

JHS

2026 JANUARY NEWSLETTER



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BUDGET 2026-27](#)

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RBI & FEMA



1. Commercial Banks – Financial Statements: Presentation & Disclosures (Amendment) Directions, 2026

(Notification Date: 1st January, 2026)

The RBI has issued amendment directions to improve disclosure transparency for foreign banks in India, focusing on concentration risk and derivative exposures. Foreign banks must now disclose in Schedule 1 (Capital) of their Balance Sheet the deposits kept under Section 11(2)(b)(i) of the Banking Regulation Act that are reserved as Credit Risk Mitigation (CRM) against non-centrally cleared derivative exposures to their Head Office or overseas branches. RBI has clarified that such reserved amounts cannot be treated as regulatory capital or counted toward statutory capital requirements. These disclosures must include comparative figures from the previous year. The amendment applies from the date the bank adopts updated concentration risk norms or by April 1, 2026, whichever is earlier.

Impact: Foreign banks must revisit their capital disclosure format and ensure that CRM-designated deposits are excluded from capital computation. This enhances transparency in how derivative risk is being mitigated and prevents overstatement of regulatory capital.

[Click here: RBI/2025-26/167](#)

2. Revised Capital & Concentration Risk Framework for NBFC Lending to Infrastructure Projects

(Press Release Date: 1st January, 2026)

RBI has finalised a significantly relaxed regulatory framework for NBFCs funding infrastructure projects, compared to the earlier draft proposal issued in 2025. The amendment allows NBFCs to assign lower risk weights to High-Quality Infrastructure Projects (HQIPs) based on repayment milestones. A 75% risk weight becomes applicable once 2% of the project debt is repaid (earlier proposed at 5%), and a 50% risk weight applies after 5% repayment (earlier 10%). To qualify as HQIP, the project must have completed at least one year of operations post Commercial Operations Date (COD), remain a standard asset, and have ring-fenced cash flow mechanisms such as Escrow or TRA accounts. The framework becomes effective April 1, 2026, with an option for early adoption.

Impact: NBFCs will experience improved capital efficiency and lower capital provisioning for stable infrastructure assets, encouraging long-term infrastructure financing and reducing cost of funds for such projects.

[Click here: Press Release: 2025-2026/1824](#)

3. RBI – Credit Risk Management (Amendment) Directions, 2026

(Notification Date: 5th January, 2026)

This suite of amendment directions revises how regulated lenders, including commercial banks, small finance banks, co-operative banks, NBFCs, regional rural banks, local area banks and all India financial institutions, must manage credit risk related to lending and exposures. The amendments expand and align legal definitions of “related party,” “related person,” “specified employees,” and control relationships with provisions in the Companies Act and Insolvency Code, require each regulated entity to adopt a board-approved credit risk management policy, set materiality thresholds for related party loans, and mandate limits, internal monitoring and reporting to the audit committee or board. Exposures that exceed defined materiality thresholds require higher levels of governance oversight.

Impact: This directive strengthens governance and oversight across all lenders by limiting risky insider loans and ensuring transparency and board-level scrutiny, reducing the chance of conflicts of interest and concentration of credit risk. Exposures to promoters and key persons must now be controlled and continuously monitored under stricter rules.

[Click here: Jan 5 RBI notifications on CRM](#)

4. Foreign Exchange Management (Guarantees) Regulations, 2026

(Notification Date: 6th January, 2026)

RBI has issued the FEMA (Guarantees) Regulations, 2026 to comprehensively govern how guarantees can be issued in cases where one of the parties is a person resident outside India. The regulations clearly define the roles of principal debtor, surety, and creditor, and lay down when a resident Indian can issue or receive a guarantee involving a non-resident. Such guarantees are permitted only when the underlying transaction is legally permissible under FEMA and when the parties are otherwise eligible to borrow or lend to each other under FEMA Borrowing and Lending Regulations. Specific exemptions are provided for guarantees issued by overseas branches of authorised dealers, guarantees under Overseas Investment Regulations, and certain Irrevocable Payment Commitments. The regulations also introduce a structured reporting framework. Depending on the situation, the surety, principal debtor, or creditor must report the guarantee, any changes to it, and its invocation on a quarterly basis through an authorised dealer bank to RBI. A formal Late Submission Fee (LSF) mechanism is introduced for delayed reporting, calculated based on the amount involved and the delay period.

Impact: These regulations bring clarity and tighter control over cross-border guarantees involving Indian residents, ensuring they are linked to legally permitted transactions. The structured reporting system improves transparency and regulatory monitoring. The introduction of Late Submission Fees enforces stronger compliance discipline among entities dealing in such guarantees..

[Click here: No. FEMA 8\(R\)/2026-RB](#)

5. RBI – Prudential Norms on Capital Adequacy (Amendment) Directions, 2026

(Notification Date: 9th January, 2026)

RBI amended the Prudential Norms on Capital Adequacy for Commercial Banks, Small Finance Banks, and All Indian Financial Institutions (AIFIs). The changes revise how these institutions calculate capital against risk-weighted assets, especially for exposures to non-resident corporates. Risk weights are now clearly linked to credit ratings from recognised agencies like S&P, Fitch, Moody's and CareEdge Global (for IFSC exposures), with higher capital required for lower-rated or unrated exposures. The amendment also states that no exposure can receive a better risk weight than the sovereign rating of the borrower's country and updates the list of approved rating agencies.

Impact: These changes make the capital adequacy framework more risk-sensitive and aligned with global standards by linking capital requirements directly to the actual credit quality of international exposures. Banks and AIFIs will now have to hold more capital against risky foreign corporate loans, strengthening their financial resilience and discouraging excessive risk-taking in cross-border lending.

[Click here: RBI/2025-26/189](#)

6. Modified Interest Subvention Scheme for Short Term Loans for Agriculture and Allied Activities via Kisan Credit Card (KCC) (Notification Date: 13th January, 2026)

The Government of India has continued the Modified Interest Subvention Scheme (MISS) for FY 2025-26 to provide short-term crop and allied activity loans up to ₹3 lakh through KCC at concessional rates. Banks will lend at 7% interest, while the Government provides 1.5% interest subvention to lending institutions. Farmers who repay within one year receive an additional 3% incentive, reducing their effective interest rate to 4% per annum.

