

SPCM & ASSOCIATES

Chartered Accountants



SAMĀCĀRA SEPTEMBER 2026

SPCM & ASSOCIATES
Chartered Accountants
Sincerity • Professionalism • Commitment
— Building Trust Through Excellence —

SEPTEMBER 2026

**EXAMINE. INTROSPECT.
BEGIN ANEW WITH WISDOM.**

Audit for Accuracy | Paryushan for Purity
Ganesh Utsav for New Beginnings

Audit
for Transparency

Comply
with Responsibility

Grow
with Integrity

Happy GOKULASHTAMI!

Happy PARYUSHAN
Micchami Dukkadam

Happy GANESH UTSAV

IMPORTANT DUE DATES – SEPTEMBER 2026

AUDIT & ITR FILING
(BUSINESS & AUDIT CASES)

30
SEPTEMBER 2026

Last date for filing of Income-tax Returns for Business & Professional Assesseees (whose accounts are subject to Audit)

GST FILING

GST COLLECTION FOR AUGUST 2026*	GST COLLECTION FOR JULY 2026*
₹1,99,853 CRORE	₹1,95,622 CRORE
GROWTH 14.8% (YoY)	GROWTH 15.0% (YoY)

Keep Complying. Keep Growing.

RERA FILING
(MAHARASHTRA)

30
SEPTEMBER 2026

Last date for filing of Monthly Project Progress Report on MahaRERA (For ongoing projects)

THIS MONTH, LET'S...

- ✓ Ensure timely completion of Audit & ITR filing
- ✓ Ensure accurate GST compliance & reconciliation
- ✓ Meet RERA compliance for transparency
- ✓ Practise introspection, forgiveness & compassion
- ✓ Welcome Lord Ganesha for wisdom & new beginnings

*Discipline in Compliance
Purity in Thoughts
Wisdom in Actions
Success in All Endeavors*

**Success is not just about growth,
it is about growing with values.**

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SAMĀCĀRA – SEPTEMBER 2026

INDEX

SR. NO.	PARTICULARS	PAGE NO.
1.	Editorial	05-09
2.	Glimpse of Event	10-11
3.	Income Tax due date calendar for the month of September, 2026	12-17
4.	GST due dates for the month of August, 2026	18-19
5.	GST Update: Landmark SC Rulings Under Section 74	20-26
6.	Finance and Valuations: Geopolitical risk premium	27-31

SAMĀCĀRA – SEPTEMBER 2026

EDITORIAL

Dear All,

September is a month of significance for all of us at SPCM. Professionally, it is an important month for completion of tax audit assignments and filing of Income-tax Returns. Spiritually, it brings the message of Paryushan, a festival of introspection, forgiveness and purification. Socially and culturally, we celebrate the arrival of Lord Ganesha, symbolising wisdom, prosperity and the removal of obstacles.

The convergence of these occasions offers us a beautiful message: Audit teaches us to examine our financial conduct, Paryushan teaches us to examine ourselves, and Ganesh Utsav inspires us to begin afresh with wisdom and positive energy.

Income-tax Return Filing – The September Responsibility

The due date for filing the Income-tax Returns for Business and Professional Assessee whose accounts are subject to Tax Audit is 30th September 2026.

September is therefore a month of responsibility for both taxpayers and professionals. Timely completion of tax audits, reconciliation of financial and tax records, verification of disclosures and accurate filing of returns are essential.

At SPCM, our objective is not merely to meet statutory deadlines but to ensure that every assignment is completed with accuracy, professional scepticism, proper documentation and quality review. A timely return is important, but a correct and well-supported return is even more important.

Audit – More Than Verification

Audit is often perceived as an exercise of checking figures. In reality, it is much more than that. An audit is an independent examination that enhances confidence in financial information.

The essence of audit is “Look Beyond the Numbers.” It requires us to question, understand, evaluate and conclude.

The principles of audit also have a beautiful connection with Paryushan. While an auditor examines accounts with an objective and independent mind, Paryushan encourages us to examine our own actions, intentions and conduct.

Audit asks: “Are the accounts true and fair?”

Paryushan asks: “Are our thoughts, words and actions true and fair?”

Both ultimately lead us towards greater transparency, accountability and improvement.

GST Collections – Continuing Economic Momentum

India’s GST collections continue to demonstrate the resilience of economic activity and the strengthening of tax compliance. Gross GST collections for August 2026 stood at Rs.1,99,853 crore, registering a year-on-year growth of 14.8%. Import-related GST collections increased significantly, while domestic collections also recorded healthy growth.

