

**N. D. KAPUR & CO.
CHARTERED ACCOUNTANTS**

Monthly Updates

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(I) CORPORATE LAW

MCA ISSUES COMPANIES COMPLIANCE FACILITATION SCHEME, 2026

The Ministry of Corporate Affairs (“MCA”), through circular dated 24.02.2026, introduced the Companies Compliance Facilitation Scheme, 2026 (“Scheme”). The Scheme will be in force from 15.04.2026 to 15.07.2026 (“Scheme Enforcement Period”).

The Scheme provides a one-time opportunity for companies to regularise delays in filing annual returns and financial statements by paying substantially reduced additional fees, or alternatively to opt for dormant status or strike-off at concessional rates.

During the Scheme Enforcement Period, eligible companies may file pending annual return and financial statement forms by paying normal filing fees along with only 10% of the additional fees as prescribed under the Companies (Registration Offices and Fee) Rules, 2014 (“Registration Offices and Fee Rules”).

In addition, inactive companies may apply for dormant status under Section 455 of the Companies Act, 2013 (“Companies Act”) by filing e-Form MSC-1 and paying half of the normal filing fees applicable in this regard under the Registration Offices and Fee Rules. Alternatively, companies may apply for strike-off by filing e-Form STK2 and paying only 25% of the prescribed filing fees under the applicable Registration Offices and Fee Rules.

The Scheme applies to specified annual compliance forms under the Companies Act, which include e-forms MGT-7, MGT-7A, AOC-4, AOC-4 CFS, AOC-4 NBFC (Ind AS), AOC-4 CFS NBFC (Ind AS), AOC-4 (XBRL), ADT-1, FC3, FC-4, and certain forms under the Companies Act, 1956, including e-forms Form 20B, Form 21A, Form 23AC, Form 23ACA, Form 23AC-XBRL, Form 23ACA-XBRL, Form 66 and Form 23B. However, it does not apply to companies against which final strike-off action has already been initiated under Section 248 of the Companies Act, companies that have already applied for strike-off, companies that obtained dormant status prior to inception of the Scheme, companies dissolved pursuant to amalgamation, or vanishing companies.

With respect to immunity, in cases involving default under Sections 92 and 137 of the Companies Act, no penalty shall be levied if the filings are made under the Scheme prior to issuance of notice by the adjudicating officer or within thirty days of such notice. Where adjudication orders imposing penalties have already been passed, the liability to pay such penalties remains unaffected. For certain other specified forms (i.e. ADT-1, FC-3, FC-4, Form 20B, Form 21A, Form 23AC, Form 23ACA, Form 23AC-XBRL, Form 23ACA-XBRL, Form 66 and Form 23B), immunity against prospective penal action is available provided no prosecution or adjudication proceedings had been initiated prior to filing under the Scheme.

Upon conclusion of the Scheme Enforcement Period, the Registrars of Companies are expected to initiate appropriate action against companies that continue to remain in default.

(II) INDIRECT TAXATION

CBIC EXTENDS DEFERRED PAYMENT OF CUSTOMS DUTY FACILITY TO ELIGIBLE MANUFACTURER IMPORTERS (EMIS)

Central Board of Indirect Taxes & Customs (CBIC), Department of Revenue, Ministry of Finance, Government of India, vide Circular No. 08/2026-Customs dated 28 February 2026 (F. No. 450/81/2016-Cus IV), has extended the facility of deferred payment of customs import duty to Eligible Manufacturer Importers (EMIs), pursuant to Notification No. 12/2026-Customs (N.T.) dated 01 February 2026.

The facility will be available to eligible EMIs with effect from 01.04.2026 and will remain available till 31.03.2028, governed by the Deferred Payment of Import Duty Rules, 2016 (as amended).

The circular sets out detailed eligibility conditions (including importer/manufacturer or eligible job-work model, minimum EXIM filings, GST registration and compliance, turnover threshold of Rs. 5 crore, solvency requirements supported by a CA certificate, and absence of prosecution/conviction or prior rejection/suspension on grounds of false/forged documents) and prescribes the application process through the AEO India portal from 01.03.2026, with system enablement by the Directorate of International Customs (DIC), CBIC.

It further provides for ICEGATE-based authentication by a designated nodal person and specifies the deferred payment due dates under Rule 4 of the said Rules, along with monitoring and suspension/revocation mechanisms in case of ineligibility or non-compliance.

CUSTOMS BAGGAGE (DECLARATION AND PROCESSING) REGULATIONS, 2026

The Ministry of Finance, Department of Revenue, CBIC, vide Notification No. 15/2026-Customs (N.T.) dated 01.02.2026, has notified the Customs Baggage (Declaration and Processing) Regulations, 2026.

The regulations, which came into force on 02.02.2026, supersede the Passenger's Baggage (Levy of Fees) Regulations, 1966, the Baggage (Transit to Customs Stations) Regulations, 1967, and the Customs Baggage Declaration Regulations, 2013.

The new regulations prescribe a digital framework for declaration and processing of passenger baggage, requiring passengers carrying dutiable or prohibited goods to file electronic declarations through the ICEGATE portal or the 'Atithi' application.

It also provides procedures for declaration of accompanied and unaccompanied baggage, temporary export or re-import of personal effects, verification and clearance of baggage through green/red channels, transit of unaccompanied baggage to other customs stations, detention and disposal of baggage, record retention, and penalties for non-compliance.