The benefit is available up to ₹3 lakh per farmer per year, with a ₹2 lakh sub-limit for those engaged only in allied activities. Small and marginal farmers can also avail this benefit for six months post-harvest against WDRA warehouse receipts. In cases of natural or severe calamities, restructured loans remain eligible for interest subvention for one to five years as applicable.

Banks must ensure Aadhaar authentication, avoid duplication through multiple KCCs for the same land, and accurately report beneficiary and crop data on the Kisan Rin Portal (KRP). All claims must be auditor-certified and submitted through the KRP within the prescribed timelines.

Impact: This update allows farmers to continue receiving short-term agricultural and allied activity loans at reduced effective interest rates, making credit more affordable and accessible. At the same time, it provides clear operational clarity to banks for proper implementation and reimbursement under the government-supported subsidy framework.

[Click here: RBI/2025-26/193](#)

7. RBI – Internal Ombudsman Directions, 2026

(Notification Date: 14th January, 2026)

RBI issued Internal Ombudsman (IO) Directions mandating the appointment of an independent Internal Ombudsman within Commercial Banks, Small Finance Banks, Payments Banks, NBFCs, Non-Bank PPI Issuers, and Credit Information Companies to strengthen their grievance redressal framework. The directions require every covered institution to appoint a senior official as the IO who will review customer complaints that are either rejected or partially rejected by the bank/financial institution before the final response is sent to the customer. The IO must function independently, report directly to the Board or a committee of the Board, and cannot be overruled by operational management. The directions also prescribe timelines, reporting requirements, eligibility criteria, and responsibilities of the Internal Ombudsman to ensure fair and unbiased handling of complaints.

Impact: Customers get an additional independent layer of grievance review inside the institution before approaching RBI's Ombudsman, improving fairness in complaint resolution. It also increases accountability of banks, NBFCs and other entities in handling customer grievances transparently.

[Click here: Jan 14 RBI notifications on Internal Ombudsman](#)

8. Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 (Notification Date: 16th January, 2026)

RBI has issued these comprehensive regulations to modernize and consolidate the rules governing export, import, and merchanting trade transactions under FEMA. These regulations comprehensively update FEMA rules for export, import, and merchanting trade transactions by introducing a structured declaration system through the Export Declaration Form (EDF) and defining clear responsibilities for exporters, importers, and Authorised Dealers (ADs). Specific timelines are prescribed for realisation of export proceeds, import payments, and closure of entries through EDPMS and IDPMS. The framework simplifies compliance for small-value transactions, permits third-party receipts and payments with safeguards, regulates advance payments, and lays down detailed monitoring and reporting duties for ADs through internal SOPs and digital reporting systems.

Impact: The regulations strengthen digital tracking, transparency, and time-bound compliance in cross-border trade transactions. They also increase accountability of Authorised Dealers and traders by reducing procedural ambiguity and ensuring stricter monitoring of export and import flows.

[Click here: FEMA 23\(R\)/2026-RB](#)

9. RBI – Priority Sector Lending (Targets and Classification) (Amendment) Directions, 2026

(Notification Date: 19th January, 2026)

RBI has issued extensive amendments to the Priority Sector Lending (PSL) Directions, 2025 to update how banks compute PSL targets, classify eligible assets, and report compliance. The changes align PSL computation with newer regulatory frameworks such as the Credit Risk Transfer, Securitisation, Co-lending, Microfinance, Capital Adequacy, and Credit Facilities Directions, 2025. The amendment refines the calculation of ANBC/CEOBSE, updates treatment of export credit, microfinance loans, housing loans, healthcare infrastructure loans, on-lending through NBFCs/HFCs/NCDC/MFIs, PSLC purchases, and co-lending arrangements. It also introduces stricter requirements such as external auditor certification to prevent double counting of PSL benefits in on-lending and securitised portfolios, updates reporting timelines, and revises population-based classifications and district lists. Targets for different categories of banks (Commercial Banks, SFBs, RRBs, Foreign Banks) are also rationalised within this framework.

Impact: These amendments tighten PSL classification and reporting by preventing the same exposure from being counted more than once and aligning PSL with modern credit risk transfer frameworks. Banks must now follow stricter documentation, certification, and monitoring to correctly meet PSL targets.

[Click here: RBI/FIDD/2025-26/196](#)

10. RBI – Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) Amendment Directions, 2026

(Notification Date: 22nd January, 2026)

The amendments align existing CRR/SLR directions with recent changes in the RBI Act and Banking Regulation framework by revising definitions, institutional references, calculation methodology, and reporting formats. While the prescribed CRR and SLR percentages remain unchanged, the directions standardise compliance requirements and remove inconsistencies across different banking categories to ensure uniform interpretation and implementation.

Though these Amendment Directions, RBI has updated and harmonised the regulatory instructions governing how various categories of banks (Commercial Banks, Small Finance Banks, Payments Banks, Regional Rural Banks, Local Area Banks, Urban Co-operative Banks, and Rural Co-operative Banks) must compute, maintain, and report their CRR and SLR obligations.

Impact: These amendments improve clarity and uniformity in how banks calculate and report statutory reserves without altering reserve requirements. This strengthens compliance accuracy and consistency in liquidity management across the banking system.

[Click here: 22nd Jan notifications CRR & SLR](#)

IBBI



1. IBBI (Liquidation Process) Regulations, 2016 (Amended up to Jan 2026)

(Notification Date: 2nd January, 2026)

The updated Liquidation Process Regulations establish a comprehensive framework for the orderly winding up of corporate debtors, emphasizing efficiency and stakeholder oversight. A central feature is the role of the Stakeholders' Consultation Committee (SCC), which must now be consulted on critical decisions such as "Early Dissolution" and the appointment of professionals. The regulations provide a detailed definition of Liquidation Costs, prioritizing liquidator fees, business preservation expenses, and limited interest on interim finance within the payment waterfall. To further streamline the process, the 2026 framework mandates strict timelines for Compromises or Arrangements, requiring proposals to be filed within 30 days of the liquidation order, and introduces a simplified "Self-Declaration" mechanism for updating claims previously submitted during the insolvency phase.