The sustained growth in GST revenue reflects increasing formalisation, technology-enabled compliance and improved reporting discipline. For us as Chartered Accountants, it reinforces the importance of proper reconciliation between books, GST returns and input tax credit, while also emphasising the need for proactive advisory to clients.

A Message of Swadeshi and Economic Responsibility

India’s 7.8% GDP growth is a matter of great pride. Prime Minister Shri Narendra Modi has urged citizens to strengthen this momentum by embracing Swadeshi and Atmanirbhar Bharat—avoiding unnecessary foreign travel and overseas weddings, and making gold purchases only when genuinely required. As responsible citizens, let us make conscious



choices that support Indian businesses, conserve foreign exchange and contribute to a stronger domestic economy.

SPCM – Successful Completion of August Return Filing

I would like to place on record my appreciation for the entire SPCM team for successfully completing the Income-tax Return filing assignments due during August for business and non-audit cases.

The return filing season requires long hours, coordination, accuracy and continuous follow-up. Despite the pressure of deadlines and the evolving tax framework, the partners, associates, article assistants and support staff worked collectively to deliver quality services to our clients.

This achievement reflects our three core values:

Sincerity • Professionalism • Commitment

My sincere appreciation to every member of Team SPCM for their dedication.

Paryushan – The Power of Introspection and Forgiveness

Paryushan is a reminder that true progress begins with self-reflection.

The spirit of “**Micchami Dukkadam**” teaches us to seek forgiveness and to forgive others. In professional life too, we must have the courage to acknowledge our mistakes, learn from them and improve.

As professionals, we should regularly ask ourselves:

Have I acted with integrity?

Have I delivered what I promised?

Have I respected the trust placed in me?

Have I contributed positively to the people around me?

Such introspection makes us better professionals and, more importantly, better human beings.

Ganesh Utsav – Wisdom Before Success

The arrival of Lord Ganesha brings with it the message of wisdom, knowledge and removal of obstacles.

In our professional journey, obstacles are inevitable. What matters is how we respond to them. Knowledge helps us identify the right path, wisdom helps us make the right choices, and perseverance helps us continue despite difficulties.

Let us welcome Lord Ganesha into our homes and hearts with the resolve to remove not only external obstacles but also the internal obstacles of ego, complacency, fear and negativity.

Professional Engagements

The month also provided opportunities for knowledge sharing and professional interaction.

I had the privilege of speaking on “Glimpses of the Income-tax Act, 2025 and Investment Planning” for the faculty and staff of PVPCoA. Such interactions are particularly valuable at a time when the profession and taxpayers are adapting to the new direct-tax framework.

I also had the opportunity to be the Keynote Speaker and Mentor at the Employees’ Meet of Ranka Jewellers, Karve Road. It was a wonderful occasion to interact with the team and share thoughts on growth, values, teamwork and ethical business. Such engagements reinforce my belief that sustainable organisations are built not merely through business strategies but through people, culture and values.

Looking Ahead

The remaining months of the financial year will bring new challenges—regulatory changes, technology-driven compliance, increasing expectations from clients and continued economic uncertainty.

At SPCM, we must continue to remain knowledge-driven, technology-enabled and value-oriented.

Let us remember that compliance is not a burden; it is a reflection of responsibility. Audit is not merely a statutory requirement; it is a commitment to credibility. And professional success is not merely about growth; it is about growing with integrity.

Closing Thoughts

September brings together three powerful messages:

Audit – Examine.

Paryushan – Introspect.

Ganesh Utsav – Begin Again with Wisdom.

Let us use this month to examine our work, introspect about our conduct, seek forgiveness where necessary, forgive generously, and begin every new endeavour with wisdom and humility.

May the blessings of Lord Ganesha bring wisdom, prosperity and success to all of us.

On behalf of the entire SPCM family, I wish everyone a Happy Paryushan, Micchami Dukkadam and a very Happy Ganesh Chaturthi.

