



MUKUND & ROHIT

CHARTERED ACCOUNTANTS



M&R

CONNECT

FEBRUARY

2026

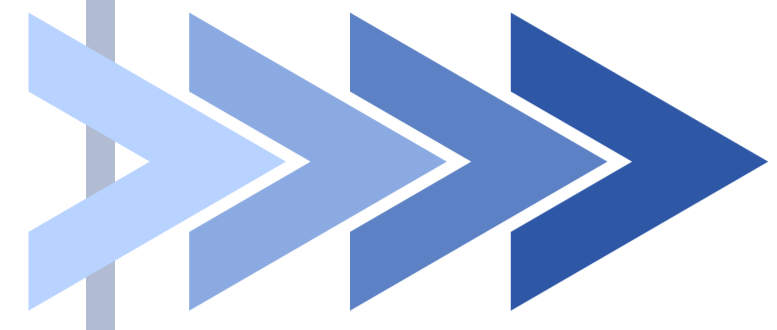


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Decoding the Budget: Major Announcements Simplified

Overview of Union Budget 2026

The **Union Budget 2026-27**, presented by **Finance Minister Nirmala Sitharaman** on **1 February 2026**, sets out the government's financial plan for the year ahead. It focuses on boosting economic growth through increased investment in infrastructure, support for key industries and simplification of tax rules, while maintaining fiscal discipline. With targeted measures for small businesses, manufacturing, logistics and social development, the Budget aims to strengthen India's economic stability and create opportunities for all sectors of society.

Budget Numbers (at a glance)

- **Total expenditure:** ~₹53.5 lakh crore
- **Total receipts:** ~₹36.5 lakh crore
- **Net tax revenue:** ~₹28.7 lakh crore

- **Fiscal deficit target (FY27):**
4.3% of GDP
- **Debt/GDP ratio:**
Expected decline ~55.6%
- **Public capital expenditure:**
₹12.2 lakh crore (record)



Snapshot of Union Budget 2026-27

Professional & Statutory Changes: The "New Era"

The biggest change is the birth of the **Income Tax Act, 2025**, which officially replaces the 1961 Act starting **April 1, 2026**.

- **Audit Practice Impact:** All assessments for FY 2026-27 will follow a completely redesigned set of rules.

- **Staggered Due Dates:** To prevent server crashes and balance CA workloads, the filing dates are now split:
 - **ITR 1 & 2 (Salaried/Individual):** July 31st.
 - **Non-Audit Business/Trusts:** Extended to August 31st.
 - **Audit Cases:** October 31st.
- **Revised Returns:** The window to fix errors in ITRs has been extended from December 31st to **March 31st** of the assessment year.

MSME & Manufacturing Sector

The government is pushing MSMEs to become "Champions" with new liquidity and compliance support.

- **The "Corporate Mitra" Cadre:** In a move that directly involves the CA fraternity, professional bodies (ICAI/ICSI) will help create a pool of accredited professionals to provide low-cost compliance assistance to small businesses in **Tier-II and Tier-III towns**.
- **TDS on Manpower:** A major dispute is resolved. Manpower supply services are now explicitly classified under **Section 194C** (Contractor) with rates of **1% or 2%**, ending the debate over whether they fall under 194J (Professional fees).
- **TReDS Integration:** Central Public Sector Enterprises (CPSEs) must now mandate TReDS for all payments, ensuring faster invoice discounting for your MSME clients.

Banking, Finance & NRI Services

For CAs handling HNI and NRI portfolios, the budget simplifies several friction points.

- **Property Sales by NRIs:** Buyers no longer need to obtain a **TAN** to deposit TDS on property purchased from NRIs; a **PAN-based challan** is now sufficient.

- **Foreign Asset Disclosure:** A **one-time 6-month amnesty window** has been opened for small taxpayers (students, tech employees, and relocated NRIs) to declare foreign assets below **₹20 Lakhs** without facing prosecution.
- **LRS & TCS:** **TCS** on overseas education and medical treatment has been slashed from **5% to 2%**. TCS on tour packages is also a flat 2% with no threshold.