Impact: The framework significantly boosts operational speed by providing clear exit routes for non-viable entities and enforcing tighter deadlines on compromises. These measures, alongside structured penalties for delayed reporting, ensure higher professional accountability and protect the corporate debtor's remaining value from being consumed by administrative delays.

[Click here: IBBI/2016-17/GN/REG005](#)

2. IBBI Circular – Launch of Revised Forms for the Liquidation Process

(Circular Date: 5th January, 2026)

IBBI has introduced a revised electronic forms framework (LIQ-1 to LIQ-4) for insolvency professionals handling liquidation assignments, pursuant to amendments in the Liquidation Process Regulations. The new forms rationalise data requirements, remove duplication, and leverage auto-population from existing portal data to reduce compliance burden while ensuring timely, structured reporting to the Board. The forms cover the entire lifecycle of liquidation from public announcement, quarterly progress reporting, dissolution application, to final closure order and must be filed on the IBBI electronic platform using DSC/e-sign within prescribed timelines. A form-modification utility is also provided, and no penalty will apply for delays during Jan–Mar 2026 to allow familiarisation.

Impact: This framework significantly streamlines liquidation reporting through digital, standardised, and auto-filled forms, reducing effort for Insolvency Professionals. It also enhances transparency and real-time regulatory oversight of the liquidation process from start to closure.

[Click here: IBBI/LIQ/91/2026](#)

IRDAI



भारतीय बीमा विनियामक
और विकास प्राधिकरण

Insurance Regulatory
and Development
Authority of India

1. IRDAI – Mandatory 1600-Series for Insurance Calls

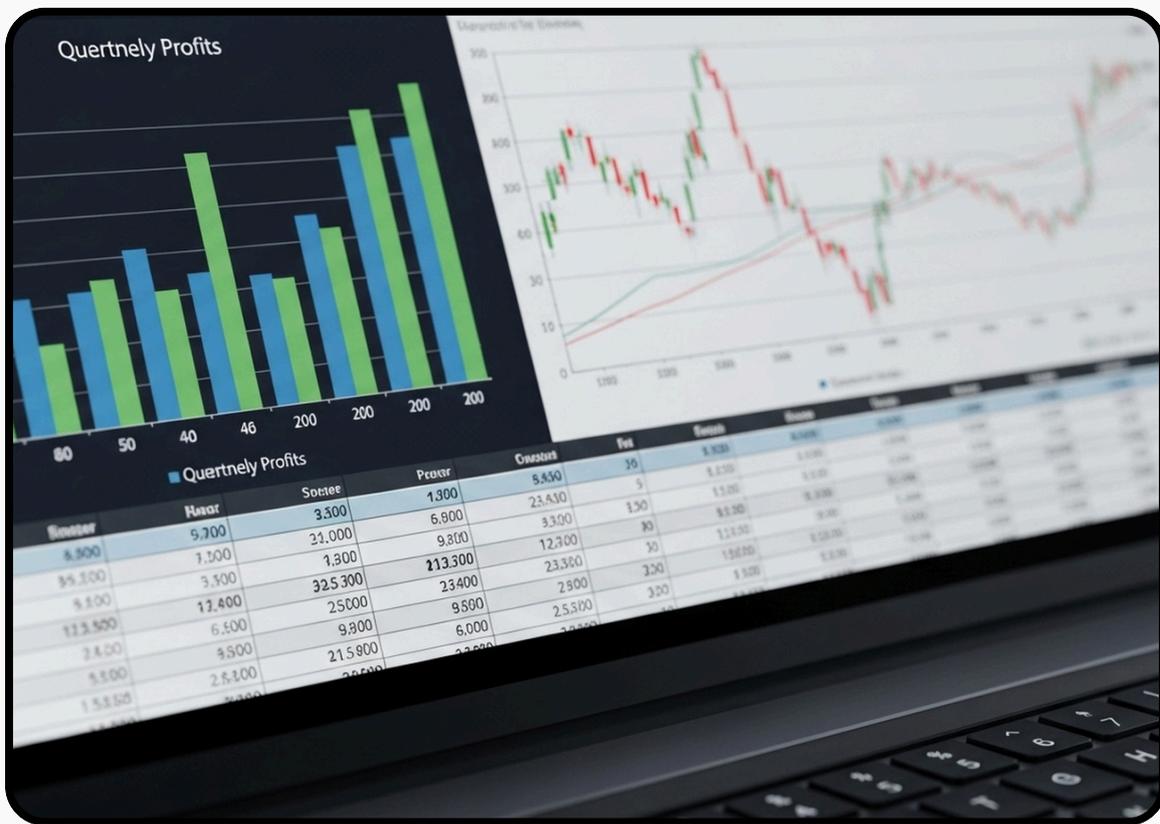
(Circular Date: 6th January, 2026)

IRDAI directed all insurers and insurance intermediaries to adopt the 1600-series numbering for all service and transactional voice calls made to customers, in line with TRAI's mandate to curb Unsolicited Commercial Communication (UCC) and prevent impersonation-based fraud. Entities must complete migration to the 1600-series by 15th February 2026 and must not initiate such calls from any other number thereafter, regardless of customer consent. Non-compliance may attract action under TRAI regulations applicable to unregistered telemarketers, along with action by IRDAI. Insurers are also required to submit periodic status reports and coordinate with telecom providers for implementation.

Impact: This move enhances consumer trust by ensuring that genuine insurance service calls are easily identifiable and protected from fraud or spam. It also imposes strict compliance and telecom coordination requirements on insurers and intermediaries.

[Click here: IRDAI/PP&GR/CIR/MISC/02/01/2026](#)

SEBI



1. SEBI – Consequential Requirements for Merchant Bankers after 2025 Amendment

(Circular Date: 2nd January, 2026)

SEBI issued a comprehensive circular prescribing the operational, financial, and governance requirements for Merchant Bankers (MBs) following the 2025 amendment to their regulatory framework with effect from 3rd January, 2026. The circular mandates a phased increase in net worth and liquid net worth for Category I and II MBs by January 2028, caps underwriting exposure at 20 times liquid net worth, and requires mandatory NISM certification for key personnel. It prohibits outsourcing of core activities, introduces a minimum three-year revenue threshold to retain registration, and enforces strong conflict-of-interest controls through independent compliance officers and “Chinese Wall” separation for non-SEBI activities.