Let us continue to uphold the values that define SPCM:

Sincerity • Professionalism • Commitment

Thanking You,

With Warm Regards,



CA DR Suhas P. Bora
Founder Partner,
SPCM and Associates,
Chartered Accountants

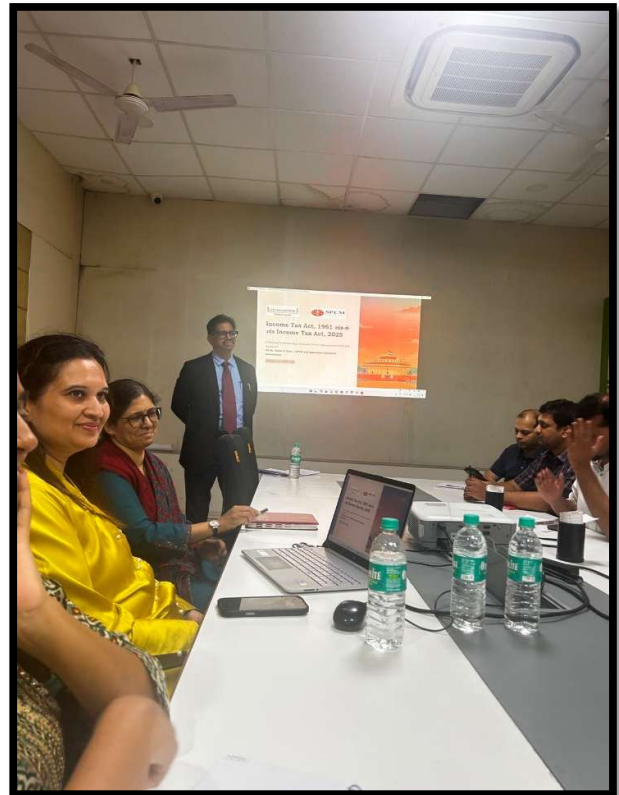
GLIMPSE OF EVENT

Our mentor, CA Dr Suhas P. Bora, delivered an inspiring and motivational lecture to the Article Students, providing valuable guidance and encouragement for their professional journey.





Our Mentor, CA Dr Suhas P. Bora, delivered an insightful guest lecture on “The Income-tax Act, 1961 vis-à-vis the Income-tax Act, 2025” at Padmabhushan Dr Vasantdada Patil College of Architecture, Pirangut.



DUE DATES

Income Tax due date calendar for the month of September -2026

DATE	DUE DATE FOR
07-September	• TDS/TCS Due date for deposit of Tax deducted/collected for the month of August, 2026. However, all sum deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day where tax is paid without production of an Income-tax Challan. • Other IT Forms Uploading of declarations received in Form No. 127 (Income-tax Rules, 2026) from the buyer in the month of August, 2026.
14-September	• TDS/TCS Issue of certificate in Form No. 132 (Income-tax Rules, 2026) under section 395(4) of the Income-tax Act 2025 for tax deducted at source under section 393(1) [Table Sl. No. 2(i), 3(i), 6(ii) & 8(vi)] of the Income-tax Act, 2025 in the month of July, 2026.
15-September	• Tax Payment Second instalment of advance tax for the Tax Year 2026-27. • Other IT Forms

DATE	DUE DATE FOR
	Statement in Form 1 (Income-tax Rules, 2026) by the stock exchange for the month of August 2026, in respect of transactions in which client codes have been modified after registering in the system. TDS/TCS Due date for furnishing Form No. 137 (Income-tax Rules, 2026) by an office of the Government where TDS/TCS for the month of August, 2026 has been paid without the production of a challan.
30-September	TDS/TCS Furnishing of challan-cum-statement in Form No. 141 (Income-tax Rules, 2026) in respect of deduction of tax under section 393(1) [Table Sl. No. 2(i), 3(i), 6(ii) & 8(vi)] of the Income-tax Act, 2025 for the month of August 2026. Audit Due date for filing of audit report under section 44AB (Income-tax Act, 1961) for the assessment year 2026-27 in the case of a corporate-assessee or non-corporate assessee (who is required to submit his/its return of income on October 31, 2026). Furnishing of Audit report in Form No. 10B/10BB (Income-tax Rules, 1962) by a fund or trust or institution or any university or other educational institution or any hospital or other medical institution. Furnishing audit report in Form No. 3AC (Income-tax Rules, 1962) by assessee claiming deduction under section 33AB (Income-tax Act, 1961) for the



DATE	DUE DATE FOR
	previous year 2025-26 (if the assessee is required to submit return of income on October 31, 2026). Furnishing of report of audit of the accounts of an assessee, other than a company or a co-operative society, in Form No. 3AE (Income-tax Rules, 1962) under section 35D(4) (Income-tax Act, 1961) for the previous year 2025-26 (if the assessee is required to submit return of income on October 31, 2026). Furnishing audit report in Form No. 3AD (Income-tax Rules, 1962) by assessee claiming deduction under section 33ABA (Income-tax Act, 1961) for the previous year 2025-26 (if the assessee is required to submit return of income on October 31, 2026). Furnishing of report of audit of the accounts of an assessee, other than a company or a co-operative society, in Form No. 3AE (Income-tax Rules, 1962) under section 35E(6) (Income-tax Act, 1961) for the previous year 2025-26 (if the assessee is required to submit return of income on October 31, 2026). Furnishing of audit report in Form no. 3CE (Income-tax Rules, 1962) under section 44DA (Income-tax Act, 1961) by a non-resident and foreign company for the previous year 2025-26 (if the assessee is required to submit return of income on October 31, 2026).

