

# FIN-O-SCOPE

15h Feb,2026



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## Top Trends

- IMF forecasts global GDP growth at about 3.3% in 2026–27 with divergent regional outcomes.
- Global headline inflation is expected to ease to ~3.8% in 2026.
- Growth in advanced economies projected at ~1.8% in 2026.
- United States GDP expected to expand ~2.4% in 2026.

# Top Trends

- Emerging markets and developing economies forecast to grow above 4%.
- World trade volume growth projected to slow to ~2.6% in 2026.
- Alternate forecasts (UN) estimate global growth ~2.7% in 2026.
- UN reports continued strong services trade despite trade policy uncertainty.
- Subdued investment remains a drag on worldwide economic activity.
- Global cost-of-living pressures persist even as inflation moderates.
- Economies face uneven recovery paths post-pandemic.
- Fragility and uncertainty are structural features of the 2026 economy.
- Geopolitical risks like US-China tensions add to market volatility.
- Financial risks and public debt remain high in many regions.
- Global economic outlook reports stress resilience amid fragmentation.

## CBDT Releases Draft Income-tax Rules and Forms, 2026 for Public Consultation

**Press Release:-** 2225061

**Date:** 8th February, 2026

The Central Board of Direct Taxes (CBDT) has released the Draft Income-tax Rules and Forms, 2026 in the public domain for stakeholder consultation prior to their enforcement alongside the new Income-tax Act, 2025, effective from 1st April, 2026. The draft rules reflect the simplified drafting philosophy of the new Act, aiming to enhance clarity, reduce redundancy, and improve ease of compliance. Notably, the proposed framework reduces the number of rules from 511 under the Income-tax Rules, 1962 to 333 draft rules, and the number of forms from 399 to 190, through consolidation and rationalisation. The forms have been redesigned with standardized data fields, simplified language, automation features, pre-fill capabilities, and automated reconciliation mechanisms to facilitate technology-driven compliance and centralized processing. Stakeholders have been invited to submit rule-wise and form-wise feedback within the prescribed consultation period, reinforcing a participative and transparent approach in framing subordinate tax legislation. The proposed reforms are expected to significantly improve taxpayer experience, enhance administrative efficiency, and support data-driven decision-making in tax administration.

# DTAA non-discrimination clauses can be invoked to prevent unequal application of disallowance provisions.

## LinkedIn Technology Information (P.) Ltd. v. Principal Commissioner of Income Tax

**Case Citation:** [2026] 182 taxmann.com 472 (ITAT Delhi)

**Court/Tribunal:** Income Tax Appellate Tribunal, Delhi Bench

### Counsel:

- For the Assessee: As per record
- For the Revenue: As per record

### Statutory Provisions Involved:

Section 40(a)(i), Section 40(a)(ia), Section 263 of the Income-tax Act, 1961; Article 26(3) of the applicable DTAA

### Key Facts:

The assessee is an Indian company engaged in providing technology-enabled and support services to overseas group entities. During the relevant assessment year, the assessee incurred certain expenditures towards payments made to non-resident entities. Tax was not deducted at source on these payments, leading to examination of disallowance provisions under section 40(a)(i).

During assessment proceedings, the Assessing Officer examined the scope of disallowance and, adopting parity with the amended provisions applicable to resident payees under section 40(a)(ia), restricted the disallowance to 30% of the expenditure. The assessment order was completed accordingly.

Subsequently, the Principal Commissioner of Income Tax invoked revisionary jurisdiction under section 263, alleging that the Assessing Officer had committed an error by restricting the disallowance.

## Top Trends

- Malawi business protests delay implementation of an electronic invoicing tax system.
- India's tax-to-GDP ratio remains lower than some comparators, highlighting evasion concerns.
- India's recent budgets focus on tax rationalisation and ease of compliance.
- India's FY26 GST rationalisation and corporate tax updates aim to support growth.
- OECD reports that global minimum tax inclusion extends to ~60% of MNEs.
- International tax negotiations face political and implementation hurdles.
- Greek tax incentives proposed to attract investment and stimulate markets.
- Pakistan's Finance Act 2025 triggered tax protests and business pushback.
- Pakistan aims to raise tax-to-GDP ratio to improve fiscal sustainability.
- Many economies are balancing fiscal stimulus with deficit concerns.
- Focus on restoring fiscal buffers is central to stability strategies.

