



24<sup>th</sup> March 2026

## **CBDT Notifies Income-tax Rules, 2026 – Operational Framework for New Tax Regime Effective 1 April 2026**

### **Notification No. 22/2026**

The Central Board of Direct Taxes (CBDT), vide Notification No. G.S.R. 198(E) dated 20 March 2026, has notified the Income-tax Rules, 2026 under Section 533 of the Income-tax Act, 2025. These Rules, effective from 1 April 2026, lay down the procedural, compliance, and operational framework for implementation of the new Income-tax Act, 2025, with a focus on simplification and consolidation of tax processes.

### **Analysis**

- The Income-tax Rules, 2026 have been notified pursuant to Section 533 of the Income-tax Act, 2025, which empowers the CBDT to prescribe rules for carrying out the provisions of the Act.
- The Rules adopt the **same simplification philosophy** as the Income-tax Act, 2025, with clearer language, structured drafting, and use of formulas and tables to enhance interpretability and reduce ambiguity
- A significant structural consolidation has been undertaken:
  - **Rules reduced from 511 (1962 Rules) to 333**
  - **Forms reduced from 399 to 190**

This reflects removal of redundancies, merging of overlapping provisions, and streamlining of compliance requirements

- The Rules codify detailed procedural aspects, including:
  - Dividend declaration and payment conditions within India
  - Recognition and compliance requirements for stock exchanges
  - Determination of capital asset holding periods in specific cases
  - Valuation mechanisms (fair market value, perquisites, securities, etc.)
  - Income attribution rules for non-residents and cross-border transactions



*Lex Favios*  
*Advocates & Solicitors*

- The framework introduces formula-based computation mechanisms (e.g., FMV, income attribution, perquisite valuation), indicating a move towards standardised and objective tax computation
- Several provisions reflect increased data integrity and audit trail requirements, particularly for financial markets and transactions, including mandatory record maintenance and reporting obligations
- The Rules also integrate global taxation principles, including:
  - Attribution of income to Indian assets
  - Significant economic presence thresholds
  - Non-resident income determination methodologies
- Overall, the Rules function as a comprehensive procedural code, operationalising the substantive provisions of the Income-tax Act, 2025
- The Income-tax Rules, 2026 will require taxpayers to align systems and compliance processes before 1 April 2026. While consolidation reduces compliance burden, transition will require updates to systems and reporting formats. Enhanced documentation will necessitate stronger controls, and cross-border tax positions may need reassessment. Despite simpler drafting, new computational rules may lead to fresh litigation.
- Key Takeaways
  - Income-tax Rules, 2026 notified under Section 533, effective from 1 April 2026
  - Significant rationalisation with reduction to 333 rules and 190 forms
  - Emphasis on simplification, standardisation, and formula-driven computation
  - Establishes the operational backbone for the Income-tax Act, 2025
  - Businesses must undertake immediate transition planning for compliance, systems, and documentation
  - Likely to improve clarity but may introduce new interpretational and implementation challenges in the initial phase
- The notification is attached herein.

[Click Here](#)



*Lex Favios*  
*Advocates & Solicitors*

## **SEBI Introduces Draft Abridged Prospectus and Enhanced Disclosure Norms under ICDR Regulations**

**Notification No. SEBI/LAD-NRO/GN/2026/299**

The Securities and Exchange Board of India (SEBI), vide Notification dated 16 March 2026, has notified the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2026, amending the SEBI (ICDR) Regulations, 2018. The amendments aim to strengthen disclosure standards and investor accessibility by introducing the concept of a draft abridged prospectus and mandating digital access mechanisms for offer documents.

### **Analysis**

- The amendment has been notified under SEBI's regulatory powers to amend the **SEBI (ICDR) Regulations, 2018**, governing public issues and capital raising by companies.
- Key provisions amended include **Regulations 17, 25, 26, 34, 59C, 123, and 124**, among others, to streamline disclosure and offer document requirements
- Introduction of a draft abridged prospectus, aimed at providing investors with a concise and accessible summary of key information at an earlier stage
- Mandate for inclusion of QR codes and web links in offer documents to facilitate easy digital access to detailed prospectus and related disclosures
- Strengthening of investor disclosure framework by improving transparency, accessibility, and standardisation of information
- Move aligns with SEBI's broader objective of digitisation and investor-friendly reforms in capital markets
- The amendments will require issuers, merchant bankers, and intermediaries to update offer document processes to include the draft abridged prospectus and digital features such as QR codes and links. This will necessitate changes to workflows and compliance processes, along with system-level adjustments. While enhancing transparency and investor access, it may increase initial compliance efforts.



*Lex Favios*  
*Advocates & Solicitors*

➤ Key Takeaways

- SEBI amends ICDR Regulations, 2018 vide Notification dated 16 March 2026
- Introduction of draft abridged prospectus for simplified investor communication
- Mandatory inclusion of QR codes and links for digital access to offer documents
- Enhances transparency, accessibility, and investor protection
- Requires process and system upgrades for issuers and intermediaries
- Reflects SEBI's continued push towards digitisation and disclosure standardisation

➤ The notification is attached herein.

[Click Here](#)

### **Diversion of Preferential Issue Proceeds and Post-Facto Ratification: Supreme Court Reaffirms Strict Disclosure Norms**

The Supreme Court of India examined the legality of diversion of funds raised through a preferential allotment and the permissibility of subsequent shareholder ratification in the context of securities law violations.

