenditure as prior year adjudication in assessee's own case followed in absence of change in facts or law⁴

Embassy Developments Ltd. (formerly Indiabulls Real Estate Ltd and which was subsequently changed to Equinox India Developments Limited), a real estate company, claimed a deduction of ESOP expenditure for A.Y. 2023-24, representing share appreciation right benefits granted to employees. The AO disallowed the claim on the ground that ESOP compensation is capital in nature, being expenditure incurred towards raising of share capital; he further held that the

¹ Section 56(2)(x) of the Income Tax Act, 1961 now Section 92(2)(m) of the Income Tax Act 2025

² PCIT vs. Globe Capital Market Ltd [ITA 364/2024] dated April 07, 2026

³ Section 50 of the Income Tax Act, 1961 now Section 79 of the Income Tax Act 2025

⁴ Embassy Developments Ltd [2026] 185 taxmann.com 70 (Mumbai - Trib.) dated March 30, 2026

Katalyst Kaleidoscope

April 2026: Tax and Regulatory Insights

Revenue had appealed the Tribunal's earlier decision to the High Court and the matter is pending for finality. The CIT(A) reversed the disallowance, and the Revenue appealed to the Tribunal.

The Tribunal dismissed the Revenue's appeal, following the decisions of the Coordinate Bench in the assessee's own case in ACIT v. Indiabulls Real Estate Ltd. and ACIT v. Indiabulls Real Estate Ltd., both of which had, in principle, held that the discount offered on shares under an ESOP scheme is allowable as a deduction under Section 37(1) of the Income Tax Act, 1961⁵. In the absence of any change in facts or law, the Tribunal found no infirmity in the CIT(A)'s findings, affirming that a pending High Court appeal by the Revenue against a prior Tribunal decision does not, by itself, justify departure from that decision at the Tribunal level.

Katalyst comment:

There have been several decisions in the context of ESOP and one of the earlier ones is that of Bangalore Tribunal decision in the case of Biocon⁶. Also, even from an accounting standpoint, Ind AS102 mandates that ESOP cost be charged to the profit and loss account; while accounting entries are not determinative of deductibility, this is one more indication and manifestation that ESOP "cost" is really an expense and it is heartening that the Bombay Tribunal has held in favour of the assessee in this context.

3. ITAT Kolkata: No Surcharge on Discretionary Trusts below Rs.50 Lakh⁷

A private discretionary trust assessed under Sections 164 or 167B of the Income Tax Act 1961⁸, was subjected to tax at the maximum marginal rate by the AO, who also levied surcharge at the highest applicable rate of 37% irrespective of the trust's actual income level. The trust's total income across all the assessment years was below Rs.50 lakh; AO proceeded on the basis that taxation at the "maximum marginal rate" under Section 2(29C) of the Income Tax Act, 1961⁹, automatically entails surcharge at the highest rate, without reference to the income thresholds prescribed under the Finance Act of the relevant year.

The Tribunal held that definition of "maximum marginal rate" does not independently prescribe the tax rate, but refers to rate specified in Finance Act for relevant A.Y., therefore, reference must be made to the First Schedule of Finance Act, which prescribes the slab rate and conditions under which surcharge becomes applicable. ITAT observes that, surcharge becomes applicable only when the total income exceeds Rs. 50 Lakh Since the trust's income fell below that threshold in all relevant years, the statutory condition for levy of surcharge was not satisfied.

⁵ Section 37(1) of the Income Tax Act, 1961 now Section 34 (1) of the Income Tax Act, 2025

⁶ Biocon Ltd. vs. Deputy Commissioner of Income-tax (LTU), Bangalore [2013] 35 taxmann.com 335 dated July 16, 2013

⁷ Chanda Bharech Beneficiary Trust [TS-341-ITAT-2026(Kol)] dated March 14, 2026

⁸ Sections 164 or 167B of the Income Tax Act 1961 now Sections 307 and 311 of the Income Tax Act 2025

⁹ Section 2(29C) of the Income Tax Act, 1961 now Section 2(70) of the Income Tax Act, 2025