# Top Trends

- UK budget extends personal tax threshold freeze and introduces new levies.
- Singapore projects a budget surplus (~1% of GDP) for FY2026.
- UK plans to deploy fiscal support despite broader budget tightening.
- IMF emphasizes structural reforms to support medium-term growth.
- Global finance resilient despite headwinds, dealmaking continues.
- UK tax reform discussions spark corporate leadership shifts.
- Indonesian credit rating outlook turned negative by Moody's due to policy uncertainty.
- Corporate digital tax and AI integration in taxation are growing themes.
- South Asia shows robust growth but employment and trade issues persist.
- China's economic expansion moderating, still a key global growth driver.
- India's domestic demand growth remains strong amid global uncertainty.
- African economies face headwinds, with inflation and currency challenges.

## Tribunal's Detailed Analysis:

The Tribunal analysed the scope of section 263 and reiterated that revisionary powers can be exercised only where the assessment order is both erroneous and prejudicial to the interests of the revenue. It examined the legislative framework governing disallowance of expenditure for failure to deduct tax at source in cases involving residents and non-residents.

While section 40(a)(i) does not expressly limit the quantum of disallowance, the Tribunal placed strong reliance on the non-discrimination clause under Article 26(3) of the DTAA, which mandates that non-residents should not be subjected to more onerous tax treatment than residents in comparable circumstances.

The Tribunal observed that once the legislature itself has restricted disallowance to 30% in the case of resident payees, applying a harsher consequence to non-resident payments for the same default would amount to discriminatory treatment. The Assessing Officer had consciously adopted a view that harmonised domestic tax law with treaty obligations, and such a view was clearly a legally plausible view.

## Key Findings & Final Ruling:

The Tribunal held that the assessment order could not be regarded as erroneous or prejudicial to the interests of the revenue. Consequently, the revisionary order passed under section 263 was quashed and the assessee's appeal was allowed.

**Offshore supply of equipment and drawings lacked sufficient territorial nexus with India and could not be brought to tax in India.**

## SMS Group GmbH v. ACIT (International Taxation)

**Case Citation:** [2026] 182 taxmann.com 17 (ITAT Delhi)

**Court/Tribunal:** Income Tax Appellate Tribunal, Delhi Bench

**Counsel:**

- For the Assessee: As per record
- For the Revenue: As per record

**Statutory Provisions Involved:**

Sections 5 and 9 of the Income-tax Act, 1961; Articles 7 and 12 of the India-Germany DTAA

**Key Facts:**

The assessee, SMS Group GmbH, is a company incorporated and tax resident of Germany. It entered into contracts with Indian customers for the offshore supply of specialised equipment, supply of technical drawings and documentation, and provision of supervisory services in connection with installation and commissioning of equipment in India.

The Revenue sought to tax the receipts arising from these contracts, contending that the income was either in the nature of Fees for Technical Services (FTS) or business income attributable to a Permanent Establishment (PE) in India.

**Tribunal's Detailed Analysis:**

The Tribunal undertook a detailed examination of contractual terms, scope of work, and the manner of execution of contracts. It observed that the title and risk in respect of offshore supply of equipment passed outside India and that the supply transactions were completed offshore.

Accordingly, the Tribunal held that offshore supply of equipment and drawings lacked sufficient territorial nexus with India and could not be brought to tax in India. With respect to supervisory services, the Tribunal analysed the duration of services rendered in India. It held that where supervisory services were rendered for a period of less than six months, the receipts would be taxable as Fees for Technical Services under the DTAA.

**Key findings and final Ruling:**

The Tribunal party allowed the appeal, excluding offshore supply receipts from taxation and directing net-basis computation of income attributable to the PE.

## Top Trends

- Deglobalization and digitalization shape modern finance and tax systems.
- Surging public debt is a global challenge.
- AI and digital transformation increasingly influence fiscal and monetary policy.
- Shift toward sustainable finance and climate-linked economics continues.
- UN proposals link carbon markets with fiscal policy and trade strategy.
- Goldman Sachs forecasts global growth around 2.8% in 2026, slightly above consensus, driven by consumer demand and investment resilience.
- South Asia's growth is on track but expected to slow from ~6.6% in 2025 to ~5.8% in 2026, reflecting global headwinds.
- India's economy continues resilient with strong domestic demand despite external pressures.
- India's FY27 budget outlook projects sustained growth amid global uncertainty.
- Persistent regional inflation disparities seen across Indian states, impacting local economic conditions.

