

# INDIRECT TAX NEWSLETTER

April 2026





## A. Key Policy/Regulation Updates

### **Directorate General of Foreign Trade (“DGFT”)**

#### **1. DGFT online module for Post Export EPCG scrip issuance & revalidation <sup>[1]</sup>**

DGFT has issued Trade Notice No. 02/2026-27 regarding the activation of an online module for issuance, re-issuance, and extension of validity of Post Export EPCG scrips under the Export Promotion Capital Goods Scheme.

The update addresses challenges faced by exporters in utilizing manually/offline issued scrips. To streamline the process, DGFT has introduced an electronic module on its portal enabling seamless data exchange with ICEGATE, facilitating easier utilization of duty credit scrips.

The Online module covers key scenarios including:

- Post export EPCG authorization not closed - Apply online for closure with supporting documents. Upon approval by the concerned RA, the EPCG scrip will be generated electronically and transmitted to ICEGATE.
- Scrip generated but not transmitted / expired - Raise an online Service Request Ticket for revalidation/retransmission. Once approved, the same scrip will be transmitted to ICEGATE with new expiry date.
- Authorization closed but no / manual scrip generated - Submit a online Service Request Ticket with complete details, including utilization of any manual scrip. Upon approval, an electronic scrip (full/partial) will be generated and transmitted to ICEGATE.

#### **2. New compliance measures introduced for Issuance of Certificates of Origin <sup>[2]</sup>**

DGFT has amended Para 2.62 of the Foreign Trade Policy 2023 through Notification No. 05/2026-27 dated 07 April 2026, introducing an optional self-certification mechanism for Certificates of Origin (CoO) under various FTAs/PTAs/CECAs/CEPAs. Under the revised framework, CoOs for exports from India can only be issued by DGFT-authorized agencies, and exporters are now mandatorily required to use identical invoice numbers in both the CoO and corresponding Shipping Bills to facilitate automated verification. The amendment also introduces the “Approved Exporter Scheme,” under which manufacturer exporters holding Status Holder recognition may self-certify origin of goods manufactured under valid IEM/Industrial Licence/Letter of Intent, subject to fulfillment of infrastructure and compliance conditions prescribed under Appendix 2F and Para 2.94 of the Handbook of Procedures. The self-certification facility will become operational only upon incorporation into the relevant trade agreement and notification by DGFT.

#### **3. Time-bound processing of RoDTEP and RoSCTL scrolls <sup>[3]</sup>**

CBIC has issued instruction vide Instruction No. 05/2026-Customs dated April 23, 2026 for expeditious processing of RoDTEP and RoSCTL scrolls following audit observations highlighting significant delays in generation of scrolls and disbursal of benefits to exporters under the RoSCTL scheme. Referring to Instruction No. 21/2020-Customs dated 16.12.2020, which prescribed a three-day timeline for crediting duty drawback, the Board has now directed field formations to ensure similar timelines are adhered to for generation and processing of RoDTEP and RoSCTL scrolls as well, with the objective of reducing delays and easing working capital hardships faced by exporters.

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[1] Trade Notice No. 02/2026-27

[2] Notification No. 05/2026-27 dated 07 April 2026

[3] Instruction No. 05/2026-Customs dated April 23, 2026



## **Central Board of Indirect Taxes and Customs (“CBIC”)**

### **4. Concessional duty for SEZ to DTA Clearances starts April 1 <sup>[4]</sup>**

CBIC vide Circular No. 18/2026 dated April 01, 2026, has introduced a concessional customs duty framework for SEZ-to-DTA clearances effective April 1, 2026, aimed at supporting domestic industry amid global supply chain disruptions and rising logistics costs. Below are the Key highlights:

- Manufacturing units in SEZs can clear goods into the Domestic Tariff Area (DTA) at concessional duty rates.
- All such Bills of Entry will now undergo mandatory Faceless Assessment through the Customs Automated System.
- Filings will continue to be processed via the Risk Management System (RMS) for faster clearance of compliant shipments.
- Valuation provisions under the Customs Act, 1962 and Rule 47(4) of the SEZ Rules, 2006 remain unchanged.
- Existing procedures for refunds, demands, and appeals will continue as per Circular No. 11/2017-Cus.
- Jurisdictional Specified Officers will still handle physical examination, Out-of-Charge (OOC), and other operational functions.