DATE	DUE DATE FOR
	Furnishing of certificate in Form No. 10-IJ (Income-tax Rules, 1962) issued by a Chartered Accountant certifying the annual statement of exempt income of the specified fund, being a category-III AIF, under section 10(23FF) (Income-tax Act, 1961) (if the assessee is required to submit the return of income on or before October 31, 2026). Furnishing of Audit Report in Form No. 10CCB (Income-tax Rules, 1962) by assessee claiming deduction under section 80-I, 80-IA, 80-IB or section 80-IC (Income-tax Act, 1961) (if the assessee is required to submit the return of income on or before October 31, 2026). Furnishing report in Form No. 10DA (Income-tax Rules, 1962) certifying the claim for additional employee cost under section 80JJAA (Income-tax Act, 1961) during the previous year 2025-26 (if the assessee is required to submit return of income on or before October 31, 2026). Furnishing of the report in Form No. 3CEA (Income-tax Rules, 1962) relating to computation of capital gains in case of slump sale taxable under section 50B (Income-tax Act, 1961) (if the assessee is required to submit return of income on October 31, 2026). Furnishing report under section 115JB (Income-tax Act, 1961) in Form No. 29B (Income-tax Rules,



DATE	DUE DATE FOR
	1962) for computing the book profits of the company during the previous year 2025-26 (if the assessee is required to submit return of income on October 31, 2026). Furnishing report under section 115JC (Income-tax Act, 1961) in Form No. 29C (Income-tax Rules, 1962) for computing Adjusted Total Income and Alternate Minimum Tax of the person other than company during the previous year 2025-26 (if the assessee is required to submit return of income on October 31, 2026). Furnishing of Audit Report in Form No. 66 (Income-tax Rules, 1962) by tonnage tax company under clause (ii) of section 115VW (Income-tax Act, 1961) for the previous year 2025-26 (if the company is required to submit return of income on October 31, 2026). Furnishing of the audit report in Form No. 10-IL (Income-tax Rules, 1962) by the specified fund, being the investment division of an offshore banking unit, for the purpose of exemption under section 10(4D) (Income-tax Act, 1961) (if assessee is required to submit return of income on or before October 31, 2026). Other IT Forms Furnishing of statement in Form No. 3AF (Income-tax Rules, 1962) containing the particulars of



DATE	DUE DATE FOR
	expenditures specified under Section 35D(2)(a) (Income-tax Act, 1961) (if the assessee is required to submit the return of income on or before October 31, 2026). Application in Form No. 171 (Income-tax Rules, 2026) for updating details by a person who is already registered as an income-tax practitioner under the Income-tax Act, 1961, holding a valid certificate of registration as on March 31, 2026.

**GST due dates for the month of September 2026**

Due date	Return	Period	Description
10 th September	GSTR-7 (Monthly)	August'26	Summary of Tax Deducted at Source (TDS) and deposited under GST laws.
10 th September	GSTR-8 (Monthly)	August'26	Summary of Tax Collected at Source (TCS) and deposited by E-commerce operators under GST laws.
11 th September	GSTR-1 (Monthly)	August'26	Summary of outward supplies where turnover exceeds Rs.5 crore or have not chosen the QRMP scheme for the quarter of July-September 2026.
13 th September	Furnishing Invoices in IFF Facility (Quarterly)	July-September 2026	Taxpayers who have opted for the Invoice Furnishing Facility (IFF) and choose to upload B2B outward supply invoices for first two months of the quarter. The B2B invoices relating to last month of the quarter are too uploaded while filing GSTR – 1 along with B2C invoices of entire quarter.



Due date	Return	Period	Description
13 th September	GSTR-6	August'26	Details of ITC received and distributed by ISD.
20 th September	GSTR-3B (Monthly)	August'26	Summary of outward supplies, ITC claimed, and net tax payable for taxpayers with turnover more than Rs.5 crore in the last FY or have not chosen the QRMP scheme for the quarter of July-September 2026.
13 th September	GSTR-5 (Monthly)	August'26	Summary of outward taxable supplies & tax payable by a non-resident taxable person.
20 th September	GSTR-5A (Monthly)	August'26	Summary of outward taxable supplies and tax payable by OIDAR.