Impact: This significantly raises entry and operating standards for Merchant Bankers, improving financial strength, professionalism, and governance. Smaller or non-compliant MBs may struggle to meet the enhanced capital and operational requirements.

[Click here: HO/49/11/11\(106\)2025-CFD-RAC-DIL3/1/1796/2026](#)

2. Extension of Timeline for Incentives to Distributors (B-30 Cities & Women Investors)

(Notification Date: 7th January, 2026)

SEBI extended the timeline for implementing the additional incentive structure available to mutual fund distributors for onboarding new individual investors from B-30 cities and women investors. This incentive framework was originally introduced to promote deeper financial inclusion and wider geographic and gender participation in mutual fund investments. Through this extension, SEBI has provided Asset Management Companies (AMCs) and distributors additional time to upgrade their internal systems, reporting mechanisms, and operational processes to accurately identify, track, and administer these incentives in line with regulatory expectations.

Impact: This extension supports smoother implementation of inclusion-focused incentives without operational disruption for AMCs and distributors. It encourages continued expansion of mutual fund penetration in underserved regions and among women investors.

[Click here: HO/\(83\)2025-IMD-POD-1/I/2027/2026](#)

3. SEBI – Uniform Compliance Reporting Formats for Specialized Investment Funds (SIFs)

(Circular Date: 8th January, 2026)

SEBI introduced standardized and detailed compliance reporting formats for Specialized Investment Funds (SIFs) to bring them at par with the regulatory reporting standards applicable to mutual funds under the SEBI (Mutual Funds) Regulations and the latest Master Circular. Through this circular, SEBI clarified that all reporting, monitoring, and oversight mechanisms that apply to mutual funds will now equally apply to SIFs. The Compliance Test Report (CTR) has been expanded with a new Part IV, requiring Asset Management Companies (AMCs) to report on around 20 specific regulatory and operational parameters such as minimum investment thresholds, adherence to investment restrictions, risk management practices, and internal compliance controls. Additionally, the Half-Yearly Trustee Report (HYTR) has been amended to include a new clause mandating trustees to explicitly certify that the AMC possesses the required expertise, governance framework, internal systems, branding standards, disclosure practices, and fee structures necessary for managing SIFs in a compliant manner.

Impact: This significantly strengthens regulatory oversight, governance, and transparency in the SIF segment by subjecting it to mutual fund-level compliance scrutiny. AMCs and trustees will face higher accountability and more detailed reporting obligations while managing Specialized Investment Funds.

[Click here: HO/24/13/12\(4\)2025-IMD-POD-1/1/2062/2026](#)

4. SEBI - Simplification of Requirements for Grant of Accreditation to Investors

(Circular Date: 9th January, 2026)

The accreditation framework is aimed at identifying financially capable investors who are permitted to participate in products or investment opportunities that are typically riskier or have higher entry criteria. Under the revised process, SEBI has eased documentation requirements, eliminated redundant steps, and standardised eligibility verification across categories. The circular clarifies eligibility criteria, aligns accreditation documentation with internationally accepted standards, and streamlines submission procedures to reduce approval timelines. As a result, investors meeting the financial strength or experience thresholds will now find it easier to obtain accreditation without unnecessary paperwork or procedural delays. Accreditation status continues to be awarded based on net worth, investment experience, and financial sophistication, but the overall eligibility and verification process has been made more transparent and uniform. SEBI also clarified the role of intermediaries in assisting applicants, documentation standards, and ongoing reporting requirements for accredited status.

Impact: This reform reduces compliance friction and accelerates onboarding for sophisticated investors, encouraging deeper participation in specialised investment opportunities. It also enhances market efficiency by standardising eligibility checks and reducing processing delays in accreditation approvals.

[Click here: HO/19/34/11\(9\)2025-AFD-POD1/I/2286/2026](#)

5. SEBI - Framework to Address Technical Glitches in Stock Brokers' Electronic Trading Systems

(Circular Date: 9th January, 2026)

SEBI has issued a reinforced regulatory framework to mitigate and manage technical glitches in stock brokers' electronic trading systems after repeated instances of trading disruptions caused by technology failures. The circular clearly delineates the roles and responsibilities of trading members, requiring brokers to adopt robust system risk management practices, periodic independent technology audits, and strong business continuity plans (BCPs) to prevent recurrence of outages. Brokers are now mandated to maintain redundant systems, disaster recovery sites, and real-time monitoring tools to quickly detect and rectify system issues. SEBI also requires immediate reporting of any significant technical breakdowns or system instability to the exchange and the regulator, along with a detailed root-cause analysis and remediation plan. In addition, the circular pushes for enhanced client protection mechanisms such as trade reversal protocols, customer compensation policies for losses directly due to system failures, and transparent disclosures on system performance metrics.

Impact: This strengthened framework improves market stability and investor confidence by ensuring brokers are better prepared to prevent and respond to trading system failures. It also raises accountability for brokers to maintain resilient systems and protect clients from losses arising from technology outages.

[Click here: HO/38/44/12\(1\)2026-MIRSD-TPDI](#)

6. SEBI - SWAGAT-FI Framework for Foreign Venture Capital Investors (FVCIs)

(Circular Date: 16th January, 2026)

SEBI introduced the SWAGAT-FI (Single Window Automatic and Generalised Access for Trusted Foreign Investors) framework to simplify and accelerate the registration and regulatory approval process for Foreign Venture Capital Investors (FVCIs). The framework provides a single digital interface through which eligible “trusted” foreign investors can complete registration, submit documents, and obtain approvals in a streamlined and time-bound manner. By centralising multiple procedural requirements into one window, SEBI reduces paperwork, duplication, and coordination delays between intermediaries and the regulator, while maintaining necessary regulatory checks.

Impact: This framework significantly reduces approval timelines and compliance complexity for FVCIs investing in India. It enhances ease of doing business and encourages greater foreign venture capital participation in Indian startups and unlisted companies.

