

MONTHLY UPDATE

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R R D AND ASSOCIATES
CHARTERED ACCOUNTANTS
CA RAKESH DAFTARY



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Income Tax

ITR scrutiny rules changed? Here's who can face mandatory income tax scrutiny in FY 2026-27

The Central Board of Direct Taxes (CBDT) has issued revised guidelines for the mandatory scrutiny of Income Tax Returns (ITRs) for FY 2026–27, with the objective of strengthening tax compliance while reducing unnecessary scrutiny of genuine taxpayers. Under the new framework, scrutiny will primarily focus on high-risk cases where there is a greater possibility of tax evasion or undisclosed income.

As per the revised guidelines, mandatory scrutiny will apply to specific categories of taxpayers, including cases involving income tax surveys, search and seizure operations, reassessment proceedings under Section 148, charitable trusts or institutions claiming exemptions after cancellation of registration, recurring high-value additions in earlier assessments, and cases backed by credible information indicating tax evasion.

The CBDT has also clarified that information reflected in the Annual Information Statement (AIS), Statement of Financial Transactions (SFT), or other reporting systems will not, by itself, result in mandatory scrutiny. Tax returns will be selected only where they fall within the prescribed risk categories or where there is substantive evidence requiring further examination.

The revised guidelines aim to ensure a more targeted, transparent, and consistent scrutiny process by directing departmental resources towards high-risk taxpayers while minimising compliance burdens for honest taxpayers.

Read more at: [ITR scrutiny rules changed? Here's who can face mandatory income tax scrutiny in FY 2026-27](#)

Before you use ChatGPT or Claude to file your ITR this July, read this first

With the Income Tax Return (ITR) filing season underway, many taxpayers are turning to AI tools such as ChatGPT and Claude for assistance. While these tools can help users understand tax provisions, explain ITR forms, and clarify deductions, experts caution against relying on them entirely for filing tax returns.

AI can be useful for simple tax situations, such as understanding Form 16, comparing details with the Annual Information Statement (AIS), and answering basic tax-related queries. However, it may not accurately handle complex cases involving capital gains, business income, foreign assets, multiple income sources, or intricate tax provisions.

Another important concern is data privacy. Since ITR filing involves sensitive financial information such as PAN, bank details, and income records, taxpayers should exercise caution before uploading confidential documents to public AI platforms.

Experts therefore recommend using AI as a support tool rather than a substitute for professional advice. Taxpayers should verify all information, reconcile their returns with Form 26AS and AIS, and seek assistance from a qualified tax professional wherever required to ensure accurate and compliant tax filing.

Read more at: [Before you use ChatGPT or Claude to file your ITR this July, read this first](#)

CBDT tells tax officers to tighten scrutiny of unexplained income, assets

Tax authorities have recently strengthened their approach towards the examination of cases involving unexplained income, investments, assets, expenditure, and cash transactions. Tax officers have been advised to exercise greater diligence while invoking provisions relating to unexplained financial transactions and assets, particularly where taxpayers are unable to satisfactorily explain the source of funds or investments.

Under the Income-tax law, unexplained money, investments, assets, or expenditure may be treated as taxable income where adequate supporting evidence regarding their source is not available. In such situations, taxpayers may face additional tax liabilities, interest, and other consequences as prescribed under the law. The recent directive seeks to ensure that these provisions are applied uniformly and based on thorough examination of facts and supporting documentation.

The increased focus on verification highlights the importance of maintaining proper financial records and documentary evidence for all significant transactions. Taxpayers should ensure that investments, loans, gifts, capital contributions, property purchases, and other financial arrangements are adequately supported by relevant agreements, banking records, confirmations, and source documentation. Proper record maintenance not only facilitates compliance but also helps address any queries that may arise during assessment proceedings.

Businesses and individuals are also advised to reconcile information reported in tax returns with data available through annual information statements, tax deduction records, statements of financial transactions, and other regulatory reporting systems. Any mismatch between disclosed income and reported financial activity may attract additional scrutiny.

