

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

Monthly Updates

MARCH 2026

S. No.	Particulars	Page number
(I)	CORPORATE LAW	1-2
(II)	INDIRECT TAXATION	3-6
(III)	DIRECT TAXATION	7-10

(I) CORPORATE LAW

MCA ISSUES ADVISORY FOR STAKEHOLDERS FOR NAME RESERVATION AND INCORPORATION OF COMPANY AND LLP

MCA has issued an Advisory for Stakeholders for Name Reservation and Incorporation of Company and LLP on 12.03.2026 (“**Advisory**”), providing guidance on common issues observed in applications relating to name reservation, incorporation and change of name of companies and limited liability partnerships (“**LLP**”). The Advisory highlights considerations to be taken into account while filing applications with the Central Registration Centre (“**CRC**”).

The key clarifications include:

- (a) **Distinctive names:** Proposed names must be unique and should not closely resemble existing or well known names. NOCs from existing entities will not be considered where the proposed name is identical or closely similar.
- (b) **Restricted names:** Certain previously used names cannot be adopted for specified periods, including names of companies dissolved through liquidation (2 years), struck-off companies (20 years), struck-off or liquidated LLPs (up to 5 years), and the previous name of a company that has changed its name (3 years).
- (c) **Use of regulated words or expressions:** Certain words may be used in a proposed name only with prior approval or supporting documentation. For instance, words such as “Bank”, “Insurance”, or professional designations (e.g., “Chartered Accountant”, “Company Secretary”, “Cost Accountant”, “Architect”) require approval or NOC from the relevant regulator or professional institute. References to foreign countries or cities require documentary evidence demonstrating collaboration or association with entities from such jurisdiction. The words “Nidhi Limited” may be used only where the company has been declared a Nidhi under the Companies Act, 2013, and names implying association with the Central or State Government or statutory authorities are not permitted unless such connection exists.

Additional compliance checks: Applicants should verify trademark conflicts, ensure proper registered office documentation, maintain consistency in incorporation forms and constitutional documents, and obtain regulatory approvals where activities fall within regulated sectors.

MCA RE-ISSUES ADVISORY FOR STAKEHOLDERS FOR NAME RESERVATION AND INCORPORATION OF COMPANY AND LLP

MCA has re-issued an Advisory for stakeholders for Name Reservation and Incorporation of Company and LLP on 25.03.2026 (“**Advisory**”) adding further clarifications to the existing advisory issued on 12.03.2026 focusing on recurring errors in applications relating to name reservation, incorporation and change of name of companies and LLP. Some of the key clarifications include:

- (i) Where a proposed name includes references to foreign countries such as “French,” “British,” or “German,” such usage will only be permitted upon submission of documentary proof establishing a genuine collaboration or connection with entities or individuals from that jurisdiction, in line with Rule 18(2)(xv) of the LLP Rules, 2009 or as per Rule 8A(1)(t) of the Companies (Incorporation) Rules, 2014 (as applicable).
- (ii) Accurate filling of all relevant industrial classification details, including Type, Class, Category, Sub-Category, and Main NIC is required. and also requests for withdrawal or reuse of an already approved name for a different entity structure are expressly disallowed.
- (iii) Only registered “Word Mark” trademarks will be considered for the purpose of name approval under Rule 8A(1)(b) of the Companies (Incorporation) Rules, 2014. Device marks, label marks, or other forms of trademarks are excluded from this consideration. Consequently, a No Objection Certificate (NOC) is required only where the proposed name includes a registered word mark, and not where the trademark is merely a device or logo.
- (iv) Where the proposed name or objects of a company or LLP include regulated terms such as “Banking” or “Insurance,” applicants must submit a declaration confirming compliance with the requirements prescribed by the relevant regulators, namely the RBI and the Insurance Regulatory and Development Authority of India.

MCA NOTIFIES AMENDMENT TO ACCOUNTING STANDARD (AS) 22: INTRODUCTION OF PILLAR TWO TAX FRAMEWORK

The MCA, vide notification dated 10.03.2026, has notified the Companies (Accounting Standards) Amendment Rules, 2026, amending the Companies (Accounting Standards) Rules, 2021. The amendment comes into force from the date of its publication in the Official Gazette and introduces amendments to Accounting Standard (AS) 22 to incorporate the global minimum tax framework under the OECD Pillar Two model rules.