There is nothing noble in being superior to your fellow man; true nobility is being superior to your former self."

- Ernest Hemingway

**GST****GST UPDATES****1. Landmark Supreme Court Ruling in case of Tata Steel Ltd. V. Union of India**

“Section 74 Cannot Be Invoked by Merely Using the Words ‘Fraud’ or ‘Suppression’. SCN Must Show the Facts Behind the Allegation”

Case Profile

Case Name	Tata Steel Ltd. v. Union of India
Case Reference	Civil Appeal No. 12020 of 2026
Court & Bench	Supreme Court of India Hon'ble Justices K. Vinod Chandran & J.B. Pardiwala
Date of Judgment	25 August 2026
Citation	(2026) 45 Centax 361 (S.C.)

Factual Background

Tata Steel was served a Show Cause Notice (SCN) dated 13.06.2025 covering three financial years: 2018-19, 2019-20, and 2020-21. The dispute originated from audit objections raising concerns about Input Tax Credit (ITC) mismatch and short-payment of tax. In response, the Revenue Department invoked Section 74, alleging that ITC had been availed without proper documentary evidence and that facts had been suppressed. Tata Steel challenged the proceedings on two major grounds: first, that the SCN was issued beyond the statutory limitation period, and second, that the Department had failed to outline any foundational facts demonstrating deliberate fraud, wilful misstatement, or suppression of facts.

Legal Framework and Limitation Timeline

The Supreme Court thoroughly examined the limitation framework under Sections 44 and 73 of the CGST Act, 2017, read with Rule 80, alongside its COVID-19 limitation exclusion orders (which excluded the period from 15.03.2020 to 28.02.2022).

Financial Year	Extended Annual Return Date	Statutory Limitation Date	Outer
2018-19	31.12.2020	Ultimately 28.02.2025	
2019-20	31.03.2021	Ultimately 28.02.2025	
2020-21	28.02.2022	28.02.2025	

Key Legal Issues and Supreme Court Findings**1. Whether Audit Commencement Extend the Limitation?**

No. The Department argued that limitation had been preserved because audit correspondence and notices calling for documents had commenced in 2024. The Supreme Court flatly rejected this argument, stating that audit correspondence or document requests do not extend, stop, or preserve the statutory limitation period. The statutory clock is linked strictly to the passing of the final order, and since the SCN itself was issued on 13.06.2025 well after the outer limitation date of 28.02.2025 the normal limitation period had already expired.

2. Could Section 74 Save the Vague and Untimely Demand?

No. The Supreme Court emphasized that proceedings under Section 74 require more than a mechanical recital of the words 'fraud', 'willful misstatement', or 'suppression'. The SCN itself must disclose a factual narrative explaining exactly what was suppressed, how it was done, why it was deliberate, and how it resulted in tax evasion or wrongful ITC. A bland or generic assertion that Input Tax Credit was availed without documents and that facts were suppressed is a non-starter.

In this case, the Proper Officer failed to independently satisfy himself that a deliberate device to evade tax was used. The Court noted that "suppression" cannot be treated as a magic word used merely to artificially stretch the limitation period from 3 years to 5 years.

3. Is an Audit Objection a Substitute for Independent Satisfaction?

No. The Court observed that the Proper Officer must apply his own independent mind before invoking Section 73 or 74. The fact that the Department had simply placed the audit objection before the Public Accounts Committee and transferred the SCN to the "call book" indicated that the Department itself lacked the requisite satisfaction regarding suppression. An audit objection cannot act as a substitute for the Proper Officer's mandatory independent satisfaction.

4. Are Protective Demands Permissible Under GST?

No. In a critical clarification, the Supreme Court held that the concept of a "protective assessment" or "protective demand" has absolutely no statutory basis under the GST Act. The Department cannot issue or manufacture a protective proceeding merely because statutory limitation is expiring and they wish to preserve a time-barred demand.

Final Court Decision

The Supreme Court held the proceedings under the normal limitation framework to be entirely time-barred. It rejected the Department's reliance on the omitted Explanation 2 to Section 74, set aside the SCN, and consequently quashed the Order-in-Original dated 26.12.2025.

However, the Court granted the Department liberty to initiate fresh proceedings under Section 74, on two strict conditions:

- **Foundational Facts:** The new SCN must contain specific foundational facts establishing fraud, willful misstatement, or suppression.
- **Timeline:** The final order in any fresh proceedings must be passed before 28.02.2027.

