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MONTHLY UPDATE CAPSULE



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Income Tax

26 Important Income tax Proposal in Union budget 2026

Changes in the Income Tax Act, 1961 (Transitional / Immediate Reforms)

1. Return filing due dates rationalised — Salaried/non-business taxpayers: 31 July; non-audit business/professional taxpayers: 31 August.
2. Extended time for revised returns — Now allowed up to 31 March (earlier 31 Dec) with a nominal fee if filed after 31 Dec.
3. Updated return even after reassessment notice — Allowed with additional tax; AO must use updated return; no penalty for additional income reported.
4. Updated return to reduce previously reported losses — Can be filed to correct and reduce losses.
5. Penalty included within assessment order — No need for a separate penalty proceeding.
6. Interest on penalty kept in abeyance during appeal before the first appellate authority.
7. Immunity from misreporting penalty — Pay 100% of additional tax (120% for unexplained cash credits) to avoid penalty.
8. Decriminalisation of minor offences — non-production of books and failure to pay TDS in kind are now only liable to fines; rigorous imprisonment replaced by simple imprisonment.
9. Reduced imprisonment terms — Maximum for serious tax offences reduced to 2 years simple imprisonment (from 7 years).
10. Validity of DIN-based assessments preserved — Technical defects in DIN will not invalidate assessments.
11. Prosecution immunity for small foreign assets — Taxpayers holding non-immovable foreign assets below ₹20 lakh granted immunity, effective retrospectively.
12. FAST-DS 2026 (Foreign Asset Disclosure Scheme) — Undisclosed foreign assets can be disclosed by paying tax and charges with no prosecution risk.

Changes in the New Income Tax Act, 2025 (Effective 1 April 2026)

13. New Income Tax Act, 2025 — Simplified language, logical structure, rationalised rules, and new easy return forms replace the old 1961 Act.
14. Employee PF contribution deduction — Deduction allowed even if deposited up to the return filing due date (earlier disallowed if after the statutory due date).
15. Digital lower/nil TDS certificates — Electronic verification and digital issuance replace manual physical certificates. Under the Income Tax Act, 2025, the application form has been changed from Form 13 to Form 128, though its purpose remains largely the same.
16. TAN relaxation for property purchase — Resident individuals/HUFs no longer need TAN for TDS — PAN is sufficient.
17. MACT interest exempt from TDS — Interest awarded by Motor Accident Claims Tribunal to individuals will be fully exempt from TDS.
18. Form 15G/15H single filing via depository — One filing covers dividends, mutual funds, and securities interest across all holdings.
19. Manpower supply services included in 'work' — TDS applicable at 1% (individuals/HUFs) or 2% (others) for manpower supply contracts.
20. Tax audit default penalty converted to fee — Penalty replaced by a per-day fee with a ceiling.
21. Transfer pricing report default penalty converted to fee — Also replaced by a per-day fee with a ceiling.
22. Pre-payment for appeal reduced — Pre-deposit requirement cut from 20% to 10% of tax demand before filing an appeal.
23. Tax on unexplained income reduced — Tax rate on unexplained income cut from 60% + 10% penalty to 30%, with penalty merged under misreporting at 200% of the tax amount.
24. MAT as final tax — Minimum Alternate Tax will be treated as final tax at a reduced rate of 14%.
25. Buyback proceeds taxed as capital gains — Earlier treated as dividend; now taxed as capital gains in shareholders' hands.

26. No interest deduction against dividend income — Deductions for interest expenditure against dividend income are disallowed; dividend income taxed without such deduction.

Read more at : [26 Important Tax Proposal in Union Budget 2026](#)

Income Tax Rules 2026: Key forms renumbered as New Tax Act gets implemented from April 2026

With the implementation of the new Income-tax Act, 2025 from 1 April 2026, the government has notified changes in the Income-tax Rules, 2026, leading to renumbering and restructuring of several key tax compliance forms. The objective is to align forms and procedures with the new law, which replaces the Income-tax Act, 1961 and simplifies the legal framework.