The amendment inserts a new paragraph 2A to expressly include taxes arising from Pillar Two legislation within the scope of AS 22, while carving out a specific exception that enterprises are not required to recognise or disclose deferred tax assets and liabilities in relation to such Pillar Two income taxes. In addition, new disclosure requirements have been introduced through paragraphs 32A to 32D, mandating enterprises to disclose the application of this exception, separately present current tax expenses relating to Pillar Two taxes, and, where such legislation has been enacted but is not yet effective, provide qualitative and quantitative disclosures regarding potential exposure, including indicative impacts on profits and effective tax rates. Small and medium-sized companies have been exempted from detailed disclosure requirements under paragraphs 32C and 32D.

The amendment further provides that the exception relating to deferred tax recognition shall apply immediately and retrospectively, while disclosure requirements relating to current tax and exposure shall apply for annual reporting periods beginning on or after April 1, 2025, with no requirement for interim disclosures up to March 31, 2026.

(II) INDIRECT TAXATION

CBIC NOTIFIES CGST (SECOND AMENDMENT) RULES, 2025; CLARIFIES SCOPE OF RELIEF UNDER SECTION 128A AND RESTRICTS REFUND CLAIMS

The Central Board of Indirect Taxes and Customs, vide Notification No. 11/2025 dated 27.03.2026, has notified the Central Goods and Services Tax (Second Amendment) Rules, 2025, introducing key clarifications under Rule 164 in relation to cases covered under Section 128A of the Central Goods and Services Tax Act, 2017.

The amendments seek to provide procedural certainty and ensure finality in matters involving waiver or settlement of tax demands under Section 128A.

- (i) **Firstly, amendment to Rule 164(4):** The rule has been revised to expressly link the requirement of payment of tax to the “specified period” contemplated under Section 128A. This aligns the procedural framework with the statutory scheme governing relief for identified periods.

Further, an explanation has been inserted to clarify that no refund shall be available in respect of any tax, interest, or penalty already discharged for periods prior to the commencement of the amended rules. This clarification is particularly relevant in cases where a notice, statement, or order under Section 128A(1) includes demands spanning both eligible and non-eligible periods. The intent is to prevent reopening of settled liabilities and to ensure finality of payments made for earlier periods.

- (ii) **Secondly, procedural relaxation under Rule 164(7):** An additional proviso has been introduced to address situations where appeals involve composite demands covering both the specified period (eligible under Section 128A) and other periods. Taxpayers are no longer required to withdraw the entire appeal. Instead, they may intimate the appellate authority or Appellate Tribunal of their intention not to pursue the appeal for the specified period alone. Upon such intimation, the appeal shall be deemed withdrawn only to that limited extent, while proceedings shall continue for the remaining periods on merits.

MINISTRY OF FINANCE NOTIFIES GST SETTLEMENT OF FUNDS RULES, 2026; INTRODUCES STRUCTURED MECHANISM FOR INTER-GOVERNMENTAL REVENUE APPORTIONMENT

The Ministry of Finance, Government of India, vide Notification dated 30.03.2026, has notified the Goods and Services Tax Settlement of Funds Rules, 2026, establishing a comprehensive framework for settlement and apportionment of GST revenues between the Centre and the States.

The rules have been issued under the Central Goods and Services Tax Act, 2017 and the Integrated Goods and Services Tax Act, 2017, pursuant to recommendations of the GST Council, and shall be deemed to have come into force with effect from 1 April 2025.

The framework introduces a structured and technology-driven mechanism to address complexities arising from cross-utilisation of input tax credit (ITC) and apportionment of IGST across jurisdictions, with the objective of ensuring accuracy, transparency, and timely settlement of funds.

A key feature of the rules is the introduction of standardised reporting formats (GST STL Forms), including GST STL-1.01 to 1.12 and GST STL-2 series, which capture various transactional scenarios such as ITC cross-utilisation, IGST apportionment, refunds, reversals, and adjustments. These reports are to be generated electronically via the GST portal and shared with relevant authorities on a monthly basis, typically by the 25th of the succeeding month.