Read more at : [CBDT tells tax officers to tighten scrutiny of unexplained income, assets](#)

Income-Tax Ordinance 2026: Govt Sweetens G-Sec Deal, Waives FII Tax to Attract Foreign Flows into Sovereign Debt Market; Key Update for Investors

The Government has recently introduced significant tax relief measures aimed at strengthening participation in India's sovereign debt market and attracting long-term foreign capital. Through a recent amendment, income arising from investments in Government Securities by specified foreign investors has been granted exemption from income tax, including both interest income and capital gains arising on the transfer of such securities. The amendment has been made effective retrospectively from 1 April 2026, reflecting the Government's intent to provide an immediate boost to foreign investment in the debt market.

Government Securities, commonly referred to as G-Secs, are debt instruments issued by the Central Government to finance its fiscal requirements and are generally considered among the safest investment avenues within the domestic financial system. By removing tax costs associated with investments in these instruments for eligible foreign investors, the overall post-tax return on such investments becomes more attractive, thereby enhancing the competitiveness of India's bond market in comparison with other global investment destinations.

From a macroeconomic perspective, higher foreign investment in Government Securities may support capital inflows into the country, strengthen demand for rupee-denominated assets, and contribute to greater stability in the financial markets.

Read more at: [Income-Tax Ordinance 2026: Govt Sweetens G-Sec Deal, Waives FII Tax to Attract Foreign Flows into Sovereign Debt Market; Key Update for Investors](#)

GST & Customs

Extension of timeline for implementation of mandatory "Ship To GSTIN" and Voluntary Closure of E-Way Bill functionalities

The GST Network (GSTN) has announced an extension in the implementation timeline for two important E-Way Bill functionalities that were originally scheduled to become effective from 15 June 2026. The revised implementation date for both functionalities has now been fixed as 1 August 2026, providing additional time for taxpayers and technology stakeholders to prepare for the changes.

The two functionalities covered under the extension are the mandatory capture of "Ship To GSTIN" in Bill-To/Ship-To transactions and the introduction of the Voluntary Closure of E-Way Bill facility. These measures were initially introduced with the objective of enhancing the accuracy of transaction reporting, improving traceability of goods movement, and strengthening overall compliance within the GST ecosystem.

The mandatory capture of "Ship To GSTIN" is expected to bring greater clarity to Bill-To/Ship-To transactions by ensuring that the GST identification details of the actual recipient location are appropriately captured within the E-Way Bill system. This enhancement is likely to improve data accuracy, facilitate better tracking of goods movement, and strengthen reconciliation between GST returns and E-Way Bill records. Similarly, the Voluntary Closure of E-Way Bill functionality is intended to provide taxpayers with greater flexibility in managing E-Way Bills that may no longer be required due to cancellation of transactions, changes in business arrangements, or other operational reasons. The facility is expected to improve data quality within the system and reduce instances of unused or redundant E-Way Bills remaining active. Taxpayers are advised not to treat the extension as a postponement of compliance obligations but rather as an opportunity to strengthen operational preparedness. Timely completion of system upgrades and testing activities before the revised implementation date will help ensure a smooth transition and minimize potential disruptions to business operations once the new functionalities become effective.

Read more at: [Extension of timeline for implementation of mandatory "Ship To GSTIN" and Voluntary Closure of E-Way Bill functionalities](#)

CBIC Clarifies Handling of Pending GST Cases After Change in Jurisdiction

The Central Board of Indirect Taxes and Customs (CBIC) has issued a clarification on the handling of pending GST proceedings when a taxpayer shifts to a new GST jurisdiction due to a change in the principal place of business. Under the revised guidelines, all ongoing proceedings—including audits, investigations, adjudication, and show cause notices—will continue from the stage at which they were pending, with the new jurisdictional GST officer taking over the case.

CBIC has clarified that all actions already taken by the previous jurisdictional officer will remain valid and will not require fresh initiation merely because the taxpayer's jurisdiction has changed. However, any new proceedings arising after the transfer of jurisdiction must be initiated by the new jurisdictional officer. This ensures that there is no duplication of proceedings or administrative uncertainty.

