

DESAI SAKSENA & ASSOCIATES

27th February, 2026

Friday Tax Alert

Key GSTR-3B Enhancements & Compliance Updates (January 2026)

- **Optimization of IGST Liability Offset:** The GST portal has introduced enhanced flexibility in the utilisation of Input Tax Credit (ITC). Once the IGST ITC ledger is exhausted, taxpayers may now utilise available CGST and SGST credits in any preferred sequence to discharge remaining IGST liabilities.
- **Strategic Benefit:** This update eliminates "locked" credits, allowing for better cash flow management by choosing which ledger to utilise first based on current balances.
- **Automated Interest Calculation (Rule 88B Integration):** Effective from the January 2026 tax period, the auto-populated interest in Table 5.1 now factors in the Minimum Cash Balance maintained in your Electronic Cash Ledger (ECL).
- **The Revised Formula:** Interest is now restricted to the (Net Tax Liability minus Minimum Cash Balance in ECL), calculated from the original due date to the actual date of payment.
- **Compliance Note:** The auto-populated interest amount cannot be edited downward. Upward modification is permitted where self-assessment reflects higher liability.
- **Automated Tax Liability Segmentation:** To ensure higher accuracy, the "Tax Liability Breakup Table" will now be automatically populated based on the document dates reported in GSTR-1, GSTR-1A, or the IFF.
- **Verification Path:** This breakup can be reviewed during the filing process by navigating to: Login > GSTR-3B Dashboard > Table 6.1 > Tax Liability Breakup.
- **Interest Recovery for Cancelled Registrations:** The recovery mechanism for interest has been streamlined for taxpayers with cancelled registrations. Any interest arising from the delayed filing of a final GSTR-3B will now be automatically computed and recovered through the Final Return (GSTR-10).

GST Not to Be Included in Gross Receipts for Section 44B Computation: ITAT

Facts of the Case

- The assessee was a non-resident shipping company engaged in transporting goods from Indian ports.
- It collected freight charges plus GST from customers.
- While filing its return, the assessee computed presumptive income under Section 44B of the Income-tax Act, 1961, which provides for taxation of shipping companies on a prescribed percentage of their gross receipts.

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- The Assessing Officer (AO) included the GST component in the “gross receipts” for Section 44B computation.
- The assessee objected, arguing that GST is a statutory levy collected on behalf of the Government and does not form part of its income.

Grounds of Appeal

- **GST is not income:**
 - GST is a statutory levy, collected and remitted to the Government.
 - It does not accrue to the assessee and hence cannot be treated as part of “gross receipts.”
- **Interpretation of Section 44B:**
 - Section 44B provides for presumptive taxation at 7.5% of the aggregate amounts specified therein.
 - The term “gross receipts” must be confined to amounts that actually accrue to the assessee as consideration for services.
- **Consistency with Section 43B:**
 - If GST is treated as part of receipts, then deduction under Section 43B (allowing deduction of taxes paid to Government) must also be allowed.
 - Section 44B is a special presumptive provision overriding Sections 28 to 43A. The assessee contended that even otherwise, taxes collected and remitted to the Government cannot form part of income.
- **Judicial Principle:**
 - Taxes collected on behalf of the Government are not income of the assessee.
 - Including GST would lead to taxation of amounts not belonging to the assessee, which is against the principle of real income.
- **Conclusion**
 - The Mumbai ITAT held that GST cannot be included in gross receipts for computing presumptive income under Section 44B.
 - The Tribunal reasoned that:
 - Gross receipts under Section 44B should only cover amounts that accrue to the assessee as income.
 - GST is a statutory levy collected on behalf of the Government and does not form part of the assessee’s income.
 - Including GST would artificially inflate receipts, leading to unjust taxation.

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- Accordingly, GST collected by the assessee must be excluded from the deemed income calculation under Section 44B.

Orient Overseas Container Line Ltd. vs. Deputy Commissioner of Income-tax (International Taxation) [2026] 183 taxmann.com 547 (Mumbai - Trib.) [19-01-2026]

Note: The ruling currently holds persuasive value and may be subject to further appeal.

• TEAM WORK • BRIGHT MINDS • INNOVATIVE IDEAS •

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