

UNION BUDGET 2026

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HIGHLIGHTS OF UNION BUDGET 2026

DIRECT TAX

- The Income-tax Act, 2025 will come into effect from 1st April, 2026;
- The traditional terms "Assessment Year (AY)" and "Previous Year (which was aligned with Financial Year)" will be replaced with a single concept called the "Tax Year";
- Existing income-tax rates and slab structure under both the old tax regime and the new tax regime have been retained without any modifications;
- No change in Corporate Tax Rates except MAT rate reduced from 15% to 14%;
- MAT rate will be final rate for domestic companies from Tax Year 2026-27 onwards not opting for concessional tax regime; no such MAT credit allowed to carried forward;
- Old MAT credit upto A.Y. 2026-27 to the extent of 25% of regular tax payable, for a maximum 15 years available to domestic companies opting for concessional tax regime from Tax Year 2026-27 and onwards;
- Foreign companies opting for presumptive tax regime uniformly exempted from MAT;
- Denial of entire interest expense as deduction against dividend income and income from units of mutual funds;
- Due date for deposit of employee's contribution to specified welfare funds such as Provident Fund & ESIC aligned with due date of filing return of income of employer i.e. the deduction for employee's contribution can be claimed if amount is paid on or before the due date of filing return of income;
- Gains arising from buy-back to be treated as capital gains in hands of shareholder instead of dividend income; additional tax applicable to promoters participating in buy-back of shares of companies;
- Rationalizing rates of tax collected at source at uniform rate of 2%;
- Enabling electronic application and issuance of lower/Nil withholding certificate for deduction of income-tax;

- Time limit for revising the income-tax return is extended from 31st December to 31st March with a nominal fee where the revision is made after 31st December;
- Due date to file Return of Income for non-audit business cases is extended to 31st August, while all other individual taxpayers will continue to file Return of Income by 31st July;
- Scope of Updated Return (UR) extended to cover even loss return in case of reduction in losses compared to original Return of income and enabling filing of UR even post reassessment notice with additional tax liability of 10%;
- Decriminalization of various offences for prosecution and reducing penal consequences for various provisions;
- Relaxation from prosecution under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (BMA);
- Assessments not to be invalid on ground of any mistake, defect or omission on account of computer-generated Document Identification Number (DIN);
- Tax authority having jurisdiction over taxpayer can only issue reassessment notices;
- TDS on the supply of manpower included under the ambit of "work" and clarified to be at 1% for individuals and 2% for others;
- TCS on Remittance under the Liberalised Remittance Scheme (LRS) exceeding ₹ 10 Lakh for the purpose of education and medical treatment, reduced from 5% to 2%;
- Uniform Safe Harbour margin of 15.50% proposed for the IT services category;
- Turnover threshold for Safe Harbour has been raised from ₹ 300 lakh to ₹ 2000 Crores for Information Technology (IT) services;
- Rationalizing the provisions relating to filing / modifying return of income by Associated Enterprises of the person who has entered into Advance Pricing Agreement (APA);
- APA conclusion is proposed for taxpayers in the IT sector within two years;
- It is proposed to exempt the interest on compensation awarded by the Tribunal to an individual or that person's legal heir under the Motor Vehicles Act, 1988;
- Income Computation and Disclosure Standards (ICDS) will be repealed w.e.f. 1st April, 2027 and a joint committee consisting of the Ministry of Corporate Affairs and the Central Board of Direct Taxes (CBDT) will be formed to integrate ICDS and Indian Accounting Standards.

INDIRECT TAX

- Place of supply of intermediary services to be the location of recipient of service;
- Amendment to Section 15(3)- Post Sales Discount and Section 34(1) of the CGST Act for Credit notes;
- Provisional refund to be granted for refunds arising from an inverted tax structure;
- Minimum refund threshold of ₹ 1,000 to not be applicable in cases of export of goods with payment of tax;
- The Baggage Rules, 2016 to be superseded by Baggage Rules, 2026;
- The basic customs duty on 17 critical drugs is to be exempted;
- The tariff rate on all dutiable goods imported for personal use to be reduced from 20% to 10%.

