

JULY 2026

A photograph of a business meeting. Several people in business attire are gathered around a table. On the table are a laptop displaying a pie chart, a tablet showing a bar chart, a calculator, and various papers with charts and graphs. One person is pointing at the tablet. The scene is overlaid with a large blue chevron graphic pointing to the right.

MONTHLY UPDATE CAPSULE

**R R D AND ASSOCIATES
CHARTERED ACCOUNTANTS
CA RAKESH DAFTARY**

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Income Tax

CBDT allows taxpayers to view foreign assets information

CBDT has introduced a significant enhancement to the Annual Information Statement (AIS) by enabling eligible taxpayers to view information relating to their foreign assets and income on the Income Tax e-Filing portal. The information is received under the Automatic Exchange of Information (AEOI) framework, through which India exchanges financial information with numerous participating jurisdictions. This initiative is aimed at improving transparency and assisting taxpayers in making accurate disclosures while filing their Income Tax Returns (ITRs).

The newly introduced feature allows taxpayers to access information relating to foreign financial accounts, investments and certain overseas income that has been reported by foreign tax authorities. By making this information available through the AIS, taxpayers can reconcile their records with the information available to the Income Tax Department before filing their returns, thereby reducing the chances of omissions or reporting errors.

This move is expected to strengthen voluntary tax compliance and encourage taxpayers to accurately disclose foreign assets and income wherever applicable. It also enables taxpayers to verify the information available with the tax authorities and rectify any discrepancies before filing the return, thereby minimizing the possibility of future notices or scrutiny. Taxpayers having foreign bank accounts, overseas investments, foreign-source income or any other reportable foreign assets should carefully review the AIS and ensure that the details are appropriately disclosed in the relevant schedules of the Income Tax Return, particularly Schedule FA and Schedule FSI, wherever applicable. Maintaining proper documentation supporting such disclosures is equally important for smooth compliance.

The introduction of foreign asset information in AIS reflects the Government's continued efforts towards building a transparent, technology-driven and globally aligned tax administration.

Read more at: [CBDT allows taxpayers to view foreign assets information](#)

India Cost Inflation Index (CII) at 384 in FY27, up from 376 a year earlier, CBDT notifies

The Central Board of Direct Taxes (CBDT) has notified the Cost Inflation Index (CII) for the Financial Year 2026-27 at 384, compared to 376 for the previous financial year. The Cost Inflation Index is a key factor in the computation of long-term capital gains, as it enables taxpayers to adjust the cost of acquisition of eligible capital assets for inflation, thereby ensuring that tax is levied on the real economic gain rather than the impact of inflation alone.

The revised index assumes particular significance for taxpayers transferring long-term capital assets such as immovable property and other eligible assets where indexation benefits continue to be available under the Income-tax Act. A higher CII increases the indexed cost of acquisition, which in turn can reduce the taxable capital gains and the resulting tax liability, subject to the applicable provisions governing indexation.

Taxpayers undertaking transactions involving long-term capital assets during FY 2026-27 should ensure that the notified CII of 384 is considered while computing capital gains wherever indexation is permissible. Accurate application of the revised index is essential for determining the correct indexed cost of acquisition, preparing tax computations and ensuring compliance with the provisions of the Income-tax Act.

Given the recent changes in the capital gains taxation regime, taxpayers should also evaluate the applicability of indexation benefits and compare the available tax computation options, wherever permitted, before filing their Income Tax Returns. Timely review of transaction documents and proper capital gains computation can help optimise tax liability while ensuring accurate reporting and regulatory compliance.

Read more at: [India Cost Inflation Index at 384 in FY27, up from 376 a year earlier, CBDT notifies](#)

Income tax refund: Why do taxpayers receive partial refunds instead of the full amount?

Many taxpayers expect the Income Tax Department to credit the exact refund amount reflected in their Income Tax Return (ITR). However, during the processing of returns, some taxpayers receive only a partial refund. This generally occurs when the Income Tax Department recomputes the return after verifying the information reported in the ITR with details available through Form 26AS, the Annual Information Statement (AIS), Taxpayer Information Summary (TIS), TDS statements, and other third-party information sources.