The changes impact a wide range of commonly used forms, including income-tax return (ITR) forms, tax audit reports, TDS and TCS returns, foreign remittance forms, DTAA-related forms, and information reporting forms such as 26AS and SFT. For instance, tax audit forms 3CA, 3CB and 3CD are consolidated into a new form, and several certificates and reporting forms have been renumbered to match the structure of the new Act.

While these changes do not immediately alter tax rates or basic tax computation, tax professionals, employers, companies, NGOs and financial institutions will need to update their systems, compliance processes and software before April 2026. The new numbering will apply for returns and filings from Assessment Year 2027–28 onwards. Overall, the revamp aims to bring greater clarity, consistency and ease of compliance under India's new income-tax regime.

Read more at : [Income Tax Rules 2026: Key forms renumbered as New Tax Act gets implemented from April 2026](#)

Old tax regime is not going to end soon; CBDT chairman rules out sunset clause for old regime

The old income tax regime in India will continue alongside the new regime for now, despite about 88% of individual taxpayers switching to the new system. There is no plan for a sunset clause.

The old regime remains relevant primarily for taxpayers who can benefit from multiple deductions and exemptions, such as:

- Housing loan interest (Section 24b)
- Tax-saving investments like PF, PPF, ELSS, life insurance, NPS (Sections 80C/80CCD(1B))
- House Rent Allowance (HRA) and other salary-linked exemptions

Overall, the old regime now mainly serves as a transitional option, allowing taxpayers with existing commitments to continue without disruption, while the system gradually encourages most individuals to adopt the new, simpler tax structure. Over time, the need for the old regime may naturally fade.

Read more at : [Old tax regime is not going to end soon; CBDT chairman rules out sunset clause for old regime](#)

No plan to reopen old cases after Tiger Global verdict: CBDT Chairman

The Central Board of Direct Taxes (CBDT) has clarified that there is no intention to reopen old or closed tax cases following the Supreme Court's ruling in the Tiger Global matter. The Court's decision merely interprets the existing legal framework, which has long been part of India's tax law and aligned with global OECD standards on treaty abuse and anti-avoidance.

He emphasised that the Income Tax Department has consistently followed this interpretation and will not initiate retrospective action. However, if similar transactions arise in the future, they will be examined on a case-by-case basis in accordance with the law.

The clarification is expected to provide relief to taxpayers and investors concerned about potential reopening of past assessments. The CBDT also expressed confidence in meeting this year's direct tax collection targets, citing steady revenue growth and reasonable economic projections.

Read more at : [No plan to reopen old cases after Tiger Global verdict: CBDT Chairman](#)

India to announce foreign assets disclosure scheme for returning NRIs, students

The government is set to introduce a time-bound disclosure scheme in Budget 2026 to help returning NRIs, former overseas students, and small taxpayers regularise previously undisclosed foreign income and assets. The scheme, to be called the Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026 (FAST-DS 2026), aims to address genuine cases of non-reporting rather than deliberate tax evasion.

Many individuals who worked or studied abroad have small dormant foreign bank accounts, ESOPs, insurance policies, or minor interest/dividend income that were not disclosed after they became Indian residents again. Under the strict provisions of the Black Money Act, 2015, such omissions can attract heavy penalties and prosecution. However, tax authorities have observed that a substantial number of these cases involve bona fide oversight rather than black money.

The proposed scheme will allow eligible taxpayers to declare foreign assets and income by paying applicable taxes or fees, while offering limited protection from penalties under specified conditions. Cases involving criminal proceedings will not be covered.

Additionally, the government has proposed relaxing prosecution provisions for small foreign assets (excluding immovable property) valued below ₹20 lakh, with retrospective effect from 1 October 2024. The initiative aims to promote voluntary compliance, resolve legacy cases, and align enforcement with the scale and intent of the default.