Technology & Startup Sector

- **Safe Harbour Expansion:** The safe harbour threshold for IT/ITES services has been raised from **₹300 Crore to ₹2,000 Crore**.
- **Unified IT Category:** Software development, KPO, and ITES are now under one "Information Technology Services" umbrella with a common safe harbour margin of **15.5%**, greatly simplifying Transfer Pricing audits.
- **Digital Tax Holiday:** A **tax holiday until 2047** has been granted to foreign companies providing high-end global cloud and server services in India.

Capital Markets & Corporate Actions

- **Share Buybacks:** The tax on buybacks has shifted. It is now treated as Capital Gains in the hands of the shareholder.
- **STT Hike:** To curb speculative "F&O" (Futures & Options) trading, the Securities Transaction Tax (STT) has been increased:
 - **Futures:** 0.05% (from 0.02%)
 - **Options:** 0.15% (from 0.1% / 0.125%)
- **MAT Rationalization:** The Minimum Alternate Tax (MAT) rate is reduced from **15% to 14%**, but it is now being positioned as a "Final Tax" for those in the new regime.

**- Manav Shah,
Jiya Marwaha &
Siddharth Panicker**

Strengthening Trade Facilitation: CBIC Extends Export Incentives to Postal Shipments

Big Relief for Exporters: Government Incentives Extended to Postal Exports

In a landmark announcement aimed at strengthening India's trade facilitation framework, the Central Board of Indirect Taxes and Customs (**CBIC**) vide **Notification No. 07/2026-Customs (N.T.) dated 15 January 2026**, has brought **postal shipments within the ambit of government export incentive schemes**. This strategic reform places postal exports on par with traditional port and courier channels and is expected to broaden access to government benefits, reduce operational barriers, and enhance India's position in the rapidly expanding global e-commerce and MSME export ecosystem.

Regulatory Context and Policy Overview

Earlier, export incentive schemes such as RoDTEP and Duty Drawback were largely limited to shipments cleared through customs ports and recognized courier channels. Although widely used by small exporters, postal shipments faced procedural and system-related constraints in accessing these benefits. Acknowledging the expanding role of India Post in enabling international trade, CBIC has now brought postal exports at par with other export modes, opening new opportunities for small and micro exporters, creating a more balanced and inclusive incentive framework for all exporters.



Notification at a Glance

Effective Date: The provisions are applicable from 15 January 2026.

Coverage: Export shipments routed through authorized postal channels are now eligible for government export incentive schemes.

Eligible Schemes:

- **RoDTEP** (Remission of Duties and Taxes on Exported Products)
- **Duty Drawback**, as applicable under existing regulations

Filing Mechanism: Exporters are required to submit prescribed export declarations, commercial invoices, and shipment details at the time of postal clearance.

Processing Authority:

Verification and sanction of eligible claims will be carried out by Customs Authorities (CBIC) in coordination with the Postal Department (India Post).

Compliance: Exporters must ensure correct HS classification, value declaration, and retain documents for audit as per applicable regulations.



Implications for MSMEs and Exporters

Enhanced Access to Incentives: Small exporters and e-commerce sellers can now formally claim government export benefits for shipments routed through postal channels.

Improved Cost Efficiency: Refunds of embedded taxes and duties help improve profit margins, particularly for low-value, high-volume consignments.

Boost to Crossborder E-Commerce: Wider participation in global online markets is encouraged as postal exporters gain access to the same incentive framework as other export modes.

Export Incentives – Pre & Post 15 Jan 2026 (Synopsis)

Aspect	Pre-15 January 2026 (Earlier Provisions)	Post-15 January 2026 (Updated Provisions)
Eligibility of Postal Exports	Postal consignments were largely excluded from most export incentive schemes.	Postal consignments are now eligible for export incentives, subject to specified conditions.
Export Modes Covered	Incentives were primarily available for shipments cleared through customs ports and courier channels.	Incentives are available for shipments routed through ports, courier services, and authorized postal channels.
Eligible Schemes	RoDTEP and Duty Drawback were generally limited to non-postal exports.	RoDTEP and Duty Drawback have been extended to eligible postal exports.
Access for MSMEs & E-commerce Sellers	Access was restricted due to procedural and system-related constraints.	Access has been expanded for MSMEs, small exporters, and cross-border e-commerce sellers.
Global Competitiveness	Higher export costs reduced international competitiveness for small exporters.	Reduced export costs enhance the global competitiveness of Indian exporters.