A partial refund may arise due to various reasons, including mismatches in TDS or TCS credits, omission of taxable income such as bank interest or capital gains, incorrect deduction claims, errors in reporting advance tax or self-assessment tax, levy of interest under Sections 234A, 234B or 234C of the Income-tax Act, or adjustment of outstanding tax demands relating to previous assessment years. In such cases, the Income Tax Department issues an intimation under Section 143(1) explaining the revised computation and the reasons for the reduced refund.

Another important reason for a lower refund is the adjustment of outstanding tax demands from earlier years. Where any recoverable demand exists, the Income Tax Department may adjust the eligible refund against such demand after following the prescribed procedure and providing the taxpayer with an opportunity to respond through the e-filing portal.

Taxpayers can minimise the chances of refund reductions by reconciling their income and tax credits with Form 26AS, AIS and TIS before filing their return. It is equally important to verify TDS details, advance tax payments, deduction claims and all sources of taxable income. Maintaining proper documentation, including Form 16, Form 16A, tax payment challans, investment proofs, interest certificates and capital gains statements, also helps in resolving any future discrepancies efficiently.

In cases where the refund received is lower than expected, taxpayers should carefully review the intimation issued under Section 143(1) and compare it with the filed return. If any discrepancy is noticed, appropriate action such as filing a rectification request or responding

to the outstanding demand should be taken promptly. Seeking professional assistance can help taxpayers understand the reasons for the variation and ensure that any genuine refund due is received without unnecessary delay.

Read more at: [Income tax refund: Why do taxpayers receive partial refunds instead of the full amount?](#)

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Supreme Court Upholds Validity of Section 16(2)(c) of the CGST Act

In a significant ruling, the Supreme Court has upheld the constitutional validity of Section 16(2)(c) of the Central Goods and Services Tax (CGST) Act, 2017, reaffirming that availment of Input Tax Credit (ITC) is conditional upon the supplier having actually deposited the corresponding tax with the Government. The decision was rendered in *Bhandari Scrap Traders v. Union of India & Ors.* and affirms the earlier judgment of the Gujarat High Court.

The petitioners had challenged the provision on the ground that a bona fide purchaser should not be denied ITC merely because the supplier failed to remit the tax, as the recipient has no control over the supplier's compliance. They also sought a reading down of the provision so that it would apply only in cases involving fraud, collusion or connivance between the supplier and the recipient.

Rejecting these arguments, the Supreme Court held that there was no justification to declare Section 16(2)(c) unconstitutional or to dilute its operation. The Court observed that the GST framework is fundamentally different from the earlier VAT regime and that judicial principles developed under VAT laws cannot be automatically extended to GST. It further reiterated that ITC is a statutory benefit available only upon fulfilment of the conditions prescribed under the CGST Act.

The Court also noted that the GST law provides a statutory mechanism enabling reversal and subsequent re-availment of ITC once the supplier discharges the outstanding tax liability. Accordingly, the Supreme Court dismissed the Special Leave Petitions and upheld the constitutional validity of Section 16(2)(c), reinforcing the requirement that tax must be paid by the supplier before the recipient can avail the corresponding ITC.

Read more at: [Supreme Court Upholds Validity of Section 16\(2\)\(c\) of the CGST Act](#)

FDs: RBI Dy Guv Moots Full Insurance Cover for Seniors

The Reserve Bank of India (RBI) is considering a proposal to provide full deposit insurance cover for senior citizens and small depositors, with the objective of strengthening depositor protection and enhancing confidence in the banking system. The proposal comes in the backdrop of financial difficulties faced by depositors during the failure of certain cooperative banks, where many individuals had deposits exceeding the existing insurance limit and were exposed to financial losses.

At present, deposits in eligible banks are insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC) up to ₹5 lakh per depositor per bank, including both principal and accrued interest. While this limit was enhanced in recent years, concerns remain that it may not provide adequate protection for senior citizens who often invest a significant portion of their retirement savings in fixed deposits.

The RBI has also indicated that it is evaluating a Risk-Based Premium (RBP) framework for deposit insurance. Under this approach, banks with stronger financial health and better risk management practices may pay lower insurance premiums, while banks with higher risk profiles could be required to contribute more. The objective is to encourage prudent banking practices and create a more equitable and resilient deposit insurance system.