Read more at : [India to announce foreign assets disclosure scheme for returning NRIs, students](#)

COMPANY LAW

CCFS-2026: MCA Opens One time compliance window for companies to complete pending filing with reduced fees

The Ministry of Corporate Affairs has launched the Companies Compliance Facilitation Scheme, 2026 (CCFS-2026), a one-time opportunity for companies to clear pending statutory filings at reduced cost. Effective from 15 April to 15 July 2026, the scheme allows companies to file overdue annual returns and financial statements by paying only 10% of the otherwise applicable additional fees, which were previously ₹100 per day with no upper limit.

The scheme also provides additional relief options. Inactive companies can apply for dormant status at 50% of the normal fee, while those seeking closure can file for strike-off (Form STK-2) at 25% of the prescribed fee. Limited immunity from penalties is available for companies that complete filings within the specified timeline.

However, the scheme excludes companies under final strike-off notice, dissolved entities, vanishing companies, and certain others. The objective is to improve overall compliance, clean up corporate records, and support ease of doing business, especially for MSMEs and smaller entities burdened by high penalties. After the scheme ends, strict action is expected against companies that remain non-compliant.

Read more at : [CCFS-2026: MCA OPENS ONE-TIME COMPLIANCE WINDOW FOR COMPANIES TO COMPLETE PENDING FILING WITH REDUCED FEES](#)

GST & Customs

Update on Advisory on Interest Collection and Related Enhancements in GSTR-3B

From the January 2026 tax period, the GST Portal will implement important enhancements in GSTR-3B to improve accuracy in interest calculation, tax reporting and ITC utilisation.

Interest on delayed tax payment will now be computed after reducing the minimum cash balance available in the Electronic Cash Ledger from the net tax liability, in line with Rule 88B of CGST Rules. The interest amount will be auto-populated in Table 5.1 of GSTR-3B and will be non-editable downward, though taxpayers may increase it based on self-assessment.

The portal will also auto-populate the tax liability breakup for supplies of previous periods reported in the current return, helping correct interest computation. Further, once IGST ITC is exhausted, taxpayers can use CGST and SGST ITC in any sequence to discharge IGST liability.

For cancelled registrations, any interest due on delayed filing of the last GSTR-3B will now be collected through the final return (GSTR-10). These changes aim to enhance compliance, transparency and accurate interest calculation.

Read more at : [Update on Advisory on Interest Collection and Related Enhancements in GSTR-3B](#)

Six questions every CEO should ask on GST

GST compliance in India has moved far beyond routine return filing. The GST portal now auto-flags mismatches, investigations have intensified, and consequences of non-compliance can include denial of input tax credit (ITC), freezing of bank accounts, and even arrests in high-value cases. For listed companies, GST issues can also trigger mandatory stock exchange disclosures, adding reputational risk.

Most GST risks are preventable and usually arise from weak internal controls, ERP misconfigurations, and poor vendor management—not deliberate evasion. CEOs don't need to master GST law, but should ensure strong processes by asking six critical questions:

1. Are our suppliers credible and compliant?

Fake or non-compliant vendors can lead to ITC denial, penalties, and severe enforcement actions.

2. Are our customers genuine?

Passing credit to fictitious recipients can attract penalties equal to the tax involved. Strong e-invoicing and KYC are essential.

3. Is there any gap between GSTR-2B and GSTR-3B?

Claiming ITC not reflected in 2B can lead to denial of credit, interest, and penalties.

4. Is there any mismatch between GSTR-1 and GSTR-3B?

Differences can trigger system blocks and direct tax recovery with interest.

5. Are all transactions backed by valid e-invoices and e-way bills?

Missing documents can lead to detention of goods and scrutiny of transaction genuineness.

6. Are our products correctly classified (HSN)?

Wrong classification leads to retrospective tax demands with interest.