The rules also provide detailed mechanisms for reporting and reconciliation in specific scenarios, including:

- cross-utilisation of ITC between IGST and CGST/SGST/UTGST;
- apportionment of IGST on inter-state supplies, imports, and exports;
- adjustments arising from refunds, reversals, appellate orders, and demand recoveries; and
- cases involving indeterminate place of supply or taxpayer identification.

Further, the rules establish a multi-tier reconciliation and settlement framework, involving the Goods and Services Tax Network, Central and State accounting authorities, the Principal Chief Controller of Accounts (CBIC), and State Tax Nodal Authorities. Discrepancies identified in reporting are required to be resolved within prescribed timelines, following which provisional and final settlement orders are issued.

The actual transfer of funds between the Consolidated Fund of India and respective State Consolidated Funds is effected through the Reserve Bank of India, based on approved settlement advice.

GSTN ISSUES ADVISORY ON PAYMENT OF PRE-DEPOSIT FOR APPEALS BEFORE FIRST APPELLATE AUTHORITY

The Goods and Services Tax Network, vide advisory dated **14.03.2026**, has issued guidance regarding the payment of **mandatory pre-deposit amounts while filing appeals before the First Appellate Authority under the GST framework**.

The advisory addresses practical issues faced by taxpayers where payments made voluntarily during the investigation stage through **Form GST DRC-03** are not automatically recognized by the GST portal while calculating the pre-deposit required at the time of filing an appeal against a demand order (such as **Form GST DRC-07**).

As per the advisory, once a demand order is issued, a **Demand ID** is generated in **Part II of the Electronic Liability Register** on the GST portal. Payments made through the **“Payment towards Demand”** functionality are automatically adjusted against the respective Demand ID. However, payments

made through **Form GST DRC-03** are not automatically linked to any specific Demand ID and therefore are not reflected as adjusted against the demand in the liability register.

While filing an appeal, the GST system automatically computes the **amount required to be paid (Admitted Amount + Pre-deposit)** and verifies whether any amount has already been paid against the relevant Demand ID. If the amount already paid is equal to or greater than the required amount, the system allows the appeal to be filed without requiring additional payment. If the amount paid is lower than the required amount, the portal mandates payment of the balance amount before filing the appeal.

To address this issue, the advisory clarifies that payments made through **Form GST DRC-03** must be linked to the respective Demand ID by filing **Form GST DRC-03A** on the GST portal. Filing this form enables the earlier payment to be mapped to the demand order and reflected in the **Electronic Liability Register**, thereby allowing the system to consider the payment while calculating the mandatory pre-deposit at the time of filing the appeal.

Accordingly, taxpayers are advised to file **Form GST DRC-03A** to link payments made through **Form GST DRC-03** with the relevant demand order prior to filing an appeal, wherever applicable.

GSTN ISSUES ADVISORY ON MANDATORY CONFIRMATION OF “TAX LIABILITY BREAKUP” IN GSTR-3B

The Goods and Services Tax Network, vide advisory dated 16.03.2026, has introduced procedural guidance regarding confirmation of the “Tax Liability Breakup, As Applicable” tab in Form GSTR-3B.

The advisory has been issued in the context of Section 50 of the Central Goods and Services Tax Act, 2017, which mandates payment of interest where tax liability pertaining to a previous tax period is discharged in a subsequent period.

Under the revised system functionality, the GST portal now auto-populates the “Tax Liability Breakup” tab in GSTR-3B based on document dates of supplies reported in GSTR-1, GSTR-1A, or the Invoice Furnishing Facility (IFF), where such supplies relate to prior tax periods but are reported and discharged in the current period.

Key procedural requirements introduced are as follows:

- Taxpayers are required to review the auto-populated “Tax Liability Breakup” after offsetting tax liability in GSTR-3B;
- The breakup must be confirmed by clicking “SAVE”, or modified (if required), prior to filing;
- Filing of GSTR-3B through EVC or DSC is permitted only after such confirmation is completed.

N. D. KAPUR & Co.
CHARTERED ACCOUNTANTS

It has been noted that, at present, the system mandates such confirmation in all cases, including where no prior-period liability exists. GSTN has acknowledged stakeholder feedback that this requirement should be limited to relevant cases and has indicated that the issue is under consideration.

Pending system rectification, taxpayers have been advised to mandatorily access the “Tax Liability Breakup” tab and click “SAVE” in all cases to enable successful filing of GSTR-3B.