Although extending full insurance coverage to specific categories of depositors could significantly improve public confidence, the RBI has also highlighted the need to maintain financial discipline. Any expansion of deposit insurance must be carefully designed to avoid excessive risk-taking by banks while ensuring adequate protection for vulnerable depositors.

At present, the proposal is only under consideration, and no changes have been made to the existing deposit insurance framework. The current DICGC insurance limit of ₹5 lakh per depositor per bank continues to remain applicable until any formal announcement or regulatory amendment is made.

Read more at: FDs: [FDs: RBI Dy Guv Moots Full Insurance Cover for Seniors](#)

Forgotten FDs, shares or insurance? Here's how to recover unclaimed financial assets

Over time, many individuals accumulate financial assets such as fixed deposits, bank accounts, shares, mutual funds, insurance policies, and dividends, which may remain unclaimed due to relocation, changes in contact details, loss of investment records, or the demise of the original investor. To address this issue, the Government has introduced a centralized mechanism to help investors and their legal heirs trace and recover such unclaimed financial assets, making the process more transparent and accessible.

Financial assets that remain inactive for a specified period may be transferred to designated funds or authorities in accordance with the applicable regulatory framework. However, such transfers do not extinguish the ownership rights of the investor or their legal heirs. Eligible claimants can recover these assets by approaching the relevant authority or institution and submitting the prescribed documentation, including identity proof, bank details, investment records, and, where applicable, succession or legal heir documents. Maintaining accurate and updated records can significantly reduce delays in processing claims.

The process for recovering unclaimed assets varies depending on the nature of the investment and the institution involved. Delays often arise due to incomplete documentation, outdated KYC information, mismatched personal details, or the absence of nomination records. Investors should therefore periodically review their financial portfolio, update KYC and nomination details, maintain a consolidated record of investments, and ensure that family members are aware of their financial holdings. These simple measures can help safeguard accumulated wealth and ensure that valuable financial assets remain easily traceable and accessible when required.

Read more at: [Forgotten FDs, shares or insurance? Here's how to recover unclaimed financial assets](#)

Miscellaneous

New EPF Scheme, 2026: What existing and new PF subscribers should know

The Government has notified the Employees' Provident Funds (EPF) Scheme, 2026 under the Code on Social Security, 2020, replacing the long-standing EPF Scheme, 1952. The new framework seeks to modernise India's social security system by strengthening digital governance, streamlining compliance procedures, and improving administrative efficiency, while largely retaining the core benefits and contribution structure of the existing EPF scheme.

For existing EPF members, there is no disruption in membership or accumulated balances. Existing Universal Account Numbers (UANs), provident fund accounts, contribution rates, and interest credit mechanisms continue without any requirement to open a new account. Similarly, the current EPF contribution structure and wage ceiling remain unchanged unless otherwise notified by the Government.

The new scheme places significant emphasis on digital compliance and improved record management. Employers are expected to maintain accurate employee information, Aadhaar-linked records, and updated KYC details to facilitate seamless onboarding, transfers, withdrawals, and statutory compliance. The revised framework also introduces greater clarity for contract workers and strengthens the overall administration of provident fund benefits.

The EPF Scheme, 2026 continues to permit partial withdrawals for specified purposes, including medical treatment, education, marriage, and housing, while introducing a more structured and transparent framework for withdrawals and settlements. Employees should familiarise themselves with the revised provisions before initiating claims to ensure compliance with the applicable conditions.

Read more at: [New EPF Scheme, 2026: What existing and new PF subscribers should know](#)

The New Financial Status Symbol: Why Financial Freedom Matters More Than Luxury

For many years, financial success was associated with visible symbols of wealth such as luxury cars, premium residences, designer brands and expensive gadgets. While these possessions continue to hold aspirational value, a noticeable shift is taking place in the way individuals, particularly young professionals, define financial success. Increasingly, true wealth is being measured not by what one owns, but by the financial flexibility and freedom that one has to make important life and career decisions.