**Conclusion :**

This Supreme Court ruling grants a major relief to the taxpayers and is a binding precedent across all of India. The key takeaways from this Landmark decisions are :

- Audit objections alone do not establish deliberate tax evasion.
- A factual narrative demonstrating intent is mandatory in the SCN. Mere mechanical recital of the words 'fraud', 'willful misstatement', or 'suppression' shall not be sufficient.
- Audit correspondence in 2024 does not halt or reset the statutory limitation. Limitation shall apply to the date of issuance of SCN and passing of the final order.
- The Proper Officer must independently apply his mind before issuing an SCN.
- Any notice framed as a protective demand has no legal validity under GST.

**2. Landmark Supreme Court Ruling in Case of M/s G.R. Infra Projects Ltd. Ratlam vs State of M.P. on Sec 74
Mechanical Invocation of Section 74 disallowed**

The Supreme Court of India has delivered a landmark judgment strictly limiting the Revenue Department's power to invoke the extended 5-year limitation period under Section 74 of the Central Goods and Services Tax (CGST) Act, 2017. The ruling establishes that the Department cannot invoke Section 74 by merely repeating standard statutory recitals without establishing clear foundational facts.

Case Profile:

Case Name	M/s G.R. Infra Projects Ltd. Ratlam vs State of M.P.
Case Reference	Civil Appeal No. 11277 of 2026 [SLP(C) No. 33594 of 2025]

Court & Bench	Supreme Court of India Hon'ble Justices J.B. Pardiwala & K. Vinod Chandran
Date of Judgment	19 August 2026
Citation	2026 LL Biz SC 281 / 2026 (8) TMI 1497 – SC

Factual Background

The dispute relates to Financial Year 2018-19. The Revenue Department issued a Show Cause Notice (SCN) dated 13.06.2025 to M/s G.R. Infra Projects Ltd. under Section 74 of the CGST Act, invoking the extended period of limitation. The SCN alleged that the taxpayer had engaged in "fraud, willful misstatement, or suppression of facts" to evade tax liability. The taxpayer challenged this SCN by filing a Writ Petition before the High Court of Madhya Pradesh. After the High Court upheld the validity of the SCN, G.R. Infra Projects appealed to the Supreme Court of India.

The Core Legal Issue

Can the extended limitation period under Section 74 of the CGST Act be invoked by merely reciting the words 'fraud or willful misstatement or suppression of facts' in a Show Cause Notice?

Supreme Court's Key Rulings

1. Mechanical Reproduction of Section 74 is Prohibited

The Supreme Court held that the Proper Officer cannot mechanically reproduce the multiple statutory terms of Section 74 in the SCN. The Section relies on separate and distinct concepts: 'fraud' OR 'wilful-misstatement' OR 'suppression'. The Proper Officer must apply his mind and identify the exact, specific element applicable to the taxpayer's conduct. Repeating all three alternatives with an 'or' indicates a clear non-application of mind.

2. Foundational Facts Must Exist in the SCN Itself

The Court established that the SCN itself must explicitly state the specific allegations, circumstances, and documents that led the Assessing Officer to infer fraud, concealment, or suppression. The Department cannot issue

a vague or bare SCN and subsequently seek to improve its case through a counter-affidavit or reply filed before a Court or appellate authority. If the foundational facts are missing from the SCN, the notice lacks jurisdiction.

3. Non-Payment of Tax Does Not Automatically Mean Suppression

The Court clarified that Section 74 demands proof of a positive or deliberate act to evade tax. A mere non-payment of GST or a failure to file returns does not automatically satisfy the definition of 'suppression of facts' or 'fraud'. There must be a clear, factual basis establishing a deliberate intent to evade. Generic assertions without evidence of intent are insufficient to trigger the extended limitation.

The COVID-19 Limitation Exception Explained

In paragraph 8 of the judgment, the Bench addressed the interaction of statutory limitation periods with the Supreme Court's COVID-19 extension orders (In Re: Cognizance for Extension of Limitation, covering the period from 15.03.2020 to 28.02.2022).

The Court clarified that the exclusion of the pandemic period from limitation calculations only extends the SCN timelines by the actual overlapping period, rather than acting as a blanket extension for all cases:

- **For Financial Year 2020-21:** The exclusion translates to only a 2-month extension of the statutory timeline.
- **For Financial Year 2021-22:** The timeline remains completely unaffected by the exclusion orders as there was no overlapping pandemic period of exclusion.