(III) DIRECT TAXATION

THE INCOME-TAX RULES, 2026

Central Board of Direct Taxes (“**CBDT**”) vide notification dated 20.03.2026 issued The Income-tax Rules, 2026 (“**Rules**”) which have been framed under the Act to provide a comprehensive procedural and computational framework for implementation of the new tax regime and are effective from 01.04.2026.

The Rules lay down detailed provisions relating to definitions, procedural compliances and administrative mechanisms, including arrangements for declaration and payment of dividends within India and conditions for recognition of stock exchanges. They also prescribe procedures for notification of recognised stock exchanges and instruments such as zero coupon bonds, including timelines, documentation requirements and conditions for approval.

A key aspect of the Rules is the detailed framework for determination of period of holding of capital assets in complex situations such as conversion of securities, restructuring of foreign entities and declaration schemes, which directly impacts the classification of capital gains. Further, the Rules provide a structured methodology for determination of income of non-residents, empowering the Assessing Officer to compute income on a reasonable basis where exact figures are not ascertainable.

A significant feature of the Rules is the detailed framework for valuation and attribution of income, particularly in cross-border contexts. The Rules lay down mechanisms for determination of fair market value (“**FMV**”) of assets including listed and unlisted shares, partnership interests and foreign entities based on observable market prices or internationally accepted valuation methodologies. They further prescribe a formula-based approach for attribution of income to assets located in India in cases of indirect transfers, ensuring taxation of offshore transactions having Indian nexus.

The Rules also introduce clarity in relation to non-resident taxation, empowering the Assessing Officer to determine income on a reasonable basis where exact income is not ascertainable, and prescribing thresholds for significant economic presence, including a payment threshold of Rs.2 crore and user threshold of 3,00,000 users. These provisions strengthen the taxation of digital and cross-border business models.

Further, the Rules provide a structured methodology for disallowance of expenditure relating to exempt income, capping such expenditure at 1% of average investments, subject to overall expenditure claimed. This ensures consistency and limits excessive disallowances in practice.

A comprehensive portion of the Rules is dedicated to valuation of perquisites under the head “Salaries”, covering employer-provided accommodation, motor vehicles, utilities, concessional loans, gifts and other benefits. The Rules prescribe detailed valuation formulas depending on the nature of benefit, usage (official vs personal) and location, thereby standardising taxation of employee benefits and reducing ambiguity. For instance, residential accommodation is valued based on salary percentages or lease rentals,

while motor car usage is taxed based on usage patterns and engine capacity, as reflected in the detailed tables provided in the Rules.

Overall, the Rules reflect a shift towards greater codification and precision, particularly in areas such as valuation, cross-border taxation and perquisite computation. The Rules are designed to align with the new legislative framework under the Act while ensuring administrative clarity, reducing interpretational disputes and strengthening the tax base in both domestic and international contexts.

CBDT AMENDS RULE 128 UNDER INCOME-TAX RULES, 2026 – CLARIFIES APPLICABILITY OF GAAR TO PRE-2017 INVESTMENTS

The Central Board of Direct Taxes, vide Notification dated 31.03.2026 has amended Rule 128 of the Income-tax Rules, 2026, with effect from 1 April 2026.

The amendment substitutes sub-rule (1)(d) and sub-rule (2) of Rule 128 to clarify the treatment of income arising from investments made prior to 01.04.2017. Specifically, it provides that income arising from transfer of such pre-01.04.2017 investments shall be carved out from the applicability of the revised framework.

The amendment further clarifies that the provisions of Chapter XI (General Anti-Avoidance Rules – GAAR) shall apply to any arrangement, irrespective of the date on which it was entered into, in respect of tax benefits obtained on or after 01.04.2017. However, a specific exclusion has been carved out in respect of income arising from transfer of investments made prior to 01.04.2017, thereby preserving the grandfathering benefit for such investments.

CLARIFICATION REGARDING POWER TO CONDONE DELAY IN FILING FORM NO. 10A UNDER SUB-CLAUSE (I) CLAUSE (AC) OF SUB-SECTION (1) OF SECTION 12A OF THE INCOME TAX ACT, 1961

CBDT vide Circular No. 01/2026 dated 23.03.2026 provides clarification regarding the authority competent to condone delay in filing Form No. 10A under section 12A(1)(ac)(i) of the Income-tax Act, 1961 (“Act”), which is required for registration of trusts or institutions to avail exemption under Sections 11 and 12 of the Act.