### **5. CBIC clarifies drawback eligibility for re-export of SEZ goods <sup>[5]</sup>**

CBIC has issued Instruction No. 06/2026-Customs dated April 27, 2026 to resolve long-standing disputes regarding admissibility of Duty Drawback under Section 74 of the Customs Act, 1962 on goods procured from Special Economic Zones (SEZs) into the Domestic Tariff Area (DTA) and subsequently re-exported. Earlier, several customs field formations were denying drawback claims on the ground that SEZ-to-DTA movement constituted a domestic transaction and not an “import,” thereby failing to satisfy the conditions prescribed under Section 74.

The Board has now clarified that, in terms of Section 30 of the SEZ Act, 2005, goods cleared from an SEZ into DTA attract customs duties in the same manner as imported goods and, for trade and customs purposes, an SEZ is treated as a foreign territory. Accordingly, movement of goods from SEZ to DTA legally qualifies as an import, and where applicable customs duties have been paid and the goods are subsequently re-exported, such goods shall be eligible for drawback benefit under Section 74 of the Customs Act, 1962. The clarification is expected to bring uniformity in assessment practices and provide significant relief to exporters facing blockage of working capital.

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[4] Circular No. 18/2026 dated April 01, 2026

[5] Instruction No. 06/2026-Customs dated April 27, 2026



## B. Customs Law: Key Advance Rulings & Judgements

### 1. CAAR upholds concessional duty benefit on Inputs scrapped during manufacturing under IGCR Scheme

In the case of *M/s Vivo Mobile India Private Limited v. Principal Commissioner of Customs, New Delhi*, the Customs Authority for Advance Rulings (CAAR) held that concessional duty benefit under Notification No. 57/2017-Customs cannot be denied merely because certain imported inputs or parts are scrapped during the manufacturing process. The Authority clarified that the expression “for use in manufacture” covers goods intended and actually put into the manufacturing process, including cases involving inherent process loss or manufacturing scrap. Reliance was placed on the Supreme Court ruling in *BPL Display Devices Ltd. v. Commissioner of Central Excise, Ghaziabad* to hold that exemption benefits cannot be denied where inputs were imported for intended manufacturing use but could not physically form part of the finished goods due to process-related losses.

The Authority further observed that neither Notification No. 57/2017-Customs nor the IGCR Rules, 2022 incorporate SION norms or restrictions applicable under the MOOWR scheme, and therefore such external conditions cannot be imported through interpretation. Applying the principle of strict and literal interpretation of exemption notifications, as reiterated by the Supreme Court in *Kanailal Sur v. Paramnidhis Sadhu Khan and Independent Sugar Corporation Limited v. Girish Sriram Juneja*, the Authority ruled in favour of the applicant and confirmed that concessional duty benefits would continue to remain available for imported inputs and parts scrapped during manufacture, subject to compliance with the IGCR Rules, 2022.

### 2. CAAR rules AMOLED display assemblies classifiable under OLED Display module heading

In *Vivo Mobile India Private Limited v. Principal Commissioner/Commissioner of Customs, New Delhi*, the Customs Authority for Advance Rulings (CAAR) held that AMOLED display assemblies imported for use in cellular mobile phones are classifiable under CTI 85249220 as OLED flat panel display modules and not under CTI 85177990 as parts of mobile phones. The Authority observed that Note 7 to Chapter 85 specifically covers flat panel display modules even where such modules incorporate driver or control circuits necessary for display operations, and the exclusion relating to video-converting components would apply only where the product acquires the character of a separate signal-processing device. Relying on HSN Explanatory Notes and principles of specific classification, the Authority concluded that the specific tariff entry for OLED display modules prevails over the residual “parts” classification merely because the goods are used in mobile phones.