Conclusion:

This Supreme Court ruling grants a major relief to the taxpayers and is a binding precedent across all of India. GST practitioners and taxpayers should actively evaluate pending Section 74 proceedings against the following criteria:

- **Vague Allegations:** Check if the SCN simply lists 'fraud, willful misstatement, or suppression' as a generic catch-all phrase without

providing details on what was suppressed, which documents were hidden, or how the fraud was committed.

- **Afterthought Justifications:** Verify if the Department is attempting to introduce new charges or evidence in subsequent hearings or written submissions that were completely absent from the original SCN. Such improvements are legally invalid.
- **Precedent for Action:** For any Section 74 SCNs issued for FY 2018-19 or FY 2019-20 after the normal 3-year limitation period under Section 73 has expired, the taxpayer can challenge the very jurisdiction of the SCN at the threshold itself if foundational facts are missing.

***“Though no one can go back and make a brand new start, anyone
can start from now and make a brand new ending.”***

- Carl Bard

FINANCE AND VALUATIONS***Valuations in a Fragmented World: Quantifying the Geopolitical Risk Premium (GRP)***

For nearly three decades, corporate finance and valuation models operated under the implicit assumption of an integrating global marketplace. Cross-border capital moved with minimal frictional drag, supply chains were optimized purely for cost efficiency, and energy flowed reliably across stable maritime corridors. In that environment, country risk was largely viewed as an emerging market quirk—addressed by adding a static sovereign spread to emerging market discount rates—while developed market cash flows were treated as functionally insulated from geopolitical shocks.

The escalation of regional armed conflicts across Eastern Europe and the Middle East, sustained maritime chokepoint interdictions, critical mineral export controls, and aggressive tariff weaponization have dismantled this paradigm. Geopolitical risk is no longer an unpredictable tail-risk or a qualitative footnote in an investment memorandum. It is an active, structural driver of enterprise value that must be analytically isolated, quantified, and defended.

1. The Methodological Dilemma: Cash Flows vs. Discount Rates

When facing acute geopolitical instability, corporate finance analysts and valuers often default to inflating the discount rate—adding an arbitrary 200 to 500 basis points to the Weighted Average Cost of Capital (WACC) as a blanket risk buffer. While intuitive, this approach contains fundamental mathematical and regulatory flaws under International Valuation Standards (IVS):

- **The Compounding Distortion:** Adding a flat percentage to WACC penalizes distant cash flows exponentially. It embeds the mathematically flawed assumption that geopolitical disruptions compound predictably and uniformly year after year. In reality, geopolitical conflicts are episodic, acute, and non-linear.
- **Double-Counting Bias:** Valuers frequently increase discount rates while simultaneously trimming management's operating margin projections.

Applying a risk premium on top of already haircut cash flows double-counts risk, artificially suppressing enterprise values and creating unbridgeable valuation gaps in transactions.

- **Audit and Regulatory Rejection:** Tax authorities (such as under Section 56(2) and Section 50CA in India) and statutory auditors under Ind AS 36 / IFRS routinely disallow subjective, unsubstantiated add-ons to the Cost of Equity (Ke). Every basis point added to a discount rate must have an empirical, verifiable foundation.

2. A Two-Pronged Analytical Framework

To construct audit-ready, legally defensible valuations, the Geopolitical Risk Premium (GRP) must be separated into two distinct layers: Direct Cash Flow Modeling for asset-specific risks, and Empirical Cost of Capital Adjustments for systemic, non-diversifiable macroeconomic exposures.

Layer 1: Isolating Geopolitical Friction in Cash Flows (FCFF)

- **Permanent Working Capital Expansion:** The shift from 'Just-in-Time' to 'Just-in-Case' logistics forces companies to hold higher safety inventory. Valuers must directly model expanded Net Working Capital (NWC) requirements and prolonged Cash Conversion Cycles (CCC), lowering near-term free cash flows.
- **Supply Chain Redundancy and Freight Drag:** For businesses reliant on contested transit passages (such as the Red Sea or Malacca Strait), explicit line items must account for sustained shipping surcharges, elevated maritime war-risk insurance premiums, and extended delivery lead times.
- **Probability-Weighted Scenario Modeling:** Rather than relying on a single deterministic forecast, construct multi-scenario trees reflecting probability-weighted discrete geopolitical outcomes: Expected $FCFF_t = \sum (P_i \times FCFF_{\{i,t\}})$, where P_i represents the assigned probability of scenario i (e.g., Baseline Status Quo, Regional Escalation/Sanctions, Severe Supply Disruption).

