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INDIRECT TAX NEWSLETTER

August 2026

A. Key Policy/Regulation Updates

Directorate General of Foreign Trade ("DGFT")

1. DGFT introduces inventory-based e-commerce export framework [1]

The DGFT, through Notification No. 27/2026-27 and Public Notice No. 25/2026-27 dated August 05, 2026, introduced the Inventory-Based Cross-Border E-Commerce Export Framework, establishing an Exporter-on-Record (EOR) and Seller-on-Record (SOR) model for facilitating e-commerce exports.

The framework prescribes key compliance requirements, including payment to the SOR within 7 days, sharing of eligible export rebates/refunds within 30 days, prohibition on speculative inventory and domestic sale of returned export goods, and maintenance of digital records and annual compliance certification.

2. DGFT integrates ICEGATE data for paperless EODC processing [2]

The DGFT, through Trade Notice No. 15/2026-27 dated August 05, 2026, has introduced a digital mechanism integrating license-wise voluntary duty payment data from Customs/ICEGATE with the DGFT portal for processing EODC applications under the Advance Authorisation (AA) and EPCG Schemes. For payments made on or after 1 August 2026, the electronically reflected data will serve as the basis for EODC processing, replacing the need for physical payment proofs.

Authorisation holders are required to ensure accurate licence and IEC details are captured on ICEGATE and verify the payment data on the DGFT portal before filing EODC applications. Any discrepancies or missing payment records should be promptly escalated through the DGFT Helpdesk. The integration is expected to streamline EODC closures while making digital accuracy and reconciliation critical for timely closure of AA and EPCG authorisations.

[1] Notification No. 27/2026-27 and Public Notice No. 25/2026-27 dated August 05, 2026
[2] Trade Notice No. 15/2026-27 dated August 05, 2026

3. DGFT Enhances PSIA/PSIC Process Through Digital Controls [3]

DGFT, vide Trade Notice No. 22/2026-27 dated August 25, 2026, has enhanced the Pre-Shipment Inspection Agency (PSIA)/Pre-Shipment Inspection Certificate (PSIC) module on the DGFT portal to strengthen compliance, transparency and reduce manual intervention. Key changes include:

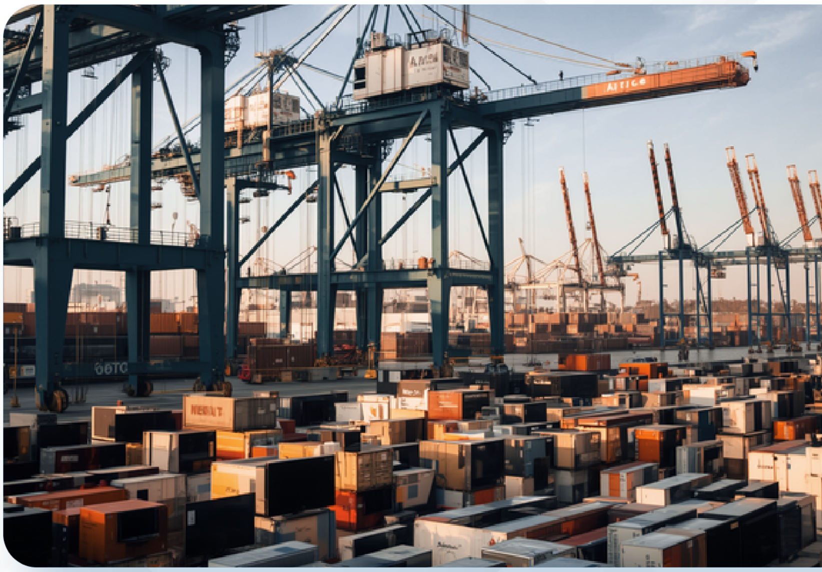
- Mandatory generation and issuance of PSIC on the date of inspection,
- Standardisation of inspection date format,
- Auto-embedding of authorised inspector signatures and stamps,
- System-based selection and auto-population of inspector details; and
- Auto-fetching of registered inspection instrument details based on the country of inspection.
- The limit for inspection photographs has been increased to 10 photographs of up to 5 MB each, while the mandatory inspection video size has been increased to 50 MB.

Central Board of Indirect Taxes and Customs ("CBIC")

4. Customs Relief for Television Imports – Compliance Extended to January 2027

MeitY, through Notification S.O. 4182(E), has extended the implementation timeline for mandatory compliance with IS 18112:2022 for Television Sets covered under Serial No. 64 of the CRO, 2021. Accordingly, the earlier deadline of 26 July 2026 has been extended to 26 January 2027. CBIC, through Instruction No. 14/2026-Customs dated 7 August 2026, has directed Customs formations to allow clearance of television sets without the required certification until the revised deadline.

The six-month extension provides importers and manufacturers additional time to complete BIS testing and certification. However, the extension should be treated as a transition window rather than a permanent exemption, and businesses should ensure that shipments arriving after 26 January 2027 comply with IS 18112:2022 and applicable BIS requirements.



[3] Trade Notice No. 22/2026-27 dated August 25, 2026

B. Key Advance Rulings & Judgements

1. No mandatory 3-month gap between SCN and adjudication order

In Raj Machine Tools [2026 (8) TMI 71 – MADRAS HIGH COURT], the Court held that Section 73(2) does not require a mandatory three-month gap between the SCN and adjudication order. The notice must only be issued at least three months before the limitation period under Section 73(10), while ensuring a reasonable opportunity of hearing.