Read more at : [Six questions every CEO should ask on GST](#)

SEBI

Sebi opens one-year special window for transfer and dematerialisation of physical securities

SEBI has announced a one-time special window from February 5, 2026 to February 4, 2027 to help investors transfer and dematerialise physical securities that could not be processed earlier due to documentation or procedural issues. The move targets investors who were unable to complete transfers before April 1, 2019, when dematerialisation became mandatory. During this period, investors can regularise and resubmit previously rejected, returned, or unprocessed transfer requests and complete transfer-cum-dematerialisation. The initiative aims to resolve long-pending investor grievances, unlock stuck investments, and simplify the process of holding and transferring securities.

Read more at : [Sebi opens one-year special window for transfer and dematerialisation of physical securities](#)

Listing rules on corporate governance to prevail over RBI's for listed banks, clarifies SEBI

SEBI has clarified that all listed entities, including public sector banks, must present their quarterly corporate governance compliance reports to the full Board of Directors and cannot delegate this responsibility to committees such as the audit committee. This clarification came after Punjab National Bank (PNB) sought SEBI's view, arguing that RBI's governance directions allow certain responsibilities to be assigned to board committees. However, SEBI stated that its LODR Regulations are separate from RBI rules and cannot be diluted, and that committee monitoring does not qualify as compliance. The National Stock Exchange had also earlier rejected PNB's request for such delegation. SEBI emphasized that this is informal guidance based on specific facts and not a binding decision, but it provides clarity that ultimate accountability for governance disclosures rests with the full board.

Read more at : [Listing rules on corporate governance to prevail over RBI's for listed banks, clarifies SEBI](#)

RBI

RBI announces up to Rs 25,000 compensation for digital fraud, proposes curbs on mis-selling and recovery agents

The Reserve Bank of India (RBI) has announced new guidelines to protect customers from digital banking fraud and strengthen consumer safeguards.

1. Compensation for Digital Fraud

- a. RBI plans to compensate customers for losses from small-value digital frauds (like UPI, net banking or card fraud).
- b. Compensation will be up to ₹25,000 or 85% of the loss (whichever is lower) if the fraud is not due to customer negligence.
- c. This aims to ensure fair treatment and faster resolution for fraud victims.
- d. RBI will publish a discussion paper on possible measures to enhance digital payment safety, including additional authentication for specific user groups (e.g., senior citizens).

2. Protection Against Mis-Selling

- a. Mis-selling of financial products by regulated entities has significant consumer harm.
- b. RBI will issue draft guidelines on responsible advertising, marketing and sales of financial products and services.
- c. The focus is on ensuring that products sold are suitable, fairly explained, and aligned with customer needs.
- d. Draft rules will be released for public consultation before finalisation.

3. Rules on Recovery Agents

- a. RBI is reviewing instructions on the engagement and conduct of recovery agents used by banks for loan collection.
- b. The aim is to harmonise all conduct-related guidelines and prevent harassment or improper practices.
- c. New draft instructions for regulated entities will be issued for public consultation.

Read more at : [RBI announces up to Rs 25,000 compensation for digital frauds](#)

Miscellaneous

EPFO Pension Hike 2026

The EPFO Pension Hike 2026 marks a major reform in India's retirement system, with the minimum pension under EPS-95 set to increase from ₹1,000 to ₹7,500 and the wage ceiling revised to better reflect current salary structures. Ending an 11-year freeze, the move is expected to benefit around 6.5 crore private sector employees who have long struggled with inadequate post-retirement income. The hike aims to restore dignity to retirees by providing more meaningful monthly support amid rising living costs, while the revised wage ceiling will allow higher contributions and better future pensions, especially for younger workers. The reform narrows the gap between private and government employees' retirement benefits, strengthens retirement planning, and is expected to boost confidence in the EPFO system. While the government has stressed the need to balance higher payouts with long-term fund sustainability, employee unions and retirees have welcomed the decision as a long-awaited victory.