- Manav Shah

Supreme Court Clarifies Taxability in Amalgamations: Introducing the “Commercial Realizability” Test

India Tax Alert | January 13, 2026

In a landmark ruling, the Supreme Court of India has clarified when share substitution pursuant to an amalgamation result in taxable business income. In *Jindal Equipment Leasing & Consultancy Services Ltd. & Ors. v. CIT*, the Court introduced the “commercial realizability” test to determine taxability under Section 28 of the Income-tax Act, 1961 (ITA), particularly where shares are held as stock-in-trade.

The ruling reinforces the principle that substance prevails over form in tax jurisprudence and limits the scope of tax neutrality in amalgamations involving trading assets.



Background of the Case:

The taxpayers investment companies within the Jindal Group held shares in Jindal Ferro Alloys Ltd. (JFAL) and Jindal Strips Ltd. (JSL). Pursuant to a court-approved amalgamation, JFAL merged into JSL, and shareholders received JSL shares in exchange for their JFAL holdings.

The taxpayers claimed exemption under Section 47(vii), treating the shares as capital assets. However, the tax authorities contended that the shares were held as stock-in-trade and taxed the resulting value difference as business income under Section 28.

While the Income Tax Appellate Tribunal ruled in favor of the taxpayers, the Delhi High Court reversed the decision in principle. The Supreme Court has now upheld the High Court’s reasoning and remanded the matter for factual verification of whether the shares were held as capital assets or stock-in-trade.

The “Commercial Realizability” Test:

The Court held that substitution of shares pursuant to amalgamation constitutes taxable business income only if all the following conditions are met:

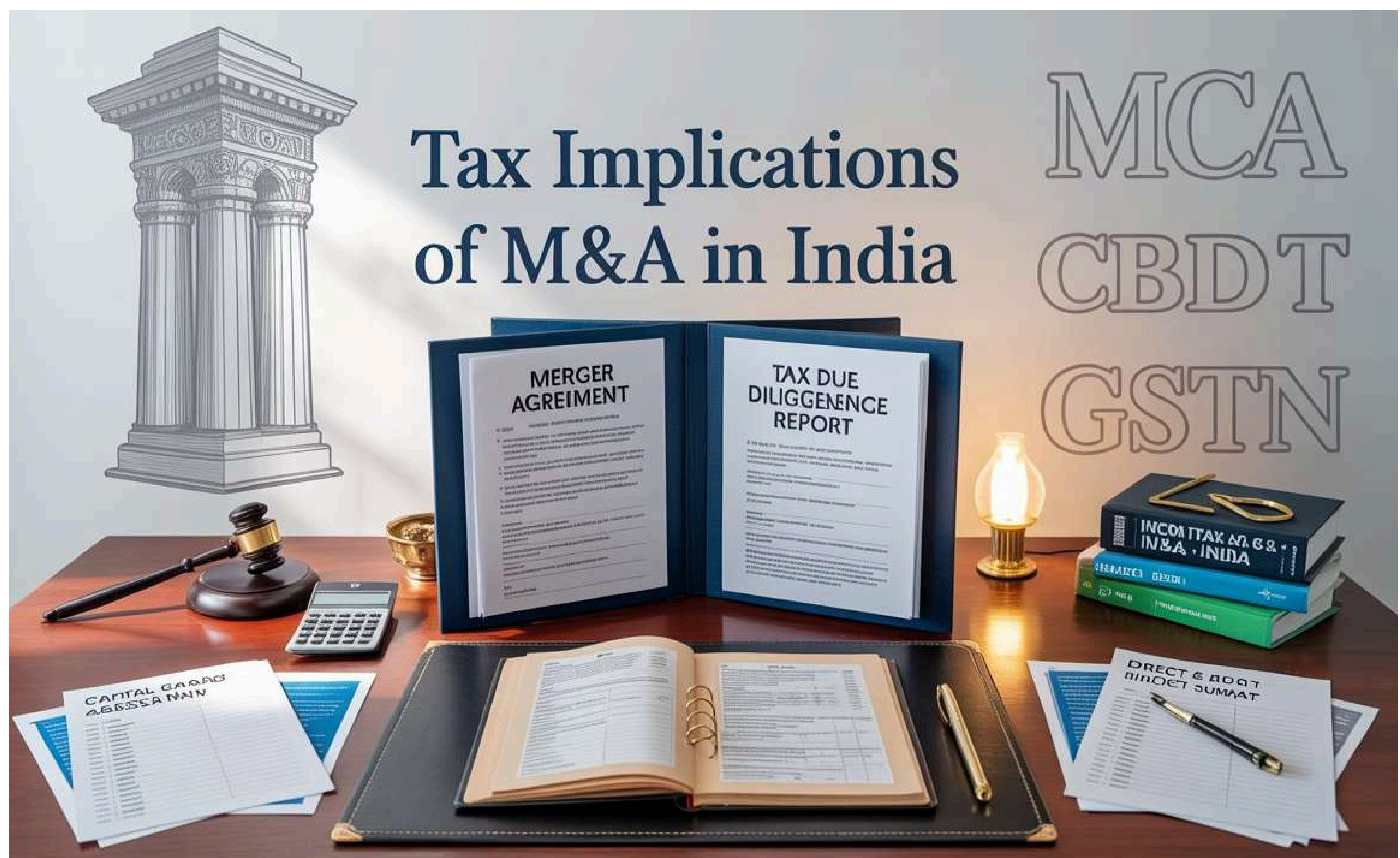
- 1) The original stock-in-trade ceases to exist.
- 2) The new shares have a definite and ascertainable value, and
- 3) The assessee can immediately dispose of the shares for money