OTHERS

- STT on Futures to be raised to 0.05% from present 0.02%. STT on options premium and exercise of options to be raised to 0.15% from the present rate of 0.1% and 0.125% respectively;
- Relief from prosecution under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

RATES OF INCOME TAX

The traditional terms “**Assessment Year**” (AY) and “**Previous Year**” (which was aligned with **Financial Year**) will be replaced with a **single concept called the “Tax Year”**

Option I – NORMAL TAX RATES [Old Tax Regime]: -

All Resident Individual Assessee and All Non – Resident Individual Assessee (Less than 60 years), HUF, AOP (Other than a Co-Operative Society), BOI (whether incorporated or not) and Artificial Juridical Person (AJP): -

Income Slabs	Existing Income Tax Rates (AY 2026-27)	Proposed Income Tax Rates (Tax Year 2026-27)
Up to 2,50,000	NIL	NIL
2,50,001 - 5,00,000*	5%	5%
5,00,001 - 10,00,000	20%	20%
Above 10,00,000	30%	30%

Resident Senior Citizen (60 years or more but less than 80 years): -

Income Slabs	Existing Income Tax Rates (AY 2026-27)	Proposed Income Tax Rates (Tax Year 2026-27)
Up to 3,00,000	NIL	NIL
3,00,001 - 5,00,000*	5%	5%
5,00,001 - 10,00,000	20%	20%
Above 10,00,000	30%	30%

Resident Very Senior Citizen (80 years or more): -

Income Slabs	Existing Income Tax Rates (AY 2026-27)	Proposed Income Tax Rates (Tax Year 2026-27)
Up to 5,00,000	NIL	NIL
5,00,001 - 10,00,000	20%	20%
Above 10,00,000	30%	30%

Notes: -

- Filing of Return of Income is not mandatory for resident individual who is of the age of 75 years or more and earns no other income except pension or interest income from any account maintained with the specified bank (Section 393 of the Income-tax Act, 2025).
- There is no change in above Tax Rates applicable to Resident and Non – Resident Assessee under Old Tax Regime.

* **Rebate of Income-tax**

There is No tax on Individual having Taxable Income upto ₹ 5,00,000 (other than Special Rate Income Chargeable to Tax) as result of Rebate u/s 156 of the Income-tax Act, 2025 of ₹ 12,500.

Option II – CONCESSIONAL TAX RATES FOR INDIVIDUAL, HUF, AOP (Other than a Co-Operative Society), BOI (whether incorporated or not) and AJP [Default Tax Option]: -

Income Slabs	Existing Income Tax Rates (AY 2026-27)	Proposed Income Tax Rates (Tax Year 2026-27)
Up to 4,00,000	NIL	NIL
4,00,001 - 8,00,000	5%	5%
8,00,001 - 12,00,000*	10%	10%
12,00,001 - 16,00,000	15%	15%
16,00,001 - 20,00,000	20%	20%
20,00,001 - 24,00,000	25%	25%
Above 24,00,000	30%	30%

Notes: -

- Concessional tax rates are subject to certain terms and conditions, which are briefly described in Section 202 of the Income-tax Act, 2025.
- AMT shall not apply to Individual/HUF, having business Income Opting for concessional option.

* **Rebate of Income-tax**

Particulars	Existing Provision (upto AY 2026-27)	Proposed Amendment (Tax Year 2026-27)
Total Income	Upto ₹ 12,00,000	Upto ₹ 12,00,000
Rebate u/s 87A of the Income-tax Act, 1961 & u/s 156 of the Income-tax Act, 2025	Upto ₹ 60,000	Upto ₹ 60,000

SURCHARGE

The traditional terms "Assessment Year" (AY) and "Previous Year" (which was aligned with Financial Year) will be replaced with a **single concept called the "Tax Year"**

Option I – SURCHARGE IN CASE OF NORMAL TAX RATES [Old Tax Regime]: -

For Individual Assessee / Hindu Undivided Family, AOP (Other than a Co-Operative Society), BOI (whether incorporated or not) and AJP: -

Income Limit [in ₹]	Existing Surcharge Rate (AY 2026-27)		Proposed Surcharge Rate (Tax Year 2026-27)	
	Other than Capital Gain covered u/s 111A & 112A	With Capital Gain covered u/s 111A & 112A	Other than Capital Gain covered u/s 196, 197 & 198	With Capital Gain covered u/s 196, 197 & 198
Up to 50,00,000	NIL	NIL	NIL	NIL
50,00,001 - 1,00,00,000	10%	10%	10%	10%
1,00,00,001 - 2,00,00,000	15%	15%	15%	15%
2,00,00,001 - 5,00,00,000	25%	15%*	25%	15%*
5,00,00,001 and above	37%	15%*	37%	15%*

* In case the total income exceeds ₹ 2 Crores on account of Income from Dividend or Capital gain covered u/s 111A, 112 and 112A of the Income-tax Act, 1961 or u/s 196, 197 & 198 of the Income-tax Act, 2025, then surcharge @ 15% is applicable on the total income irrespective of quantum of income other than Dividend and Capital gain.

* Marginal relief has also been provided in all cases where surcharge is proposed to be imposed.

There is no change in above Surcharge Rates.