Section 12A of the Act prescribes the conditions for availing exemption, including the requirement to file an application in Form 10A within the prescribed time. Subsequently, with effect from 01.10.2024, a proviso was inserted in section 12A(1)(ac) empowering the Principal Commissioner of Income-tax (“PCIT”) or Commissioner of Income-tax (“CIT”) to condone delay in filing such application where reasonable cause exists, and to treat the application as filed within time.

However, ambiguity arose due to the fact that, under Rule 17A(5) read with earlier notifications, the Director of Income-tax (Centralized Processing Centre), Bengaluru (“PCIT”) is the prescribed authority for processing and granting registration based on Form 10A. This led to uncertainty regarding whether the power of condonation would vest with the CPC or the jurisdictional PCIT/CIT.

To address this issue and avoid hardship to eligible trusts and institutions, the CBDT has clarified that the power to condone delay in filing Form 10A shall vest with the jurisdictional PCIT or CIT, and not with the CPC. The Circular further provides that this clarification shall apply to all cases where delay has occurred, including cases where applications for condonation are pending or filed on or after the date of issuance of the Circular.

CBDT EXTENDS DUE DATE FOR ISSUANCE OF TDS CERTIFICATES FOR DECEMBER 2025 QUARTER

The CBDT, vide Circular dated 25.03.2026, has extended the due date for issuance of Tax Deducted at Source (TDS) certificates for the quarter ending December 31, 2025.

This extension has been granted in the context of technical glitches faced by deductors on the e-filing portal, which resulted in difficulties in generating and issuing TDS certificates within the prescribed timelines under Section 203 of the Income-tax Act, 1961 read with Rule 31 of the Income-tax Rules.

Under the revised timeline, the due date for issuance of TDS certificates for the said quarter has been extended to March 31, 2026. It has been clarified that TDS certificates issued within this extended period shall be deemed to have been issued within the prescribed statutory timeline.

PROCEDURE, FORMATS AND STANDARDS FOR GENERATION AND ALLOTMENT OF UNIQUE IDENTIFICATION NUMBER (UIN) IN RESPECT OF FORM NO. 121

The CBDT vide Notification No. 01/CPC (TDS)/2026 dated 28.03.2026 prescribes the procedure, formats and standards for generation and allotment of Unique Identification Number (“UIN”) in respect of declarations furnished in Form No. 121, along with the mechanism for quarterly reporting by the payer. The notification is issued under Rule 211 read with Rule 332 of the Income-tax Rules, 2026 and is applicable from 01.04.2026. Form 121 is a declaration form under the Act 2025 through which a payee declares eligibility for non-deduction of tax (TDS) on certain specified payments

The notification operationalises the provisions of section 393(6) of the Act, which allows non-deduction of tax in specified cases where the payee furnishes a declaration in Part A of Form No. 121 to the payer. It mandates that such declaration must contain the PAN of the declarant, and may be furnished either in physical or electronic form, subject to due verification by the payer.

A key compliance requirement introduced is that the payer is required to allot a Unique Identification Number (“UIN”) to each declaration received during the tax year. The UIN is a 26-character alphanumeric code comprising (i) a sequence number (starting with “D” followed by digits), (ii) the relevant tax year (e.g., 202627), and (iii) the TAN of the payer. The sequence number is required to be maintained in a running series and reset at the beginning of each tax year. The notification also clarifies that declarations received in physical form must be digitised before allotment of UIN.

Further, the payer is obligated to furnish Part B of Form No. 121 containing details of declarations received, within prescribed timelines, on the income-tax e-filing portal. Importantly, such reporting is required irrespective of whether tax has been deducted or not, thereby ensuring comprehensive tracking of all declarations submitted for non-deduction of tax.

DISCLAIMER: This Newsletter is meant for information purposes only and does not purport to be an advice or opinion, legal or otherwise. The information provided herein is not intended to create an attorney client relationship or meant to be used for advertising or soliciting. N. D. Kapur & Co does not intend to advertise its service or solicit work through this Newsletter. N. D. Kapur & Co or its associates are neither responsible for any error or omission in this Newsletter nor for any action taken based on its contents.