Katalyst Kaleidoscope

April 2026: Tax and Regulatory Insights

4. HC Bombay: Improper authority approval invalidates notice for reopening of assessment¹⁰

For A.Y. 2016-17, the AO originally issued a reassessment notice under Section 148¹¹ of the Income Tax Act, 1961 on June 22, 2021 under the old reassessment regime, which was subsequently treated as a show-cause notice pursuant to the Supreme Court's directions in *Ashish Agarwal*¹². Following the assessee's response, the AO passed an order to issue a fresh notice under Section 148 on July 30, 2022. Since this order was passed more than three years after the end of A.Y. 2016-17, the extension under Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 "TOLA" shall not be applicable. Section 151(ii)¹³ mandated approval from the Principal Chief Commissioner or higher authority. However, the AO obtained approval only from the Principal Commissioner, an authority designated under Section 151(i), which applies only where three years have not yet elapsed.

The Bombay High Court, held that obtaining sanction from the correct specified authority under Section 151 is a jurisdictional precondition. Since approval was obtained from a lower-ranked authority than statutorily prescribed, the order and the consequential notice under Section 148, both dated July 30, 2022, were quashed as being bad in law, and the writ petition was allowed in favour of the assessee.

B. Corporate Law Highlights

1. Companies Law: The Corporate Laws (Amendment) Bill, 2026- Key takeaways¹⁴

The Corporate Laws (Amendment) Bill, 2026 ("Bill") was introduced in the Lok Sabha on March 18, 2026 and has been referred to a Joint Parliamentary Committee (JPC) for review. It will be reconsidered with revisions based on JPC recommendations and will take effect only upon notification by the Central Government.

The Bill proposes significant amendments to the Limited Liability Partnership Act, 2008 and the Companies Act, 2013. The amendments are broadly aimed at promoting ease of doing business, providing relief to smaller entities, streamlining regulatory practices, and recognising new corporate concepts.

¹⁰ Anil Gupta (P.) Family Trust [2026] 185 taxmann.com 239 (Bombay) dated March 23, 2026

¹¹ Section 148 of the Income Tax Act, 1961 now Section 280 of the Income Tax Act 2025

¹² Union of India v. Ashish Agarwal [2022] 138 taxmann.com 64 / 286 Taxman 183 / 444 ITR 1 (SC)

¹³ Section 151 of the Income Tax Act, 1961 now Section 284 of the Income Tax Act 2025

¹⁴ Ministry of Finance and Corporate Affairs (Bill No. 85 of 2026) March 18, 2026

Katalyst Kaleidoscope

April 2026: Tax and Regulatory Insights

Set out below are the key amendment proposals:

Particulars	Existing Provision	Proposed Amendment
General Compliance & Governance		
Small Company Threshold Section 2(85)	Paid-up capital ≤ Rs. 10 crore; turnover ≤ Rs. 100 crore in the preceding financial year.	Thresholds doubled: paid-up capital to Rs. 20 crore; turnover to Rs. 200 crore.
CSR Net Profit Trigger Section 135	CSR obligations triggered at net profit of Rs. 5 crore. Unspent CSR transferred to a designated bank account within 30 days.	Net profit threshold raised to Rs. 10 crore. Transfer period for unspent CSR extended from 30 to 90 days.
CSR Committee Section 135	CSR Committee required where annual CSR spend is up to Rs. 50 lakh.	Committee required only where annual CSR spend reaches Rs. 1 crore.
Board Meetings Section 173	OPCs, small companies, and dormant companies must hold at least one board meeting per half of the calendar year (minimum 90-day gap).	One board meeting per calendar year sufficient for OPCs, small companies, and dormant companies.
Virtual AGMs / EGMs Sections 96 & 100	Physical meetings are default, No statutory entitlement to convene meetings through electronic means. EGMs require 21-day notice.	Meetings may be held via video conferencing, subject to at least one physical AGM every three years. EGMs can be conducted entirely virtually; notice period reduced to 7 days.
RSUs & SARs New insertion	Statutory framework recognises only ESOPs and sweat equity.	Formal recognition of Restricted Stock Units (RSUs) and Stock Appreciation Rights (SARs) as employee compensation, subject to shareholder approval.
Directors & Board Governance		