### 3. No Duty on EOU capital goods for NFEP non-fulfilment

In *Commissioner of Central Excise, Customs and Service Tax, Mysore v. Such Silk International Ltd.*, the Karnataka High Court held that customs duty cannot be demanded on capital goods imported duty-free by a 100% Export Oriented Unit (EOU) under Notification No. 53/1997-Customs merely due to non-fulfilment of Net Foreign Exchange Earning Percentage (NFEP) obligations. The Court observed that the applicable exemption conditions for capital goods only required their installation and use within the bonded premises, which was undisputed in the present case. While provisions existed for recovery of duty on raw materials and consumables in case of export obligation default, no such enabling provision existed for capital goods. The Court further held that Notification No. 52/2003-Customs could not be applied retrospectively to create duty liability for earlier periods, and consequently, the penalty under Section 112(a) was also set aside as the underlying duty demand itself was unsustainable.



#### **4. IGCR concessional duty benefit allowed in absence of Proven Procedural Breach**

In *K.A. Enterprises v. Commissioner of Customs, Indore*, the CESTAT New Delhi held that concessional duty benefit under Notification No. 50/2017-Cus. read with the IGCR Rules cannot be denied merely on allegations of excess imports unless the department establishes a specific procedural breach attributable to the importer. The Tribunal observed that under the IGCR framework, concessional clearance at the port is based on declarations transmitted by the jurisdictional officer, while end-use compliance is monitored separately. Since it was undisputed that the imported goods were used for the intended purpose, recovery proceedings on grounds of misuse were unsustainable. The Tribunal further noted that the department failed to identify whether any irregularity occurred at the level of the jurisdictional officer or the port officer and did not produce evidence showing unauthorized clearances beyond approved quantities. Accordingly, the demand of duty and penalty were set aside for lack of substantive evidence establishing violation of the IGCR procedure.

#### **5. Activity trackers classifiable under telecom apparatus heading instead of Pedometers**

In *Commissioner of Customs (Import), Mumbai v. GOQii Technologies Private Limited*, the CESTAT Mumbai held that imported activity trackers/fitness bands are classifiable under CTI 8517 6290 and not under CTI 9029 1090 as pedometers. Applying the principles of essential character and principal function under the General Rules for Interpretation, the Tribunal observed that the devices performed multiple communication-linked and health-monitoring functions, including transmission and receipt of data through paired applications, and therefore could not be treated as mere pedometers. The Tribunal further held that Bluetooth connectivity and data communication were integral functions of the devices, warranting classification under heading 8517 relating to communication apparatus.

#### **6. Hearing Aid Charging Case classifiable as accessory of hearing aid, not battery charger**

In *M/s. Sonova Hearing India Pvt. Ltd. v. Commissioner of Customs – Air Cargo Complex, Mumbai*, the CESTAT Mumbai held that a “charging case without power supply” imported for hearing aids is classifiable under Tariff Item 9021 90 10 as a part/accessory of hearing aids and not under Tariff Item 8504 40 30 as a static converter or battery charger. The Tribunal observed that the imported item neither contained a battery nor performed any AC-to-DC conversion function and merely acted as an interface between the external adaptor and hearing aids while also serving as a storage case. Since the charger and power adaptor were separately procured domestically, the imported article by itself could not be classified as a static converter.

## **C. Developments on the GSTN portal**

### **1. Invoice management system – offline tool**

Government has issued an advisory dated April 21, 2026 with regard to the Invoice Management System (IMS). The Offline Tool has been introduced on the GST portal to enhance taxpayer convenience. This tool developed in MS Excel format, enables users to take action on invoices—such as accept, reject, or mark as pending—both individually and in bulk, thereby improving efficiency in compliance processes.

### **2. Pre-deposit percentage in the GST Portal**

GSTN vide advisory dated April 10, 2026 has enabled an important functionality update in Form APL-01 effective April 6, 2026, by making the pre-deposit field editable while filing GST appeals under Section 107(6) of the CGST Act, 2017.

Earlier, the portal auto-populated a mandatory 10% pre-deposit amount which could not be modified, causing difficulties in cases where taxpayers had already made the payment through alternate modes or where the demand was incorrectly reflected under relevant tax heads. With the new update, taxpayers can now edit the pre-deposit amount based on the specific facts of their case, subject to verification by the appellate authority during adjudication of the appeal.

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# Thank You

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