Critical Safeguards: When Tax Doesn't Apply

The ruling isn't a blanket tax grab. It recognises commercial reality and avoids taxing gains that exist only on paper.

- Statutory lock-ins: If SEBI or another regulator imposes a lock-in, the gain isn't commercially real yet. Since the shares can't be sold, taxation is deferred.
- Unlisted or closely held shares: Where there's no ready market, mere allotment doesn't create a real, realizable profit.
- WOS mergers: In a merger of a wholly owned subsidiary into its holding company, with no new shares issued, there's typically no tax trigger, nothing new is received or substituted.

Net effect: tax follows real value, not theoretical gains



Strategic Takeaways for the Financial Sector

1. The Trigger Point is "Allotment"

The Court clarified that taxability is not attracted on the Appointed Date or the date of Court Sanction. The tax event occurs only upon the allotment of new shares, as that is the moment a concrete, tradable asset enters the hands of the shareholder.

2. The Cost Base Step-Up

A vital practical silver lining: if an entity is taxed on the value difference today as business income, that taxed value becomes the new cost of acquisition for the future. This ensures that the taxpayer isn't taxed again on the same value when the shares are eventually sold.

3. Impact on Institutional Players

NBFCs, Category III AIFs, and Mutual Funds, who often hold shares as trading assets must now evaluate amalgamations for immediate cash-flow impacts. The burden now lies on the Revenue to prove that the substituted shares are "realizable and definitely valued," but the burden of proving the intent of the holding (Capital vs. Stock) remains with the taxpayer.

**Source: Economic Times (12/1/2026),
Alvarez & Marsal (13/1/2026)**

-Jiya Marwaha

Supreme Court's Tiger Global Judgment: A Turning Point in India's International Tax Landscape

Introduction:

In January 2026, the Supreme Court of India delivered a landmark judgment in the Tiger Global-Flipkart tax case. The ruling has a significant impact on how foreign investors can use tax treaties to claim exemption from capital gains tax in India. The Court made it clear that treaty benefits are not automatic and that artificial structures created mainly for tax saving will not be protected.

Background of the Investment:

Tiger Global had invested in Flipkart through a Mauritius-based special purpose vehicle, which held shares in Flipkart Singapore. This structure was commonly used by foreign investors to avail benefits under the India-Mauritius Double Taxation Avoidance Agreement (DTAA).

In 2018, when Walmart acquired Flipkart, Tiger Global exited by selling its shares in Flipkart Singapore and earned substantial capital gains. Tiger claimed that these gains were not taxable in India because the investment had been made before 1 April 2017 and was protected by the "grandfathering clause" under the amended treaty.

Dispute on Withholding Tax

Before completing the transaction, Tiger applied for a Nil TDS certificate under Section 197 of the Income-tax Act. It argued that it was a tax resident of Mauritius, held a valid Tax Residency Certificate (TRC), and was therefore entitled to treaty benefits.

The tax department rejected this claim, stating that a TRC alone is not sufficient and that the transaction required examination to determine whether the structure had real commercial substance or was designed mainly to avoid tax.