Layer 2: Quantifying the Systematic Geopolitical Risk Premium in WACC

Where geopolitical volatility creates systemic, non-diversifiable macroeconomic exposure across an entire jurisdiction, the Cost of Equity (Ke) must reflect that reality using empirical capital market data under the Modified Capital Asset Pricing Model (CAPM):

$$K_e = R_f + \beta \times ERP + GRP$$

Where GRP is derived objectively rather than estimated subjectively:

$$GRP = \text{Sovereign Default Spread} \times (\sigma_{\text{Equity}} / \sigma_{\text{Sovereign Debt}})$$

- **Sovereign Default Spread:** Extracted from Credit Default Swap (CDS) spreads or the yield differential between the host country's foreign-currency sovereign bond and a benchmark sovereign bond (e.g., US Treasuries) of matching maturity.
- **Relative Volatility Multiple:** The ratio of the annualized standard deviation of the local equity market index (σ_{Equity}) to the annualized standard deviation of the sovereign bond market ($\sigma_{\text{Sovereign Debt}}$). Because equity markets absorb economic shocks with greater amplitude than debt markets, this factor (typically ranging from 1.1x to 1.5x) appropriately scales sovereign credit risk into an equity discount factor.

3. Terminal Value Recalibration in an Era of Deglobalization

The terminal value calculation typically accounts for 65% to 85% of enterprise value in a multi-period DCF model. Under persistent geopolitical friction and economic realignment, historical assumptions governing the terminal period require critical recalibration:

Valuation Parameter	Historical Era	Globalized	Fragmented Conflict Era (Current Norm)
Terminal Growth Rate (g)	Frequently assumed at 5%–7% (pegged to historical high-growth cycles)		Bounded strictly by sustainable real GDP growth plus central bank inflation targets (capped at 4%–5% in INR models). Prevents

		assuming the firm indefinitely outgrows the host economy.
Return on Capital (ROIC)	Assumed to exceed WACC into perpetuity due to frictionless international scaling	Converges rapidly toward WACC due to trade barriers, retaliatory tariffs, and mandated localized production. Eliminates unsupported perpetual economic rents.
Reinvestment Rate	Low to moderate (leveraging asset-light cross-border supply chains)	Significantly higher (driven by duplicate CAPEX, nearshoring facilities, and dual-sourcing redundancies). Reduces residual cash flows in the terminal period.

4. Practical Implementation Checklist for Advisors & Valuation Practitioners

- **Segregate Operational Realities from Capital Costs:** Model quantifiable logistics costs, insurance markups, and safety-stock drags directly into operating margins and balance-sheet working capital. Reserve the discount rate strictly for non-diversifiable macroeconomic volatility.
- **Retain Contemporaneous Market Evidence:** When adjusting the Cost of Equity for cross-border assets, archive contemporaneous records of sovereign CDS spreads, credit ratings, and exchange-traded index standard deviations as of the valuation cutoff date.
- **Build Multi-Variable Sensitivity Grids:** Supplement static valuation conclusions with two-dimensional sensitivity matrices that display



enterprise value across varying discount rates alongside critical real-world variables (such as crude oil inputs, container shipping indices, or foreign currency shifts).

- **Adhere to Evolving Standards & Signatory Rules:** Ensure reports comply with modern statutory requirements—such as the mandatory 23 disclosure parameters under IBBI standards, proper VRIN footers, and authorized sign-offs (IBBI Registered Valuer for Companies Act Section 247, or Category-I Merchant Banker for Income Tax Rule 11UA DCF)—so that macroeconomic risk treatments withstand regulatory scrutiny.

Concluding Summary & Strategic Outlook

Navigating corporate valuations in a fragmented, conflict-impacted landscape requires shifting away from the convenience of intuition-based discount rate markups toward transparent, empirically verifiable modeling. As national security screenings, localized supply chain mandates, and trade restrictions become permanent features of global commerce, enterprise value will increasingly be determined not just by top-line growth, but by operational agility and balance-sheet resilience. By cleanly isolating discrete supply chain costs into projected cash flows and anchoring the systematic Geopolitical Risk Premium to liquid sovereign credit and volatility metrics, corporate boards, transaction advisors, and Registered Valuers can execute transactions with high legal certainty, realistic pricing, and ironclad defense against audit scrutiny.

***“Permit yourself to change your mind when something is
no longer working for you.”***

- Nedra Glover Tawwa

THANK YOU!

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