# Top Trends

- Some advanced economies face sluggish investment even as post-pandemic consumer demand persists. (context from ongoing data)
- China's economic trajectory moderates but remains globally influential. (broader trend)
- EMDEs (emerging markets and developing economies) continue outpacing advanced economies. (generic trend)
- The US Federal Reserve has held interest rates steady following cuts in 2025, reflecting cautious balance between growth and inflation.
- Elevated investor attention on interest rate paths creates volatility in forex and bond markets globally. (general observation)
- Japanese policy shifts, including proposed consumption tax changes, have rattled global bond markets.
- Central banks globally remain vigilant on inflation, with mixed signals across regions

## Conversion of OCPS into equity is not a fresh acquisition of property, hence do not attract income tax under section 56(2)(x).

### Fairbridge Capital (Mauritius) Ltd. v. ACIT

**Case Citation:** TS-96-ITAT-2026 (ITAT Mumbai)

**Court/Tribunal:** Income Tax Appellate Tribunal, Mumbai Bench

**Counsel:**

- For the Assessee: As per record
- For the Revenue: As per record

**Statutory Provisions Involved:**

Section 56(2)(x), Sections 47 and 49 of the Income-tax Act, 1961

**Key Legal Issue:**

The assessee, a Mauritius-based investment entity, invested in an Indian company through Optionally Convertible Preference Shares. In accordance with pre-agreed contractual terms, the preference shares were converted into equity shares during the relevant assessment year.

The Revenue alleged that the fair market value of the equity shares on the date of conversion exceeded the conversion price and sought to tax the differential amount as income under section 56(2)(x), treating the conversion as receipt of property for inadequate consideration.

**Tribunal's Detailed Analysis:**

The Tribunal analysed the true nature of conversion transactions and observed that conversion of preference shares into equity is not a fresh acquisition of property.

It is a capital restructuring event involving transformation of one capital asset into another. The Tribunal held that the real consideration for equity shares is the extinguishment of preference shares and not the nominal conversion price. It further cautioned that section 56(2)(x), being an anti-abuse provision, cannot be stretched to tax notional or unrealised appreciation arising from genuine commercial arrangements.

**Key Findings & Final Ruling:**

The addition made under section 56(2)(x) was deleted and the assessee's appeal was allowed.

# The ruling reinforces safeguards against arbitrary reassessment and underscores the evidentiary standards required for reopening completed assessments

## Vimal Alloys (P.) Ltd. v. DCIT

**Case Citation:** ITA No. 890/Chd/2025 (ITAT Chandigarh)

**Court/Tribunal:** Income Tax Appellate Tribunal, Chandigarh Bench 'B'

### Counsel:

- For the Assessee: As per record
- For the Revenue: As per record

### Statutory Provisions Involved:

Sections 69A, 147, 148 and 148A of the Income-tax Act, 1961

### Key Facts:

The Assessing Officer initiated reassessment proceedings against the assessee based on an excel sheet seized from a third party during search proceedings.

### Tribunal's Detailed Analysis:

The Tribunal held that the excel sheet constituted a 'dumb document' with no evidentiary value. It emphasised that additions or reopening based solely on third-party material require independent verification and strict adherence to principles of natural justice.

### Key Findings & Final Ruling:

The reassessment proceedings were quashed and the assessee's appeal was allowed.

## Top Trends

- Central banks globally remain vigilant on inflation, with mixed signals across regions.
- Financial regulation updates continue to address fintech, cryptocurrencies, and cybersecurity risks.
- Singapore projects a FY2026 budget surplus (~1% of GDP) but warns of moderate growth pressures.
- Public debt discussions intensify in many economies facing fiscal consolidation pressures.
- UK public sentiment is increasingly in favor of tax and spending cuts amid high historical debt levels.
- Governments emphasize structural fiscal reforms to safeguard medium-term growth, balancing stimulus with discipline.
- Singapore introduces a 40% corporate tax rebate for 2026 to ease business costs.
- UAE exempts corporate tax for non-commercial sports organizations to boost global sports positioning.

# Top Trends

- Many countries advance OECD/G20 Inclusive Framework for multinational taxation and global minimum tax – supporting fairer allocation.
- EU continues VAT modernization under VAT in the Digital Age reforms to tighten tax compliance and reduce gaps.
- India releases draft Income Tax Rules 2026 to simplify compliance and clarify asset valuation methodologies.
- India's ongoing GST reforms and GST 2.0 aim for simpler structure and broader base.
- Tax authorities globally push digital compliance and real-time reporting to enhance transparency.
- OECD reports that countries implementing global minimum tax stand to gain significant additional revenue.
- Worldwide emphasis on linking tax policy with sustainable development goals.

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