The Court also set aside assessment orders containing contradictory findings on exempt and taxable supplies, remanding the matter for fresh consideration subject to payment of 25% of the disputed tax demand.

2. Related-Party customs valuation and deductibility of discounts

In M/s. HP India Sales Pvt. Ltd. [2026 (8) TMI 339 – CESTAT BANGALORE], CESTAT upheld rejection of the declared transaction value for related-party imports and directed re-determination under the deductive valuation method. It was held that only normal, known and uniformly available discounts were held deductible, while certain post-importation discounts and warranty expenses were excluded. The Tribunal also held that international freight and insurance could not be added again where already embedded in the deductive value.

3. Portal upload alone may not constitute valid GST notice service

In Magnus Facilities and Maintenance Pvt. Ltd. [2026 (8) TMI 710 – DELHI HIGH COURT], the Delhi High Court held that mere uploading of a GST SCN on the Common Portal does not constitute sufficient service unless its receipt is acknowledged or a reply is filed. Ex parte proceedings based solely on such portal service are liable to be restored to the SCN stage, allowing the taxpayer an opportunity to respond.

The Court further held that where an order is served only through portal upload, the appeal limitation period is not triggered. Appeals dismissed solely on limitation in such circumstances are liable to be restored for decision on merits. The ruling reinforces the importance of proper service and reasonable opportunity of hearing in GST proceedings.

4. LED modules classifiable under CTH 8539

In M/s. Elektron Lighting Systems Pvt. Ltd. [2026 (8) TMI 656 – CESTAT NEW DELHI], the Tribunal examined the classification of LED modules imported for manufacture of street lights/lamps. The modules consisted of multiple LEDs mounted on a panel with PCB and heat sink, but did not contain the driver/control circuitry. The Department sought classification under CTH 9405 as lamps, lighting fittings or parts thereof, whereas the importer claimed classification under CTH 8539. CESTAT held that the goods possessed the essential character of LED lamps and were specifically covered under CTH 8539. The Tribunal reiterated that classification is determined based on the condition and essential character of goods at the time of importation, and not their intended end-use. Since CTH 8539 specifically covers LED lamps, the residuary coverage under CTH 9405 could not be applied merely because the modules were intended for use in street lights. Accordingly, the demand for differential customs duty and related consequences was set aside and the importer's appeal was allowed.

5. Interactive LED panels classifiable under CTH 8471

In M/s. Almoe Digital Solutions Pvt. Ltd. [2026 (8) TMI 529 – CESTAT BANGALORE], CESTAT held that interactive LED touchscreen display panels equipped with integrated CPU, GPU, RAM and storage are classifiable under CTI 8471.41.90 as automatic data processing machines, rather than CTI 8528.59.00 as display monitors. The Tribunal observed that the panels possess integrated automatic data-processing capabilities and are therefore more than mere display devices. Accordingly, the impugned classification was accepted, the order was set aside and the appeal was allowed with consequential relief.

6. Classification of Laptop LCD Panels

In M/s. N.R. Computech [2026 (8) TMI 1233 – CESTAT New Delhi], the Tribunal held that separately imported laptop LCD panels of INNOLUX brand were classifiable under CTH 8524 as flat panel display modules, attracting 15% BCD, rather than under CTH 84733099 as parts/accessories of computers. The Tribunal observed that the LCD panels retained their independent identity as flat panel display modules and were not integrated into a computer at the time of import.

7. Section 149 prevails over circular-based time limit for shipping bill conversion

In Metalloys Recycling Ltd. [2026 (8) TMI 1152 – CESTAT Ahmedabad], the Tribunal held that conversion of shipping bills from Advance Authorisation to Duty Drawback could not be denied merely because the request was filed beyond the three-month period prescribed under Circular No. 36/2010-Cus. Relying on the Supreme Court's decision in Mahalaxmi Rubtech Ltd., the Tribunal held the circular-based limitation to be ultra vires Section 149 of the Customs Act, 1962.
It also held that Notification No. 11/2022-Cus. (N.T.) could not be applied retrospectively to exports made prior to its issuance. Accordingly, the appellant was held entitled to conversion of the shipping bills and consequential duty drawback benefit.

8. SEZ customs exemption prevents differential-duty bank guarantees for FTWZ goods awaiting authorised operations and provisional release

In H.R. Enterprises [2026 (8) TMI 1620 – CESTAT Ahmedabad], the Tribunal held that goods imported into an FTWZ for authorised operations enjoy customs duty exemption under Section 26 of the SEZ Act, 2005. Customs duty liability arises only when the goods, or the resultant manufactured goods, are cleared from the SEZ to the Domestic Tariff Area (DTA) under Section 30. Therefore, duty cannot be computed on the imported goods at the stage of provisional release when authorised operations are yet to be undertaken.

9. Section 128A Waiver available for the period when ITC Availed

In Rodman Technologies Pvt. Ltd. [2026 (8) TMI 1680 – GSTAT Bengaluru], the Tribunal held that the waiver of interest and penalty under Section 128A of the CGST Act is available only for demands pertaining to the specified period from 1 July 2017 to 31 March 2020, subject to fulfilment of the prescribed conditions. Since the disputed excess ITC was first availed in GSTR-3B for December 2020, it fell outside the eligible period, even though the underlying debit notes related to FY 2018-19. Accordingly, the assessee was held not eligible for waiver of interest and penalty.

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Thank You

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