A growing concept gaining attention is "quitting power"—the ability to walk away from an unsatisfactory job, take a career break, pursue entrepreneurship or make significant life choices without immediate financial pressure. Contrary to its name, quitting power is not about leaving employment impulsively; rather, it represents financial resilience built through disciplined saving, investing and prudent financial planning. Individuals with adequate financial reserves are better positioned to make decisions based on opportunity rather than necessity.

This evolving perspective highlights an important financial principle: a high income alone does not guarantee financial security. An individual earning a substantial salary but spending most of it may possess far less financial flexibility than someone with a comparatively modest income who consistently saves and invests. Building emergency funds, maintaining diversified investments, securing adequate insurance coverage and allowing investments to compound over the long term create a much stronger foundation for financial independence than lifestyle-driven spending.

The growing popularity of long-term investing, particularly through Systematic Investment Plans (SIPs) and other disciplined investment strategies, reflects this changing mindset. Younger investors are increasingly prioritising wealth creation, financial stability and long-term security over immediate consumption. Rather than focusing solely on increasing earnings, many are recognising the importance of retaining a meaningful portion of every salary increment and putting it to work through investments that compound over time.

For professionals and business owners alike, financial independence should not be viewed as retiring early or accumulating luxury assets. Instead, it should represent the confidence to navigate uncertain economic conditions, withstand temporary income disruptions and pursue personal or professional goals without compromising financial stability. The real measure of wealth lies in having choices and the ability to make decisions from a position of financial strength rather than obligation.

As financial priorities continue to evolve, the emphasis is gradually shifting from displaying wealth to building lasting financial resilience. While material possessions may signify affluence, genuine financial success is increasingly defined by the freedom, security and flexibility that prudent financial planning can provide. For individuals seeking long-term financial well-being, cultivating disciplined saving and investing habits today can create opportunities and independence for years to come.

Read more at: [The New Financial Status Symbol: Why Financial Freedom Matters More Than Luxury](#)

R R D AND ASSOCIATES



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WHAT WE SERVE



SPECIALIZED INTO

- ✓ Audit & Assurance (incl. Tax Audit, Statutory Audit etc)
- ✓ Internal audit / Management audit
- ✓ ESOP Valuation SBP (Share based payment) under Ind AS
- ✓ Valuations under various laws including Companies Act and IBBI
- ✓ Implementation of IFC, Drafting SOPs, Testing controls
- ✓ Company formation and assisting clients with Regulatory compliance for setting up business in India
- ✓ Setting up of Vigil and whistle-blower mechanism
- ✓ Developing, implementing and operationalizing Business Ethics and Code of Conduct for Employees and Directors
- ✓ Tax, Regulatory and Advisory
- ✓ Accounting advisory, Book Keeping and MIS services
- ✓ Project Financing for Term Loan & Working Capital Loan
- ✓ ECB Compliances, Returns, Hedge Accounting and Certification
- ✓ Tax effective Portfolio Management / Reshuffling advisory
- ✓ Regular Attest function
- ✓ Talent pool of proficient resources to our network firms and clients

OTHER SPECIALIZED SERVICES:

Assurance

- ✓ Concurrent Audit
- ✓ Due Diligence
- ✓ Forensic Audit
- ✓ Statutory Audit
- ✓ Stock Audit
- ✓ Tax Audit

Operations & Risk Consultancy

- ✓ Internal Audit
- ✓ Review of Internal Financial Control
- ✓ Drafting and assistance in SOP's
- ✓ Fraud Investigations

Tax, Regulatory & Advisory

- ✓ Consultancy under Direct and Indirect taxation
- ✓ GST Implementation Services
- ✓ Assessment and Litigation Support
- ✓ Filling of Returns under direct and indirect taxes
- ✓ ROC Fillings Regulatory compliances
- ✓ RBI and SEBI fillings
- ✓ Supporting in 15CA and 15CB filing

Accounting Advisory

- ✓ Assistance in drafting and preparations of Financial statement with respect to Ind-AS, IFRS, US GAAPs
- ✓ Accounts receivables / payable reconciliations
- ✓ Bank Reconciliations
- ✓ Inventory Management support
- ✓ Fixed Asset & Inventory verification
- ✓ MIS, Budgeting

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