The clarification aims to provide procedural certainty, ensure seamless continuity of GST proceedings, reduce litigation, and facilitate efficient tax administration for both taxpayers and tax authorities when a business changes its GST jurisdiction.

Read more at: [CBIC Clarifies Handling of Pending GST Cases After Change in Jurisdiction](#)

SEBI

Sebi board approves reintroducing open-market window for share buybacks from August 1

The securities market regulator has approved the reintroduction of the open-market route for share buybacks through stock exchanges, marking a significant change in the framework governing corporate buyback transactions. The revised mechanism is scheduled to come into effect from 1 August 2026 and is expected to provide listed companies with greater flexibility in returning surplus capital to shareholders.

Share buybacks are commonly used by companies to optimize their capital structure, improve earnings per share, and distribute excess cash to shareholders. The restoration of the open-market route offers an additional avenue alongside the existing tender offer mechanism, enabling companies to execute buybacks more efficiently while responding to market conditions in a timely manner.

The revised framework incorporates several safeguards aimed at maintaining transparency and protecting investor interests. Among the key measures are a defined timeline for completion of buyback transactions, restrictions on promoter participation during the buyback period, and requirements relating to utilization of the approved buyback amount. These provisions are intended to ensure that buybacks are carried out in a fair and orderly manner while balancing the interests of all stakeholders.

The decision follows a broader review of the buyback framework and reflects an effort to simplify corporate actions, reduce procedural complexities, and align regulatory requirements with evolving market practices.

For investors, the reintroduction of the open-market buyback route may lead to increased corporate participation in buyback programs, particularly among companies with strong cash reserves. For listed entities, the revised framework provides an additional strategic tool for capital management while operating within a strengthened regulatory environment designed to promote transparency and investor confidence.

Read more at: [Sebi board approves reintroducing open-market window for share buybacks from August 1](#)

SEBI Modifies Nomination Norms For Demat Accounts And Mutual Fund Folios

The Securities and Exchange Board of India (SEBI) has introduced significant changes to the nomination framework for demat accounts and mutual fund folios with the objective of enhancing investor convenience, reducing procedural hurdles, and ensuring smoother transmission of investments to nominees. The revised norms are effective from 1 September 2026 and are aimed at making the nomination process more investor-friendly.

Under the revised framework, investors opening new single-holder demat accounts or mutual fund folios will be required to either nominate one or more individuals or formally opt out of the nomination facility. For jointly held accounts and folios, nomination will continue to remain optional. SEBI has also simplified the information required for nomination. Investors are now required to provide only the nominee's name and relationship with the account holder, while several details that were previously sought, such as contact information and certain KYC-related particulars, have been made optional. Additionally, investors may nominate up to three individuals and retain the flexibility to modify, update, or cancel nominations at any time.

To further improve accessibility, SEBI has streamlined both online and offline nomination processes. Investors can submit nominations electronically using digital authentication methods such as e-signatures and two-factor authentication, making the process quicker and more convenient. The requirement for witness signatures has also been largely dispensed with, except in specific cases such as nominations executed through thumb impressions.

Another noteworthy change is that where multiple nominees have been appointed and the investor has not specified the percentage share for each nominee, the investment will automatically be distributed equally among them.

Read more at: [SEBI Modifies Nomination Norms For Demat Accounts And Mutual Fund Folios](#)

Miscellaneous

Shell companies to hit a regulatory wall

The Government is considering significant amendments to the Companies Act, 2013 aimed at strengthening oversight of shell and inactive companies. The proposed changes, contained in the Corporate Laws (Amendment) Bill, 2026, seek to empower the Registrar of Companies (RoC) to strike off companies that have not undertaken any “significant accounting transactions” for a continuous period of three years. Additionally, failure to file annual returns and financial statements for two consecutive years may also become a ground for removal from the register.