Katalyst Kaleidoscope

April 2026: Tax and Regulatory Insights

Particulars	Existing Provision	Proposed Amendment
Director's Interest Disclosure Section 184	Annual disclosure (MBP-1) required at the first board meeting of every financial year.	MBP-1 required only upon a change in previously disclosed interests.
Director Disqualification Section 164	No restriction on professionals in audit or related roles joining a board immediately after cessation of engagement.	Disqualifies persons who served as auditor, secretarial auditor, cost auditor, registered valuer, or insolvency professional of the company or its holding, subsidiary, or associate during the preceding three financial years or the current year. Disqualification also triggered on non-filing of returns for two financial years.
Inter-Company Loans — LLPs Section 185	Restrictions on loans to directors apply only to partnership firms and companies.	Restrictions extended to LLPs in which any director or relative is a partner.
Decriminalisation & Civil Penalty Section 454C	Wide range of defaults under the Act carry criminal penalties, including imprisonment, exposing directors and officers to penal proceedings.	Specified Authority to consider settlement applications filed before a penalty order is passed. No appeal against such orders; settlement amounts credited to the Consolidated Fund of India.
M&A and Restructuring		
Fast-Track Merger Approval Threshold Section 233	Consent of members holding 90% of total shares and nine-tenths of creditors in value required.	Thresholds reduced to 75% of shares held by members present and voting, and 75% in value of creditors.
Buy-Back — Maximum Size Section 68	Maximum buy-back capped at 25% of aggregate paid-up share capital	Greater flexibility on maximum buy-back percentage for prescribed classes of companies, based on

Katalyst Kaleidoscope

April 2026: Tax and Regulatory Insights

Particulars	Existing Provision	Proposed Amendment
	and free reserves for all classes of companies.	aggregate paid-up capital and free reserves.
Buy-Back — Frequency Section 68	Minimum gap of one year required between two buy-back offers.	Two buy-back offers permitted per year (with a minimum six-month gap between closures) for certain classes of companies.
Merger Jurisdiction Sections 230–232	Parallel applications required before separate regional NCLT benches having jurisdiction over each party.	All applications to be filed before the NCLT bench having jurisdiction over the transferee/resulting company, eliminating duplicative proceedings.

2. MCA: Proposed Amendments - Companies (Incorporation) rules, 2026¹⁵

The Ministry of Corporate Affairs (“MCA”) has, vide public notice dated April 08, 2026, released a draft notification proposing amendments to the Companies (Incorporation) Rules, 2014, inviting stakeholder comments by May 09, 2026.

The key proposed amendments are summarised below:

- **Form Consolidation:**
11 Existing forms are proposed to be consolidated into two forms. Form "E-CHNG" for registered office and name changes and form "E-CON" for conversions and approvals.
- **Name Reservations and Registration Flexibility:**
Rule 8 on name availability is being redrafted in clearer language, with Rule 8A being substituted to address trademark objections more precisely and a new proviso to Rule 9A permitting withdrawal of reserved names before incorporation. Alongside, registrations for EPFO, ESIC, and bank accounts through AGILE-PRO-S are being made optional, affording newly incorporated companies flexibility to complete these at a later stage.
- **Registered Office Documentation and Shifting:**
Rule 25 is proposed to be substituted to broaden acceptable registered office documentation, including co-working spaces and SEZ premises, while making Registrar verification under Section 12(9) risk-based instead of mandatory. Additionally, rules on inter-

¹⁵ Ministry of Corporate Affairs-Policy-01/2/2025-CL-V-MCA-Part(2) dated April 08, 2026

Katalyst Kaleidoscope

April 2026: Tax and Regulatory Insights

state shifting of registered offices are to be updated to allow communication via speed post or e-mail and permit shifting in specified cases, including during pending inquiries (with Board undertakings) and IBC resolution scenarios.

3. MCA: Director's KYC compliance framework simplified¹⁶

The Ministry of Corporate Affairs has amended the DIR-3 KYC compliance framework with effect from March 31, 2026, consolidating the erstwhile Form DIR-3 KYC and DIR-3 KYC-Web into a single Form DIR-3 KYC Web. Under the revised framework, directors holding a DIN as on March 31 of a financial year are now required to file Form DIR-3 KYC Web once every third consecutive financial year on or before June 30, as against the earlier requirement of annual filing, thereby significantly reducing repetitive compliance burden.