Proceedings Before Courts:

Tiger Global approached the Authority for Advance Rulings, which refused to admit the case on the ground that serious issues of tax avoidance were involved. The Delhi High Court later ruled in Tiger's favour and allowed treaty protection.

The Income Tax Department appealed to the Supreme Court. In January 2026, the Supreme Court set aside the Delhi High Court judgment and ruled in favour of the Revenue.

Key Findings of the Supreme Court:

The Supreme Court held that treaty benefits cannot be claimed automatically merely based on a TRC. It emphasised that tax authorities have the right to look beyond legal form and examine the real substance and business purpose of a transaction. If a structure is artificial or mainly tax-driven, treaty benefits can be denied.

The Court also clarified that grandfathering protection does not automatically apply to complex indirect transfer structures.

Conclusion:

This judgment marks a turning point in India's international tax regime. It strengthens the fight against treaty abuse and highlights the need for genuine commercial substance in cross-border investments. While India continues to welcome foreign investment, the message is clear: tax treaties are meant to prevent double taxation, not to enable tax avoidance.

Source: Times Of India (16/1/2026)

-Siddharth Panicker

Compliance Calendar for Feb'26

TDS/TCS	
7 th Feb 2026	Payment for Jan 2026
15 th Feb 2026	Issue of TDS Certificates for tax deducted u/s 194-IA, 194-IB, 194M in Dec 2025
15 th Feb 2026	Issue of TDS Certificate for Non salary TDS returns.
15 th Feb 2026	Furnish Form 24G for Jan 2026
FEMA	
7 th Feb 2026	ECB-2 Return - By Borrowers of ECB through AD Bank for Jan 2026

Compliance Calendar for Feb'26

GST, Indirect Taxes & Corporate and Allied Laws

10 th Feb 2026	Return for authorities deducting tax at source - GSTR 7 for Jan 2026
10 th Feb 2026	Details of supplies effected through e-commerce operator & the amount of tax collected-GSTR 8 for Jan 2026
11 th Feb 2026	Details of outward supplies of taxable goods and/or services effected - GSTR 1 for Jan 2026
13 th Feb 2026	Invoice Furnishing Facility (IFF) for Jan 2026 in Lieu of GSTR1 for QRMP Filers
13 th Feb 2026	Return for non-resident foreign taxable person - GSTR 5 for Jan 2026
13 th Feb 2026	Return for Input Service Distributor - GSTR 6 for Jan 2026.
20 th Feb 2026	GSTR 3B for Jan 2026 if aggregate turnover above Rs. 5 crore
20 th Feb 2026	Return for OIDAR Service Provider - GSTR 5A for Jan 2026
22 nd Feb 2026	GSTR 3B for Jan 2026 if aggregate turnover below Rs. 5 Crore (Note 1 - Jan)
24 th Feb 2026	GSTR 3B for Jan 2026 if turnover below Rs. 5 Crore (Note 2 - Jan)
25 th Feb 2026	Monthly Payment for Feb 2026 through Challan PMT 06 for QRMP filers

Compliance Calendar for Feb'26

GST, Indirect Taxes & Corporate and Allied Laws

28 st Feb 2026	Prof. Tax - Monthly Return Tax Liability of Rs. 1,00,000 & above for Jan 2026
15 st Feb 2026	P.F. & ESIC - Payment for Jan 2026

NOTE 1:

For Andaman and Nicobar Islands, Andhra Pradesh, Chattishgarh, Dadra & Nagar Haveli, Gujarat, Goa, Karnataka, Kerala, Lakshadweep, Madhya Pradesh, Maharashtra, Puducherry, Tamil Nadu, Telangana

NOTE 2:

For Rest of India

Inside M&R

January

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Saturday



DTAA Capital Gains

Mr. Shubham Agrawal and Mr. Dev Hemarajani led a session on Capital Gains under DTAA, highlighting tax implications, cross-border transactions, and accurate reporting for smooth compliance.

January

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Saturday



Optimizing O2C

Miss Shivya Chella led a session on O2C (Order to Cash), providing insights into effective order processing, timely invoicing, and optimized cash collection for seamless business operations.