The proposed framework is intended to curb the misuse of corporate entities for activities such as tax evasion, money laundering, and concealment of beneficial ownership. By introducing the concept of “significant accounting transactions” as a criterion for determining whether a company is active, the Government aims to identify entities that exist only on paper and do not carry out any meaningful business or financial activity.

The amendments are expected to have a considerable impact on closely held private companies, promoter holding companies, family investment vehicles, and special purpose entities (SPVs) that may have limited operational activity. While the objective is to eliminate shell companies, concerns have been raised that legitimate asset-holding companies could also come under increased scrutiny if they maintain minimal transaction activity despite serving valid commercial purposes.

To address such situations, businesses may need to evaluate whether obtaining dormant company status under Section 455 of the Companies Act would be a more suitable option. The dormant company framework allows entities that are temporarily inactive or primarily hold assets to retain their corporate existence while remaining compliant with regulatory requirements.

Read more at : [Shell companies to hit a regulatory wall](#)

Govt ratifies 8.25% EPF interest rate for FY'26, to be credited this month

The Government has formally approved an interest rate of 8.25% on Employees' Provident Fund (EPF) deposits for the financial year 2025-26, providing clarity and certainty to millions of salaried employees covered under the EPF scheme. Following the ratification process, the interest amount is expected to be credited to EPF accounts during the current month through the Employees' Provident Fund Organisation (EPFO).

The approved rate of 8.25% marks the third consecutive financial year in which the EPF interest rate has been maintained at the same level. This continuity reflects the government's effort to provide stable and competitive returns on retirement savings while balancing investment performance and long-term sustainability of the provident fund system.

The approval follows the recommendation made earlier by the apex decision-making body of the EPFO, after which the proposal was forwarded for government concurrence. With the final approval now in place, EPFO is expected to complete the crediting process through its upgraded digital infrastructure, enabling faster reflection of interest in members' accounts.

For employees and employers alike, the development serves as an important reminder to regularly monitor provident fund contributions, verify account balances, and ensure timely compliance with statutory EPF obligations. The continued availability of an 8.25% annual return enhances the attractiveness of EPF as a key component of retirement and financial security planning.

Taxpayers and EPF members may review their updated balances through the EPFO portal, mobile applications, or other official channels once the interest credit process is completed. The confirmation of the interest rate provides greater certainty for retirement planning and supports long-term financial discipline among contributors.

Read more at: [Govt ratifies 8.25% EPF interest rate for FY'26, to be credited this month](#)

Maha makes free drinking water mandatory for customers at eateries

In a significant consumer welfare and food safety initiative, the Maharashtra Food and Drug Administration (FDA) has issued a comprehensive food safety compliance order mandating all restaurants, hotels, eateries, dhabas, canteens, food courts, bakeries, catering units, and similar food establishments to provide safe drinking water free of cost to customers. Establishments are also required to prominently display notices informing customers about the availability of free drinking water.

The order clarifies that customers cannot be compelled to purchase bottled water as a condition for availing dining services. While packaged drinking water may continue to be offered as an optional product, access to safe and potable drinking water has been recognized as a basic consumer right.

Apart from the free drinking water requirement, the FDA has introduced several additional food safety measures. These include a prohibition on serving food in newspapers, mandatory use of food-grade packaging materials, stricter hygiene requirements, regular staff health examinations, food safety training, and enhanced monitoring of cooking oil usage. The objective is to ensure higher standards of food safety, reduce contamination risks, and improve overall consumer confidence in the food service sector.

For restaurant operators and food businesses, the development serves as a reminder of the increasing focus on consumer rights, hygiene standards, and regulatory compliance. Timely implementation of these requirements will not only ensure compliance with applicable regulations but also contribute to better customer service and public health outcomes.

Read more at: [Maha makes free drinking water mandatory for customers at eateries](#)

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
- ✓ Statutory Audit
- ✓ Stock Audit
- ✓ Forensic Audit
- ✓ Due Diligence
- ✓ 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
- ✓ Filing 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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