[Click here: HO/19/34/14\(5\)2025-AFD-POD2/1/199/2025](#)

7. SEBI - SWAGAT-FI Framework for Foreign Venture Capital Investors (FPIs)

(Circular Date: 16th January, 2026)

SEBI has extended the SWAGAT-FI (Single Window Automatic and Generalised Access for Trusted Foreign Investors) framework to Foreign Portfolio Investors (FPIs) to simplify and digitise the entire onboarding and regulatory approval process. Under this framework, eligible and “trusted” FPIs can complete registration, documentation, and regulatory formalities through a single digital interface, reducing the need for multiple submissions and interactions with different intermediaries. The system standardises documentation requirements, enables faster verification, and streamlines communication between FPIs, custodians, and SEBI, thereby shortening approval timelines. By consolidating procedural steps into a unified platform, SEBI aims to reduce duplication, enhance transparency, and make the FPI registration process more predictable and efficient while retaining necessary regulatory oversight.

Impact: This initiative significantly improves ease of entry for global portfolio investors by reducing procedural delays and compliance complexity. It strengthens India’s attractiveness as an investment destination through faster, technology-driven regulatory processing.

[Click here: HO/19/34/14\(5\)2025-AFD-POD2/1/2703/2026](#)

8. SEBI – Introduction of Closing Auction Session (CAS) in Equity Cash Segment

(Circular Date: 16th January, 2026)

SEBI has introduced a Closing Auction Session (CAS) in the equity cash segment to improve price discovery at market close and reduce volatility caused by last-minute trades. In this session, exchanges will conduct a brief auction where buy and sell orders are matched through an auction mechanism instead of continuous trading. The closing price will be determined based on this auction equilibrium, ensuring it reflects genuine market demand and supply. This has also refined the Pre-Open Auction Session to bring consistency between opening and closing price discovery. Exchanges and brokers must upgrade their systems and processes to accommodate the new auction framework, aligning Indian market practices with global standards for transparent closing prices.

Impact: This reform improves the reliability and transparency of closing prices while reducing market manipulation and volatility at the end of trading hours. Brokers, exchanges, and trading members must update systems and educate clients on the new auction process.

[Click here: HO/47/11/11\(3\)2025-MRD-POD2/I/2765/2026](#)

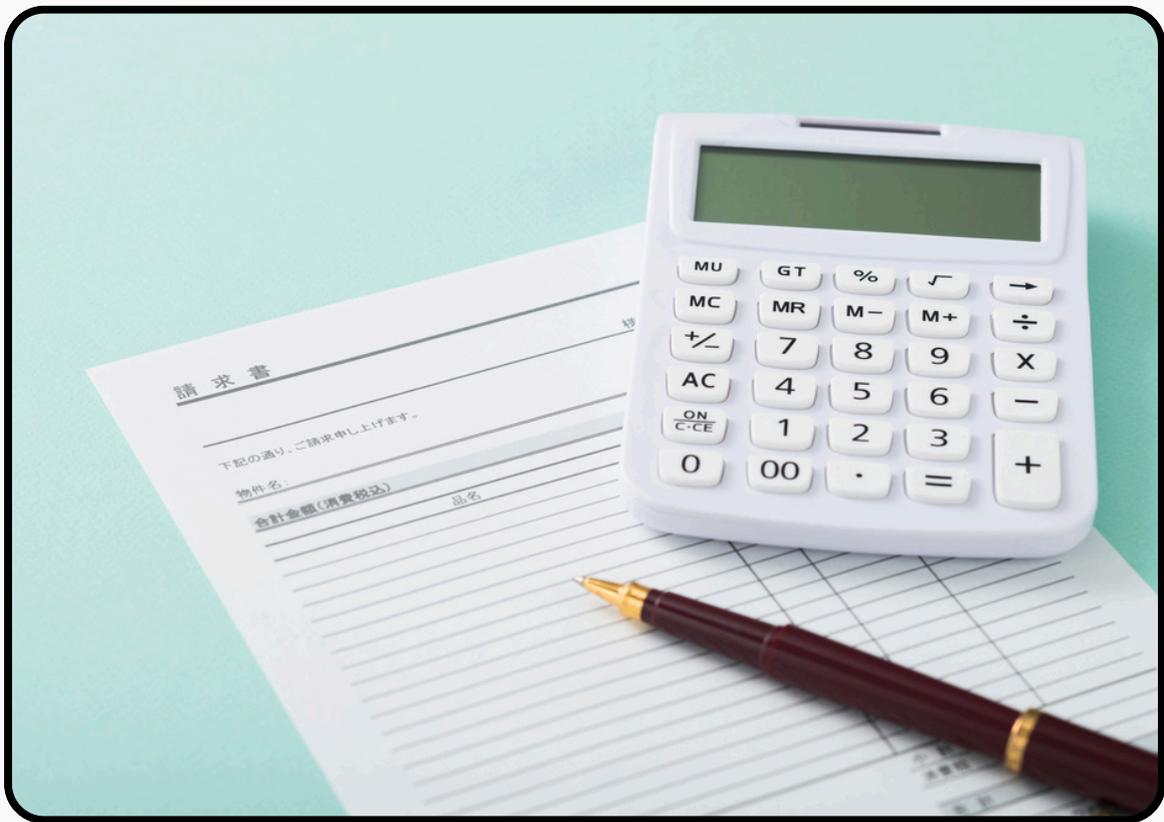
9. Ease of Doing Investment – Special Window for Transfer and Dematerialisation of Physical Securities (Circular Date: 30th January, 2026)

The SEBI has opened a one-year special window (Feb 05, 2026 to Feb 04, 2027) to allow investors to transfer and dematerialise physical share certificates that were bought/sold before April 01, 2019. This window also covers cases where earlier transfer requests were rejected or left incomplete due to document/process deficiencies. Eligible investors must submit the original certificates, pre-April 2019 transfer deed, proof of purchase, KYC, latest CML, and an undertaking-cum-indemnity. After approval, the securities will be credited only in demat form and will remain under a one-year lock-in, during which they cannot be sold, pledged, or lien-marked. Disputed cases and securities already moved to IEPF are excluded. Listed companies/RTAs must verify identity and signatures, publish newspaper notices if transferor is untraceable, and complete the process within 70 days. They must also publicize this window periodically.

Impact: This circular provides a last opportunity for investors holding old physical shares to regularize ownership and convert them into demat form, thereby restoring legal access to their investments. It reduces long-standing transfer hurdles caused by missing transferors, signature mismatches, or incomplete documentation by introducing a structured verification and public notice mechanism.