January

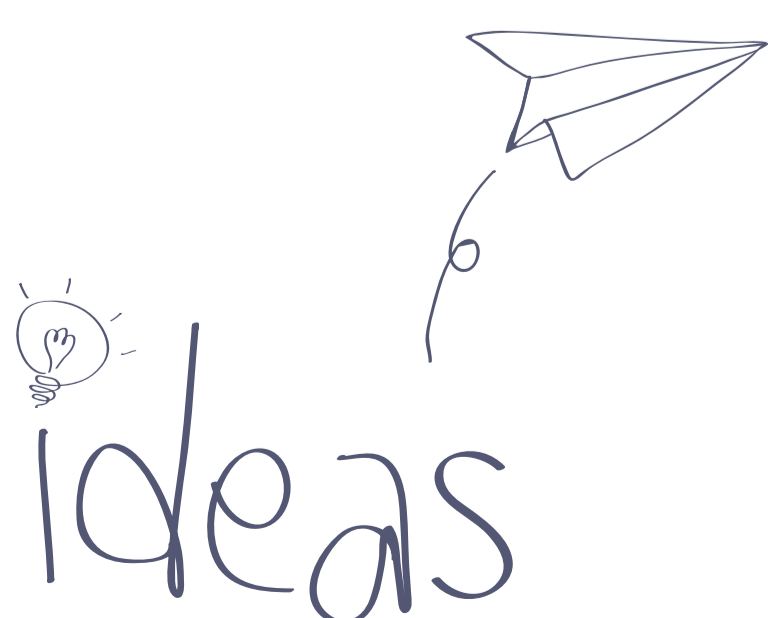
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Saturday



SIA Insights

Mr. Krish Patel, Miss Honey Patel, and Mr. Aum Bhati led a session on Standards on Internal Audit, covering various SIAs and giving insights into effective audit planning, execution, and reporting for robust compliance.



Inside M&R

January

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Saturday



R2R (Record to Report)

Mr. Vedant Rana led a session on R2R (Record to Report) in audit, highlighting key processes, effective documentation, and accurate reporting techniques to ensure smooth and compliant audit practices.

January

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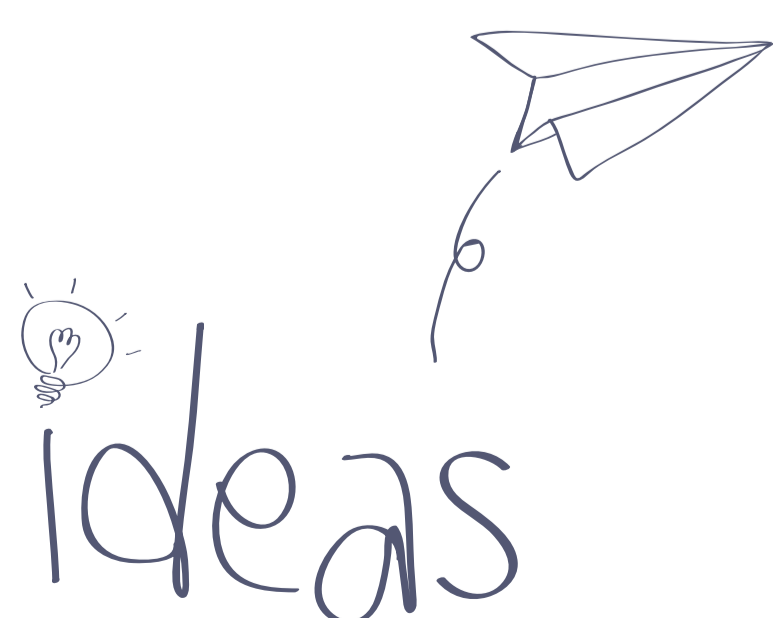
Saturday