Separately, any change in a director's mobile number, email ID, or residential address must be updated within 30 days through Form DIR-3 KYC Web along with the prescribed fee, ensuring that the MCA registry maintains accurate and current particulars at all times. The amendments apply equally to partners of Limited Liability Partnerships holding a DPIN, and collectively reflect the MCA's broader objective of rationalising periodic compliance obligations whilst preserving the integrity of the corporate identification framework.

4. NCLT Mumbai: Capital reduction cannot be structured as a scheme of arrangement¹⁷

The Petitioner, wholly owned by a single infrastructure trust, had accumulated significant losses in its early years of operation due to lower than expected traffic revenue. As the company's financial position improved, it sought to clean up its balance sheet by adjusting these accumulated losses against its securities premium account and general reserves and by reducing the face value of its equity and preference shares. To do so, it filed a proposed "Scheme of Arrangement" under Section 230 of the Companies Act, 2013 ("Act"), the provision governing compromises and arrangements between the company and its members read with Section 52, which governs permissible uses of the securities premium account. The company chose this route rather than Section 66 of the Act, which is the specific provision that mandates a separate Tribunal confirmed procedure for reduction of share capital.

The Tribunal dismissed the petition, holding that the proposed scheme was nothing more than a capital reduction exercise and could not qualify as a "compromise or arrangement" under Section 230, which requires give and take between parties and some modification or variation of shareholder rights. The Tribunal held that mere reduction of share capital cannot be carried out in the garb of Section 230 of the Act as Section 66 makes specific provision for reduction of share capital simpliciter without it being a part of a scheme of compromise or arrangement in terms of

¹⁶ MCA Notification No. G.S.R. 943(E) dated December 31, 2025

¹⁷ Bangalore Elevated Tollway Private Limited and its shareholders (CP (CAA) No. 126/MB/2025) dated April 10, 2026

Katalyst Kaleidoscope

April 2026: Tax and Regulatory Insights

Section 230-232 of the Act. It further held that while reduction of share capital can be incidental to a scheme of arrangement or compromise it cannot be its sole purpose.

Katalyst Comments:

The Petitioner relied upon certain judicial decisions and prior orders of co-ordinate Benches of the NCLT in the matters of BlueScope Steel India Pvt. Ltd.¹⁸, Hindustan Unilever Ltd.¹⁹ and Nestle India Ltd²⁰ and others in support of its position; however, the Tribunal distinguished each of these on the ground that the facts and issues involved therein were not at parity with the present case, However, it is unclear whether these decisions are truly distinguishable on principle or on their facts.

C. SEBI and Other Highlights

1. SEBI: Consultation paper for public comments on re-introduction of open market buy-back of shares or other specified securities through stock exchange²¹

Under the SEBI (Buy-Back of Securities) Regulations, 2018, (“Buy-Back Regulations”) a company may buy-back its shares either through a tender offer or from the open market through the book-building process or stock exchange. The open market route through stock exchanges was discontinued with effect from April 01, 2025, primarily on account of two concerns: (a) inequitable shareholder participation arising from the price-time order matching mechanism whereby only a few shareholders could successfully participate, and (b) tax arbitrage whereby only successful participants received tax exemption while others were denied the benefit despite identical economic positions. With the Finance Act, 2026 which shifts the buy-back taxation to the capital gains in the hands of all shareholders and an additional tax on promoters to neutralise dividend versus buy-back arbitrage, the primary basis for discontinuation stands addressed.

SEBI proposes to re-introduce the open market buy-back through stock exchanges as an additional method under Regulation 4(iv) of Buy-Back Regulations, to be executed through a separate dedicated window where all public shareholders have equal opportunity to participate under uniform market conditions. The existing regulatory framework under the Buy-Back Regulations including restrictions on purchases from promoters, volume caps, bid timing restrictions, price range limits, escrow account requirements, and mandatory public disclosures which will continue to apply.