[Click here: HO/38/13/11\(2\)2026-MIRSD-POD/ I/3750/2026](#)

GST



1. GST - Advisory on Electronic Opt-In Declaration for 'Specified Premises (Hotels)

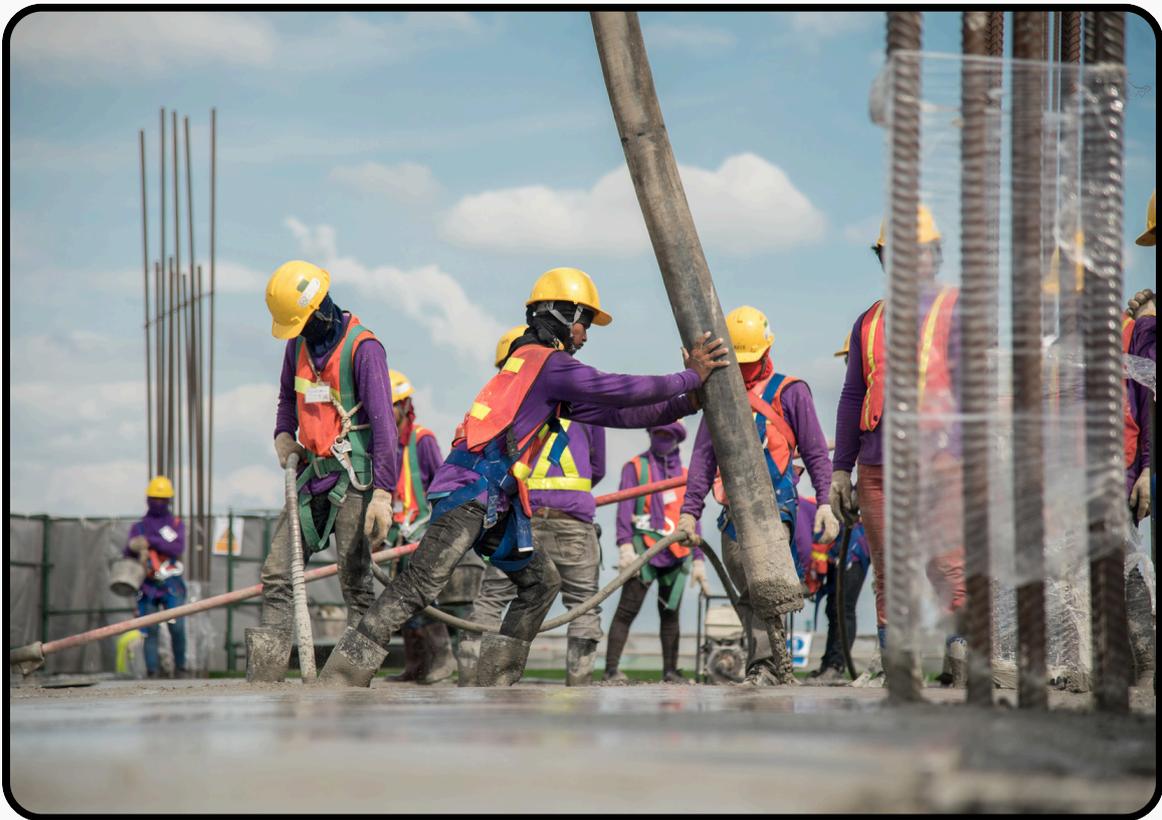
(Notification Date: 4th January, 2026)

GSTN has enabled an online facility on the GST portal for filing Opt-In Declarations for premises classified as "Specified Premises" under Notification No. 05/2025 – Central Tax (Rate), primarily applicable to hotel accommodation service providers. Existing registered taxpayers must file Annexure VII between 1 January and 31 March of the preceding financial year to opt in for the next year, while new registration applicants can file Annexure VIII within 15 days of ARN generation. Suspended taxpayers are eligible to file, but composition dealers, TDS/TCS taxpayers, SEZ units, casual taxpayers, and cancelled registrations are excluded. Up to 10 premises can be declared per submission, each generating a separate ARN, and the opted status continues for future years unless an opt-out (Annexure IX) is filed. Taxpayers who earlier filed manual declarations for FY 2025-26 must re-file electronically for FY 2026-27 within the specified window.

Impact: This move shifts hotel taxation compliance to a fully digital process, ensuring correct tax treatment based on actual unit value. Hotels must re-file declarations within the specified window to continue receiving the correct GST classification.

[Click here: GSTN Advisory no. 645](#)

MLET



1. Aadhaar Authentication Required for PMVBRY Incentives

(Notification Date: 12th January, 2026)

The Government of India has issued a notification mandating that any individual seeking incentives under the Pradhan Mantri Viksit Bharat Rozgar Yojana (PMVBRY) must complete Aadhaar authentication or provide valid proof of possession of an Aadhaar number. This requirement is issued under Section 7 of the Aadhaar Act, 2016, which empowers the government to link Aadhaar authentication with the targeted delivery of subsidies, benefits, and services to residents. The notification aims to ensure that only genuine beneficiaries receive incentives under PMVBRY, minimize duplication or fraud, and streamline the delivery of benefits through a verifiable identity system. Individuals will need to complete Aadhaar verification at the time of application or submission of claims for PMVBRY incentives, aligning the scheme with India's broader Aadhaar-linked authentication framework for government benefits.

Impact: This Aadhaar linkage enhances the accuracy, transparency, and targeting of incentive disbursement under PMVBRY by ensuring benefits reach legitimate beneficiaries. It also reduces the risk of fraud, duplication, and identity misuse, while improving administrative efficiency in processing and monitoring benefit claims.