#### **Factual Background**

The respondent company issued a notice for an Extraordinary General Meeting (EoGM), disclosing that proceeds from a proposed preferential allotment would be utilized for specified purposes such as capital expenditure, acquisitions, working capital, marketing, and overseas expansion, in compliance with Section 173(2) of the Companies Act, 1956 and Regulation 73(1) of the SEBI (ICDR) Regulations, 2009.

Pursuant to a special resolution, the company allotted shares to 42 entities, raising approximately ₹15.88 crores. However, Securities and Exchange Board of India alleged that the company immediately diverted the funds towards purchasing shares of other companies and granting loans and advances—purposes not disclosed in the EoGM notice. Subsequently, the company amended its Memorandum of Association in 2014 to include financing activities and, in 2017, obtained shareholder ratification for the altered utilization of funds.



*Lex Favios*  
*Advocates & Solicitors*

## **Regulatory Proceedings**

SEBI initiated proceedings alleging violations of the PFUTP Regulations. The Adjudicating Officer, by order dated 29.04.2020, found that the proceeds were not utilized for the disclosed objects, rejected the justification based on market conditions, and held that post-facto MoA amendment and shareholder ratification could not cure prior illegality. Penalties were imposed on the company as well as its directors. On appeal, the Securities Appellate Tribunal set aside SEBI's order, holding that shareholder ratification validated the utilization.

## **Supreme Court's Analysis**

The Supreme Court held that disclosures regarding the objects of a preferential issue are fundamental to ensuring transparency and informed decision-making in the securities market, and any deviation from such disclosed purposes strikes at the core of market integrity. It found that the immediate diversion of funds for purposes not disclosed to investors constituted a clear case of fraudulent and unfair trade practices under the PFUTP Regulations, noting that fraud in this context has a broad ambit and does not necessarily require proof of deceit. The Court rejected the contention that subsequent shareholder ratification or amendment of the Memorandum of Association could validate such conduct, emphasizing that acts which are illegal at inception and have wider public law implications affecting multiple stakeholders cannot be cured through private approval mechanisms. It further held that reliance on provisions of the Companies Act, 2013 relating to variation of objects was misplaced, particularly in the context of a preferential allotment, and in any event such provisions do not permit post-facto legitimization of actions contrary to disclosed purposes. The Court also drew adverse inference from the timing and manner of fund diversion, concluding that the company lacked any bona fide intention to utilize the proceeds for the stated objects from the outset. Upholding the findings of the Adjudicating Officer, the Court concluded that the penalties imposed were proportionate and necessary to maintain discipline and deter misconduct in the securities market.

## **Conclusion**

Allowing the appeals, the Supreme Court set aside the order of the Securities Appellate Tribunal and restored the penalty order passed by the Adjudicating Officer. The judgment reinforces that disclosure obligations are sacrosanct, diversion of funds amounts to fraud, and post-facto ratification cannot legitimize acts that undermine investor protection and public interest.

Cause Title: *Securities and Exchange Board of India v. Terrascope Ventures Ltd. etc.*

Case No: *Civil Appeal Nos. 5209-5211 of 2022*



*Lex Favios*  
*Advocates & Solicitors*

### **Authorities Cannot Rely on 8 Year Old Notice to Recover Provident Fund Dues: Bombay High Court**

In, the Bombay High Court held that recovery of provident fund dues and coercive measures such as freezing of bank accounts cannot be undertaken on the basis of an outdated notice, without issuing a fresh notice and affording an opportunity of hearing.

The case arose from a writ petition filed by the Municipal Council, Pusad, challenging a recovery order dated 08 December 2025 passed under Section 8-F(3)(i) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. The recovery proceedings stemmed from an earlier determination of dues under Section 7-A of the Act. The petitioner contended that the impugned order was passed without any fresh notice or hearing, despite the serious civil consequences involved, including the freezing of multiple bank accounts.

The matter was heard by Justice Prafulla S. Khubalkar, who noted that the authorities had relied on a notice issued as far back as 14 June 2017 to justify the recovery action. The Court found that the impugned order did not refer to any recent or proximate notice and held that a notice issued eight years earlier could not be treated as a valid basis for initiating fresh recovery proceedings.

Emphasizing the principles of natural justice, the Court observed that a valid notice must be both reasonable and temporally proximate to the action proposed. Reliance on a stale notice deprives the affected party of a meaningful opportunity to respond and renders the action arbitrary. The Court took particular exception to the drastic measures adopted by the authorities, including the freezing of as many as 25 bank accounts and unilateral recovery of over ₹3 crores, without any fresh notice.

The Court also noted that the petitioner's appeal against the underlying liability was pending before the Tribunal, and an application for its restoration had already been allowed. In such circumstances, initiating coercive recovery proceedings without affording due opportunity was held to be unjustified and premature.

Setting aside the impugned recovery order, the High Court allowed the writ petition and reaffirmed that procedural fairness and adherence to natural justice are indispensable, especially where actions entail serious civil and financial consequences.

Cause Title: *Municipal Council, Pusad v. Assistant Provident Fund Commissioner*

Case No: Writ Petition No. 7975 of 2025



*Lex Favios*  
*Advocates & Solicitors*

In case you have suggestions or do not wish to receive our newsletter,  
please email us at [info@lexfavios.com](mailto:info@lexfavios.com)

**Contact details**

**Sumes Dewan**

*Managing Partner*

*Lex Favios*

Email: [sumes.dewan@lexfavios.com](mailto:sumes.dewan@lexfavios.com)

Tel: 91-11-41435188/45264524