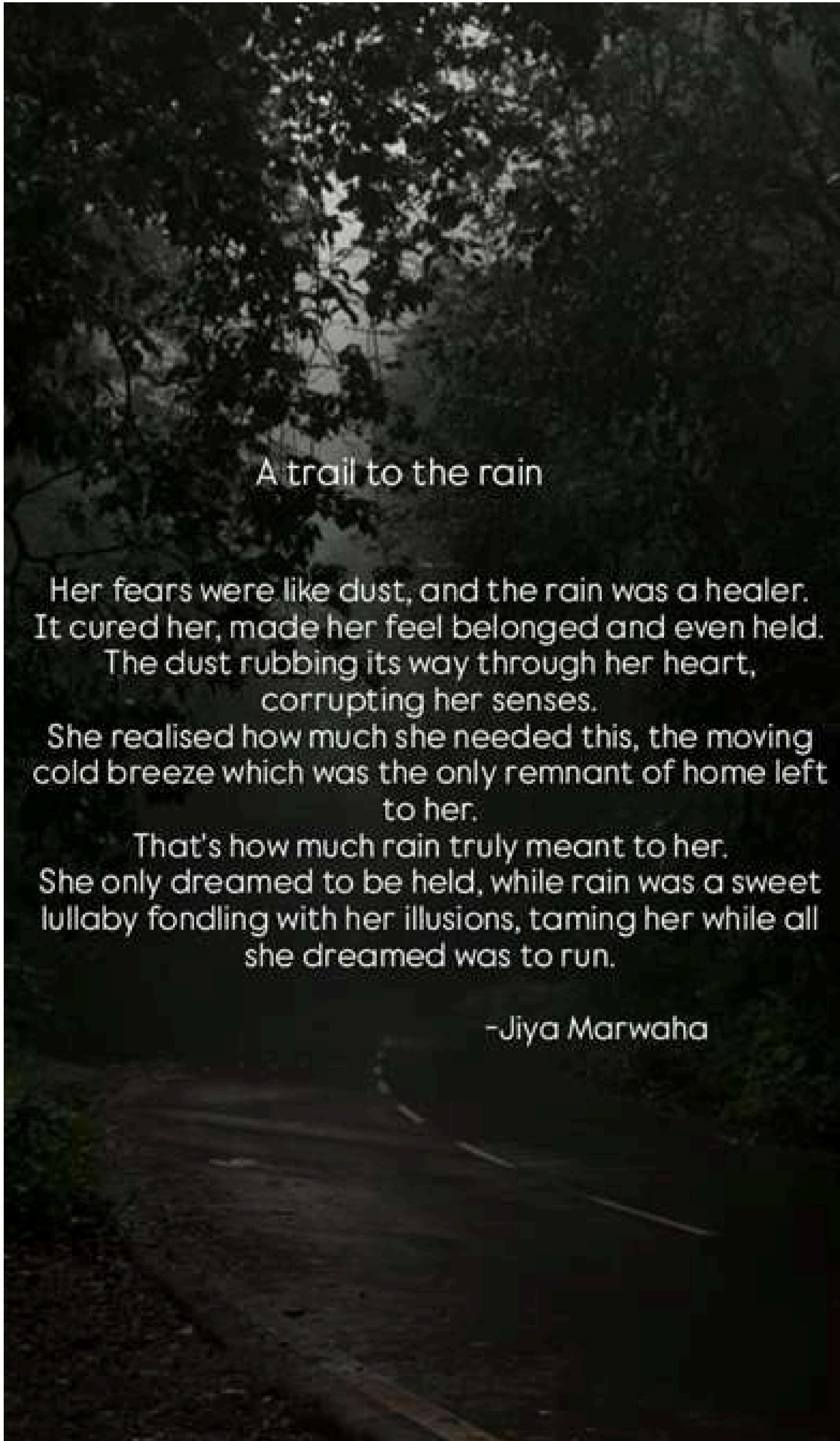
Sports Day:

Fun, Fitness & Friendship

Mukund & Rohit, along with Kreston OPR, organized a lively Sports Day featuring fun games and friendly competitions. Employees enthusiastically joined both indoor and outdoor activities, promoting teamwork and energy. The event blended fitness, enjoyment, and bonding, with special awards recognizing standout participants. It ended with refreshments and group photos, leaving everyone with great memories and stronger team spirit.



Creative Corner



A trail to the rain

Her fears were like dust, and the rain was a healer.
It cured her, made her feel belonged and even held.
The dust rubbing its way through her heart,
corrupting her senses.

She realised how much she needed this, the moving
cold breeze which was the only remnant of home left
to her.

That's how much rain truly meant to her.
She only dreamed to be held, while rain was a sweet
lullaby fondling with her illusions, taming her while all
she dreamed was to run.

- Jiya Marwaha

- Jiya Marwaha



- Honey Patel



- Suhani Israni

Credits & Acknowledgements

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Karan Bakshi

Prepared By:



Manav Shah



Jiya Marwaha



***Siddharth
Panicker***

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