Read more at : [EPFO Pension Hike 2026: Minimum ₹7,500 Approved, Wage Ceiling Raised & Relief for 6.5 Crore Private Employees](#)

CKYCRR 2.0 launch: Simplified KYC, digiLocker integration AI deduplication for financial institutions

The government is set to launch CKYCRR 2.0 (Central KYC Records Registry) by the end of the month to simplify and digitise KYC verification and periodic updates across banks, insurers, mutual funds and other financial institutions.

A major upgrade is the full integration with DigiLocker, which will enable real-time validation of officially valid documents directly from issuing authorities. This is expected to reduce duplication of KYC verification across institutions and make periodic KYC updates easier for customers.

The upgraded registry will feature AI-driven deduplication using photo matching, along with API-based verification with PAN, Aadhaar and Sarathi (driving licence) databases. Regulated

entities will be able to report, deactivate and merge duplicate KYC records, addressing long-standing operational challenges. Reporting entities can also search KYC records using registered mobile numbers.

Further enhancements include OTP-based customer consent authentication, metadata access for financial institutions, and Aadhaar-based authentication (with explicit customer consent). As per official data, CERSAI has onboarded around 8,000 entities on CKYC and about 6,000 entities on the Security Interest Registry.

The revamp follows the Budget 2025–26 announcement to simplify KYC norms and introduce a streamlined mechanism for periodic updates, especially for low-risk customers. Overall, CKYCRR 2.0 aims to make KYC faster, more secure, and more seamless across the financial ecosystem.

Read more at : [CKYCRR 2.0 launch: Simplified KYC, digiLocker integration, AI deduplication for financial institutions.](#)



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WHAT WE SERVE



SPECIALIZED INTO

- ✓ Audit & Assurance (incl. Tax Audit, Statutory Audit etc)
- ✓ Internal audit / Management audit
- ✓ ESOP Valuation SBP (Share based payment) under Ind AS
- ✓ Valuations under various laws including Companies Act and IBBI
- ✓ Implementation of IFC, Drafting SOPs, Testing controls
- ✓ Company formation and assisting clients with Regulatory compliance for setting up business in India
- ✓ Setting up of Vigil and whistle-blower mechanism
- ✓ Developing, implementing and operationalizing Business Ethics and Code of Conduct for Employees and Directors
- ✓ Tax, Regulatory and Advisory
- ✓ Accounting advisory, Book Keeping and MIS services
- ✓ Project Financing for Term Loan & Working Capital Loan
- ✓ ECB Compliances, Returns, Hedge Accounting and Certification

- ✓ Tax effective Portfolio Management / Reshuffling advisory
- ✓ Regular Attest function
- ✓ Talent pool of proficient resources to our network firms and clients

RRD AND ASSOCIATES

OTHER SPECIALIZED SERVICES:

Assurance

- ✓ Concurrent Audit
- ✓ Statutory Audit
- ✓ Stock Audit
- ✓ Forensic Audit
- ✓ Due Diligence
- ✓ Tax Audit

Operations & Risk Consultancy

- ✓ Internal Audit
- ✓ Review of Internal Financial Control
- ✓ Drafting and assistance in SOP's
- ✓ Fraud Investigations

Tax, Regulatory & Advisory

- ✓ Consultancy under Direct and Indirect taxation
- ✓ GST Implementation Services
- ✓ Assessment and Litigation Support
- ✓ Filing of Returns under direct and indirect taxes
- ✓ ROC Fillings Regulatory compliances
- ✓ RBI and SEBI fillings
- ✓ Supporting in 15CA and 15CB filing

Accounting Advisory

- ✓ Assistance in drafting and preparations of Financial statement with respect to Ind-AS, IFRS, US GAAPs
- ✓ Accounts receivables / payable reconciliations
- ✓ Bank Reconciliations
- ✓ Inventory Management support
- ✓ Fixed Asset & Inventory verification
- ✓ MIS, Budgeting

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