[Click here: S.O. 168\(E\)](#)

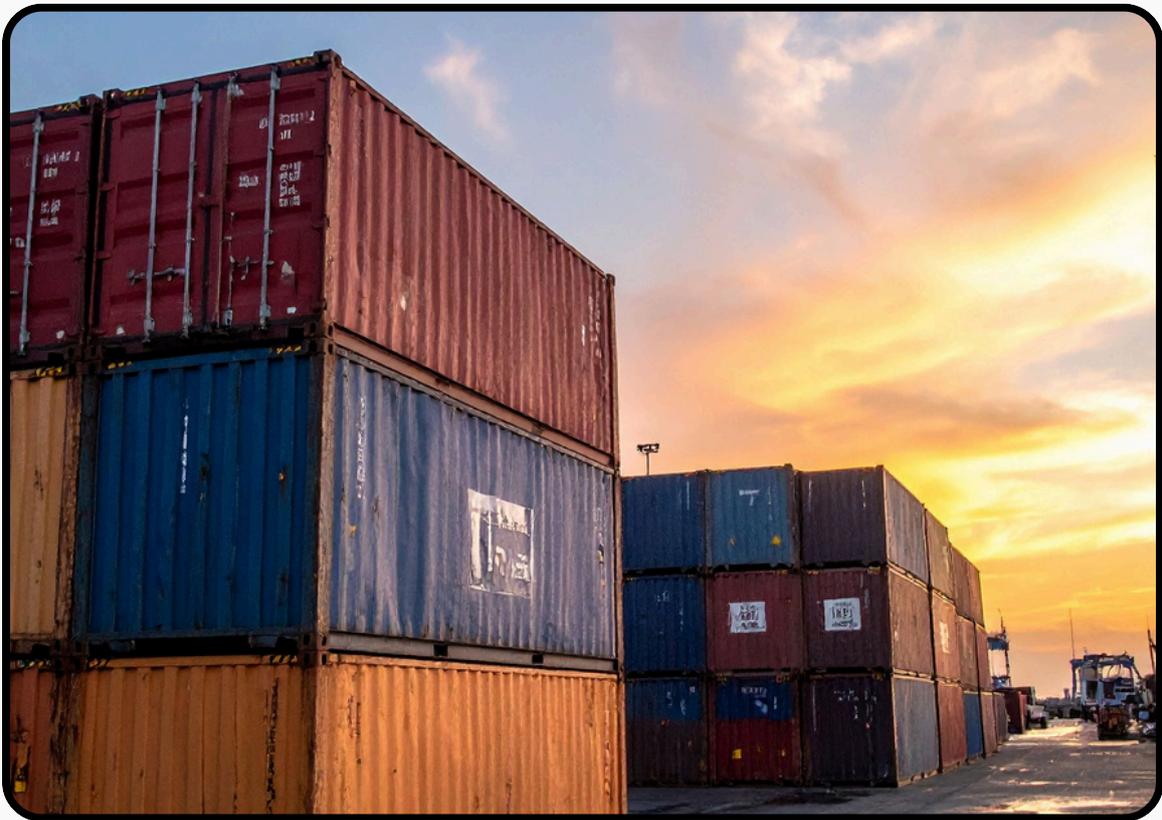
2. Wage Ceiling of ₹18,000 Notified for Supervisory Employees to Qualify as “Worker” under the Code on Wages (Notification Date: 30th January, 2026)

This notification under the Code on Wages, 2019 creates a clear distinction for employees working in a supervisory capacity by setting a wage ceiling of ₹18,000 per month for classification as a “worker.” As a result, supervisory employees earning above this threshold will no longer be covered by the protections and benefits meant for “workers” under the Code, such as minimum wage safeguards and certain payment-related rights. For employers, this increases the need for accurate role-based and wage-based classification of staff to ensure compliance and avoid disputes. The clarification also reduces ambiguity in interpreting the term “worker” for supervisory roles, thereby minimizing the scope for litigation and improving regulatory certainty in workforce categorization.

Impact: It creates a clear compliance obligation to reassess employee classifications based on both role and wage level, as misclassification can lead to regulatory issues. The notification also reduces interpretational disputes over who qualifies as a “worker” in supervisory roles and provides legal clarity that will influence HR policies, payroll structuring, and employment contracts.

[Click here: S.O. 454\(E\)](#)

DGFT



1. Procedure for Second Round of Allocation of TRQ under tariff head 7108 under India-UAE CEPA for FY 2025-26-reg.

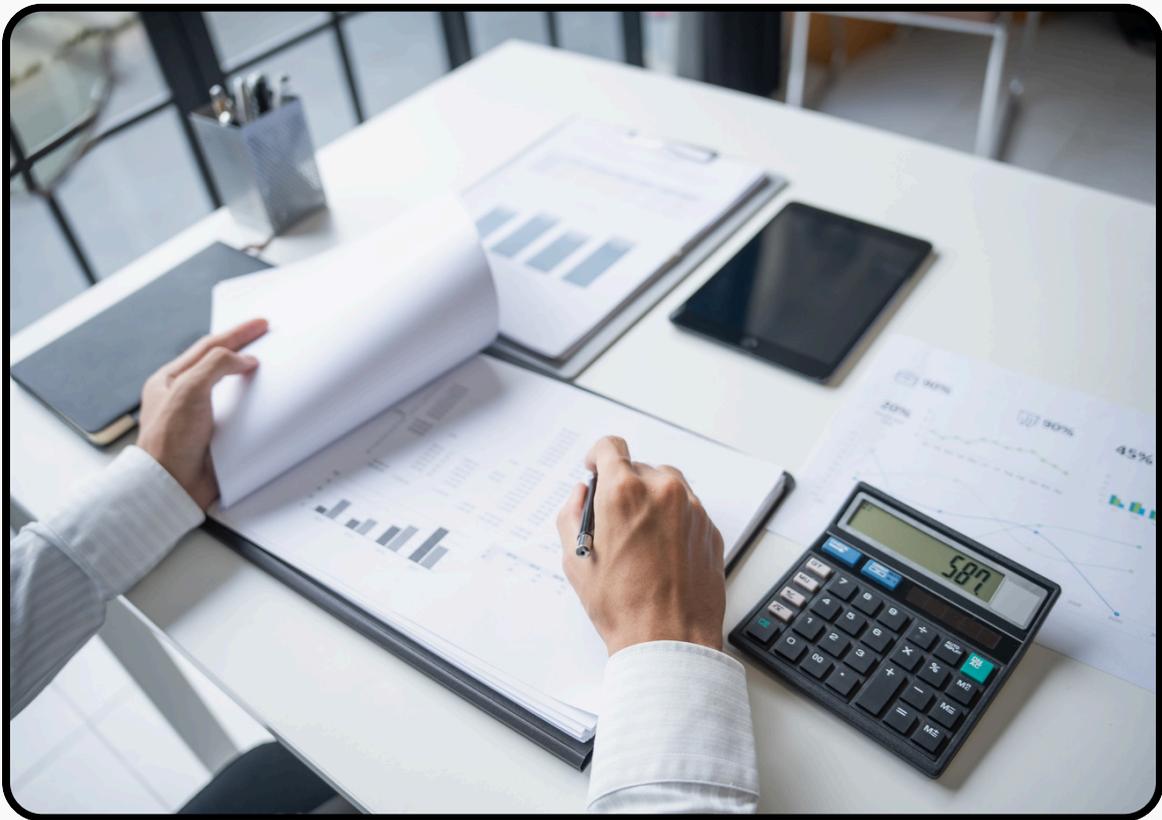
(Notification Date: 23 January, 2026)