The regulations also introduce standardized declaration forms and certificates (CBD-I to CBD-V) for baggage declaration, export certificates, temporary import certificates, and detention receipts.

GOVERNMENT NOTIFIES BAGGAGE RULES, 2026 REPLACING BAGGAGE RULES, 2016

The Ministry of Finance, Department of Revenue, CBIC, vide Notification No. 14/2026–Customs (N.T.) dated 01.02.2026, has notified the Baggage Rules, 2026, superseding the Baggage Rules, 2016.

The rules came into force on 2 February 2026 and provide a revised framework governing the duty-free allowance and import of goods by passengers arriving in India. Under the new rules, passengers are permitted duty-free clearance of used personal effects and travel souvenirs, while a general free allowance of Rs. 75,000 is available to residents, tourists of Indian origin and certain foreigners arriving in India other than by land (Rs. 25,000 for foreign tourists), subject to specified exclusions.

The rules also provide special duty-free allowances for jewellery, provisions relating to temporary import and re-import of personal effects, and additional concessions for passengers transferring residence to India, including duty-free import of specified household articles up to prescribed value limits.

The framework further regulates unaccompanied baggage, currency import/export in line with FEMA regulations, and import of pets, and specifies certain restricted items such as firearms, excess tobacco products, liquor beyond prescribed limits, precious metals other than ornaments, and televisions. The rules also clarify allowances for crew members of foreign-going conveyances and establish conditions and relaxations relating to the duration of stay abroad or in India for availing transfer-of-residence concessions.

UPDATE ON ITC UTILISATION FLEXIBILITY FOR IGST LIABILITY IN GSTR-3B

The GSTN has issued an update on 19th February 2026 regarding the advisory on interest collection and related enhancements in GSTR-3B. In continuation of the advisory issued on 30th January 2026, the GST portal will now allow taxpayers to utilise CGST or SGST ITC for the payment of IGST liability in any order, once the IGST credit has been fully exhausted. This functionality will be available from the February 2026 tax period onwards and is aimed at providing greater flexibility in the utilisation of ITC while filing GSTR-3B returns.

GSTN INTRODUCES ONLINE FACILITY FOR WITHDRAWAL FROM RULE 14A ON GST PORTAL

The GSTN has introduced a new online facility on the GST Portal enabling eligible taxpayers to apply for withdrawal from the option availed under Rule 14A of the CGST Rules, 2017. Active taxpayers who are currently registered under this rule may apply for opting out by filing Form GST REG-32 on the GST portal.

The application can be accessed after login by navigating to Services → Registration → Application for Withdrawal from Rule 14A. This option will be visible only where the taxpayer is registered under Rule 14A and the registration status is active. In the application, the field “Option for registration under Rule 14A” will appear as “No” by default and the taxpayer is required to provide the reason for withdrawal before proceeding with the submission of the application.

Further, the application requires completion of Aadhaar authentication for the Primary Authorised Signatory (mandatory) and at least one Promoter or Partner, wherever applicable. Based on system-driven data analysis, the authentication process may be completed either through OTP-based Aadhaar authentication or Biometric Aadhaar authentication. The Application Reference Number (ARN) will be generated only after the successful completion of the Aadhaar authentication process. Additionally, the portal prescribes certain timelines for the application process, wherein the draft application must be submitted within 15 days from the date of its creation, and the Aadhaar or biometric authentication must also be completed within 15 days from the date of submission, failing which the ARN will not be generated.

Certain pre-conditions have also been prescribed for filing Form GST REG-32. The registered person will not be permitted to submit the application unless the required returns have been furnished. Specifically, if the application is filed before 1st April 2026, the taxpayer must have furnished returns for a minimum period of three months, whereas if the application is filed on or after 1 April 2026, returns for at least one tax period must have been furnished. In addition, all returns due from the effective date of registration up to the date of filing the application must be filed before submitting the request for withdrawal.

Further, once Form GST REG-32 is submitted and remains pending for processing, the taxpayer will not be permitted to undertake certain actions on the GST portal, including core amendments, non-core amendments, or self-cancellation of registration. Upon approval of the request by the proper officer, an order permitting withdrawal will be issued in Form GST REG-33. After such approval, the taxpayer will be able to furnish details of output tax liability on supplies made to registered persons exceeding ₹2.5 lakh, effective from the first day of the succeeding month in which the order allowing withdrawal is issued.

(III) DIRECT TAXATION

CBDT INVITES STAKEHOLDER INPUTS ON PROPOSED INCOME-TAX RULES AND FORMS UNDER THE INCOME-TAX ACT, 2025

The Central Board of Direct Taxes (CBDT), under the Ministry of Finance, issued a press release dated 8 February 2026 inviting stakeholder comments on the proposed Income-tax Rules and Forms aligned with the Income-tax Act, 2025, which is scheduled to come into force on 1 April 2026.

The CBDT has sought suggestions across four key areas, namely simplification of language, reduction of litigation, reduction of compliance burden, and identification of redundant or obsolete provisions.

To facilitate stakeholder participation, an online utility has been made available on the income-tax e-filing portal (live from 04.02.2026) through which suggestions can be submitted after OTP-based verification using the submitter's name and mobile number. Stakeholders are required to specifically identify the rule, sub-rule, or form number to which their suggestions relate while submitting feedback.

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