Industry associations including FICCI and the Association of Investment Bankers of India have strongly supported re-introduction, citing the route's international prevalence and providing an

¹⁸ CP(CAA)/164/MB/2023 in CA (CAA)/282/MB/2022 dated October 20, 2023

¹⁹ TCSP No.151 of 2017 dated August 30, 2018

²⁰ CP(CAA)/90(ND)/2022 in CA(CAA)/30(ND)/2022 dated September 15, 2023

²¹ SEBI consultation paper dated April 02, 2026

Katalyst Kaleidoscope

April 2026: Tax and Regulatory Insights

option to deploy surplus cash and extinguish shares purchased at a lower market valuation boosting earnings per share and long term value creation.

Katalyst Comment:

- (i) *Whilst the tax reform addresses the earlier inequity among shareholders, the structural concern of participatory inequity inherent in price-time matching survives intact, and the absence of an insider trading safe harbour, remains a significant gap given the company's informational advantage during a buy-back programme.*
- (ii) *The passive shareholding accretion risk where share extinguishments mechanically increase promoter percentage without affirmative acquisition could operate as a de facto creeping acquisition tool.*

2. The Jan Vishwas (Amendment of Provisions) Bill, 2026²²

The Jan Vishwas (Amendment of Provisions) Bill, 2026 ("Bill"), passed by both Houses of Parliament, amends 784 provisions across 79 Central Acts administered by 23 Ministries. rationalising over 1,000 offences with the overarching objective of fostering trust-based governance and reducing compliance burden on individuals and businesses.

➤ **Rationalisation of Fines and Penalties:**

The Bill revises the monetary value of fines and penalties across several Acts whereby the prescribed fine or penalty will increase by 10% of the minimum amount, after the expiry of every three years from the date of commencement of this Act, unless the relevant Act already prescribes its own revision methodology.

➤ **Decriminalisation of Minor Offences:**

The Bill decriminalises several offences by replacing them with civil penalties. In certain cases, it also removes imprisonment provisions for such offences.

➤ **Graduated Enforcement:**

The Bill amends some Acts to provide for advisories on first offence, a warning for the second, and a civil penalty for any subsequent default.

The Bill to boost "Ease of Doing Business" and "Ease of Living" by replacing imprisonment with civil penalties, appointing adjudicating officers, it also ensures speedy disposal of cases by reducing litigation burden with decriminalisation.

Katalyst Comment:

While the Income Tax Act, Companies Act, and SEBI framework are yet to be taken up, the Bill signals a meaningful shift towards trust-based governance and appears a promising first step

²² Jan Vishwas (Amendment of Provisions) Bill, 2026 – Passed by Rajya Sabha on April 02, 2026.

Katalyst Kaleidoscope

April 2026: Tax and Regulatory Insights

towards what one hopes will be a broader decriminalisation exercise extending to more commercially significant legislations.

D. Goods and Service Tax Highlights

1. AAR Odisha: GST is applicable on transfer of developed property as capital contribution to the LLP.²³

The applicant, a Private Limited company, had developed a hotel-cum-commercial project on leased land (allotted by Odisha Industrial Infrastructure Development Corporation – “IDCO”). Upon completion of construction, the applicant proposed to form a Limited Liability Partnership (LLP) with another entity to manage and operate the hotel portion of the project in the ratio of 56:44. Prior to formation of the LLP, ownership of the entire project remained with the applicant. Upon formation of the LLP, the applicant shall contribute the Hotel Project portion as capital contribution in consideration of economic benefit such as partnership interest, profit-sharing rights and commercial benefits in the LLP, with prior written consent of IDCO.

The core issue was whether transferring the developed leasehold land and the constructed hotel project as a capital contribution to the LLP would attract GST.