DGFT has issued procedures for the second round of allocation of Tariff Rate Quota (TRQ) for Gold (Tariff Head 7108) under the India-UAE CEPA for FY 2025-26. The allocation will be carried out through a competitive e-bidding process on the MSTC portal, where eligible importers must quote a premium per kilogram to secure quota benefits. Participation is subject to strict eligibility conditions such as BIS hallmark registration, valid GSTIN, IEC, and DGFT compliance, along with submission of technical and financial bids using a Class III DSC. The Exim Facilitation Committee (EFC) will allocate quantities based on price buckets, enabling successful bidders to import gold at concessional customs duty under CEPA.

Impact: This provides another opportunity for eligible gold importers to access concessional duty benefits through a transparent bidding mechanism. Importers must ensure full compliance and timely participation to secure TRQ allocation.

[Click here: Public notice 45. 2025-26](#)

NFRA



1. NFRA - Effective Communication Between Statutory Auditors and Those Charged with Governance, Including Audit Committees

(Circular Date: 7th January, 2026)

Background and Purpose:

The National Financial Reporting Authority (NFRA), during its investigations into auditor misconduct, observed serious gaps in communication between:

- Statutory Auditors
- Board of Directors (BOD)
- Independent Directors (IDs)
- Audit Committees (ACs)
- Management

Despite clear legal requirements under the Companies Act, 2013 and the Standards on Auditing (SAs), auditors and governance bodies were failing to engage in meaningful, documented, two-way communication.

NFRA found that this failure was not procedural, but a serious governance lapse affecting audit quality and investor confidence.

This circular reiterates and strengthens the communication obligations under:

- Section 134 – Responsibility of Board for financial statements
- Section 143 – Duties of Auditors
- Section 177 – Role of Audit Committee
- Schedule IV – Duties of Independent Directors
- SA 260 (Revised) – Communication with TCWG
- SA 265 – Communicating deficiencies in internal control

Legal Responsibilities of Key Parties

Board of Directors (Section 134) must:

- Accounting standards are followed
- Judgments and estimates are prudent
- Adequate records exist to prevent fraud
- Internal financial controls (IFC) are effective
- Company is a going concern
- Legal compliance systems exist

Independent Directors (Schedule IV) must:

- Verify integrity of financial information
- Ensure financial controls and risk management are robust
- Question and record concerns in Board minutes
- Pay special attention to related party transactions
- Report unethical behavior or suspected fraud

Audit Committee (Section 177) must:

- Monitor auditor independence and performance
- Review internal controls and risk systems
- Discuss audit scope before audit
- Discuss concerns after audit
- Examine estimates, valuations, RPTs, loans, investments

Auditors (Section 143 + SAs) must:

- Give true & fair view
- Follow auditing standards
- Communicate effectively with TCWG
- Report internal control deficiencies in writing

What NFRA Found Wrong

NFRA observed auditors were:

1. Treating only Audit Committee or even management as TCWG.
2. Relying only on engagement letters as communication proof.
3. Not documenting two-way communication.
4. Giving only last-minute presentations before FS approval.
5. Not communicating: Fraud risks, Going concern issues, Unusual transactions, Related party issues, Regulatory violations, Internal control weaknesses.
6. Mistaking meetings with management.
7. Not reporting serious internal control failures.

What NFRA Now Expects

1. Formal two-way communication framework between auditors and TCWG/Audit Committee.
2. Defined nodal persons from the Board and the Audit Engagement Team.
3. All communications in writing; oral discussions must be documented.
4. No reliance on slides/emails implying acceptance without response.
5. Agenda based structured meetings with proper minutes recording views and actions.
6. Minimum two meetings yearly, before audit start and before FS approval.
7. Additional meetings required for fraud concerns, evidence issues, control weaknesses, or management disagreements.
8. Mandatory discussion topics: audit plan, risks, internal controls, estimates/valuations, RPTs/unusual transactions, auditor independence, and key audit findings; CS to place circular before Board and AC.

Impact

◆ On Auditors:

- Cannot rely on engagement letters or presentations
- Must maintain written evidence of two-way communication
- Must identify TCWG properly
- Greater audit documentation burden
- Higher accountability in NFRA investigations

◆ On Audit Committees / Board / IDs:

- Cannot be passive recipients of audit reports
- Must actively engage, question, and record views
- Must ensure internal control discussions happen
- Minutes must reflect discussions

◆ On Companies:

- Need to create a formal communication framework
- Need structured audit-governance interaction
- Increased compliance and documentation

◆ On Corporate Governance:

- Strengthens oversight on:
 - Fraud & RPTs
 - Valuation manipulation
 - Regulatory non-compliance
 - Weak internal controls

◆ On Investor Protection:

- Improves transparency
- Enhances audit quality
- Prevents governance failures seen in past corporate scandals

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Guide

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Risk Advisory & Management Assurance	Corporate Finance Advisory
Internal Control over Financial Reporting (ICFR)	M&A – Buy-side & Sell-side Advisory
Concurrent / Continuous Monitoring Reviews	Business & Project Structuring (SPV, PPP)
Forensic & Special Purpose Reviews	Fund Raising – Equity & Debt
IT & Cyber Security Reviews	IPO Readiness & Capital Market Advisory
Governance & Enterprise Risk Management	Business Valuation & Due Diligence
Revenue Assurance & Loss Prevention	Credit Rating Advisory
Process Intelligence & SOP Development	Treasury & Working Capital Management
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