The ruling by Odisha AAR:

- a. **Substance Over Form:** The project was conceived from the start to be managed via an LLP. Therefore, the transfer is not a passive internal restructuring but a deliberate commercial act to exploit the immovable property.
- b. **Leasehold Rights as Service:** The transfer of leasehold rights is generally treated as a supply of service (referencing Schedule II). Since the building was "constructed" and the transfer happened before any "sale" in the traditional sense, it does not fall under the "sale of land" exemption in Schedule III.
- c. **Not a 'Going Concern':** Because only a portion of the project (the hotel) was transferred while the applicant likely retained other commercial interests, it typically fails the test of an "as-is" transfer of a whole business unit (which might otherwise be exempt).
- d. **Taxability:** The contribution of the Hotel Project to the LLP is a taxable supply and GST is applicable, as it represents a transfer of valuable business rights to a distinct legal person (the LLP) in the course of business.

²³ In the matter of Aryaprde Hotel And Convention Private Limited [TS-222-AAR(OD)-2026-GST] dated April 08, 2026

Katalyst Kaleidoscope

April 2026: Tax and Regulatory Insights

Katalyst comment:

Capital contribution by partners to an LLP is generally not liable to GST when it is in the form of cash, as it is considered a capital receipt. Although the ruling provides that the "economic substance" of the deal moving a business asset to a new entity for profit-sharing triggers a tax event at the point of transfer, it is pertinent to note that the ruling has limited legal "reach" as the AAR is applicable to the applicant and the jurisdictional officer; and is very fact specific.

2. HC Bombay (Nagpur Bench): Clubbing multiple financial years in a single SCN is impermissible under the GST²⁴

Bombay HC (Nagpur Bench) quashes a composite SCN issued under Section 74 covering July 2017–March 2024, holding that clubbing multiple financial years in a single notice is impermissible under the GST framework. The HC follows its earlier rulings in Milroc Good Earth Developers²⁵ and Rite Water Solutions (India) Ltd ²⁶, and declines to adopt the contrary view of Delhi HC in Mathur Polymers²⁷.

The HC clarifies that under the GST framework, each financial year is treated as a separate tax period for the purpose of assessment and recover and aggregating different years with different due dates and limitation periods into one notice collapses the statutory timeline. Further, this makes it difficult for the taxpayer to respond effectively on a year-by-year basis and violates the explicit structure of the Act. The HC rejects Revenue's reliance on Mathur Polymers and its contention of proposed challenge and accordingly, sets aside the impugned SCN.

3. HC Tripura: Purchasers cannot be penalised for Seller's GST default in bonafide transactions²⁸

The Assessee, a partnership firm engaged in manufacture of rubber products, had purchased raw materials for use in manufacturing finished goods and claimed ITC on such purchases under the bona fide belief that the seller had deposited the tax collected. Later, the Revenue issued an SCN and subsequently directed the Assessee to pay approximately Rs. 22 lakhs on the ground of unauthorized ITC claim.

²⁴ Jagruteshwar Metals Pvt. Ltd. Vs Union of India & Ors. [TS-227-HC(BOM)-2026-GST] dated April 09, 2026

²⁵ M/s. Milroc Good Earth Developers Vs. Union of India & Ors. on October 09, 2025 (Writ Petition No. 2203/2025).

²⁶ Rite Water Solutions (India) Ltd. Vs. Joint Commissioner, CGST & Central Excise, Nagpur (Writ Petition No. 466/2025) on November 28, 2025

²⁷ M/s Mathur Polymers Vs. Union of India & Ors. [W.P.(C) 2394/2025 decided on August 26, 2025

²⁸ Malaya Rub-Tech Industries vs The Union of India & Ors. [TS-173-HC(TRI)-2026-GST] dated March 18, 2026

Katalyst Kaleidoscope

April 2026: Tax and Regulatory Insights

In this regard, the Tripura HC has held that a bona fide purchaser cannot be denied ITC under Section 16(2)(c) of the CGST Act for the seller's failure to deposit GST. The Court borrowed the principle of "reading down" as applied in Sahil Enterprises²⁹, whereby Section 16(2)(c) was upheld as constitutionally valid but restricted its application only to cases involving non-genuine, collusive or fraudulent transactions. The HC observes that the impugned SCN and order contain no finding that the transaction was non-bona fide or fraudulent and hence, HC sets aside the order and directs Revenue to allow ITC to the Assessee.

²⁹ Sahil Enterprises v. Union of India & Ors. [TS-02-HC(TRI)-2026-GST] dated January 07, 2026