Option II – SURCHARGE IN CASE OF CONCESSIONAL TAX RATES
[Default Tax Option]: -

For Individual Assessee / Hindu Undivided Family, AOP (Other than a Co-Operative Society), BOI (whether incorporated or not) and AJP: -

Income Limit	Existing Surcharge Rate u/s 115BAC (AY 2026-27)		Proposed Surcharge of Income u/s 202 (Tax Year 2026-27)	
	Other than Capital Gain covered u/s 111A & 112A	With Capital Gain covered u/s 111A & 112A	other than Capital Gain covered u/s 196, 197 & 198	With Capital Gain covered u/s 196, 197 & 198
Up to 50,00,000	NIL	NIL	NIL	NIL
50,00,001 - 1,00,00,000	10%	10%	10%	10%
1,00,00,001 - 2,00,00,000	15%	15%	15%	15%
2,00,00,001 - 5,00,00,000	25%	15%*	25%#	15%*
5,00,00,001 and above	25%	15%*	25%#	15%*

*In case the total income exceeds ₹ 2 Crores on account of Income from Dividend or Capital gain covered u/s 111A, 112 and 112A of the Income-tax Act, 1961 or u/s 196, 197 & 198 of the Income-tax Act, 2025, then surcharge @ 15% is applicable on the total income irrespective of quantum of income other than Dividend and Capital gain.

In case of AOP with only Companies as its members, it is proposed that the rate of Surcharge **shall not exceed 15%**. Accordingly, the Surcharge Rates for such case are proposed as below: -

Income Limit	Existing Surcharge Rate u/s 115BAC (AY 2026-27)	Proposed Surcharge Rate u/s 205 (Tax Year 2026-27)
Up to 50,00,000	NIL	NIL
50,00,001 - 1,00,00,000	10%	10%
1,00,00,001 and above	15%	15%

INCOME TAX RATES FOR DOMESTIC COMPANY

The traditional terms "Assessment Year" (AY) and "Previous Year" (which was aligned with Financial Year) will be replaced with a **single concept called the "Tax Year"**

NORMAL TAX RATES FOR DOMESTIC COMPANY (OTHER THAN COMPANIES HAVING CONCESSIONAL TAX RATE)

Turnover Limit	Existing Income Tax Rates (%) (AY 2026-27)				Proposed Income Tax Rates (%) (Tax Year 2026-27)			
	Tax	Sur.	H & E Cess	Eff. Rate	Tax	Sur.	H & E Cess	Eff. Rate
A.	INCOME UP TO ₹ 1 CR.							
Up to 400 cr.*	25.00	NIL	4.00	26.00	25.00	NIL	4.00	26.00
Above 400 cr.*	30.00	NIL	4.00	31.20	30.00	NIL	4.00	31.20
B.	INCOME ABOVE ₹ 1 CR. BUT LESS THAN ₹ 10 CR.							
Up to 400 cr.*	25.00	7.00	4.00	27.82	25.00	7.00	4.00	27.82
Above 400 cr.*	30.00	7.00	4.00	33.38	30.00	7.00	4.00	33.38
C.	INCOME ABOVE ₹ 10 CR.							
Up to 400 cr.*	25.00	12.00	4.00	29.12	25.00	12.00	4.00	29.12
Above 400 cr.*	30.00	12.00	4.00	34.94	30.00	12.00	4.00	34.94

*Turnover to be checked that of Financial Year 2023-24 for Assessment Year 2026-27.

➤ How to Calculate Turnover?

Calculation of Turnover is not defined in the Statute and hence in our opinion, for the purpose of calculation of turnover of ₹ 400 crores in Financial Year 2023-24, it will be calculated in the same manner as specified in Guidance note on Tax Audit u/s 63 of the Income-tax Act, 2025.

The table below shows comparison of MAT Income Tax Rates for Domestic Company (Other than those covered in Option I): -

Type of Assessee	Existing Income Tax Rates (%) (AY 2026-27)				Proposed Income Tax Rates (%) (Tax Year 2026-27)			
	Tax	Sur.	H & E Cess	Eff. Rate	Tax	Sur.	H & E Cess	Eff. Rate
A.	INCOME UP TO ₹ 1 CR.							
MAT for Company[#]	15.00	NIL	4.00	15.60	14.00	NIL	4.00	14.56
MAT for Company^{\$}	9.00	NIL	4.00	9.36	9.00	NIL	4.00	9.36
B.	INCOME ABOVE ₹ 1 CR. BUT LESS THAN ₹ 10 CR.							
MAT for Company[#]	15.00	7.00	4.00	16.69	14.00	7.00	4.00	15.5792
MAT for Company^{\$}	9.00	7.00	4.00	10.02	9.00	7.00	4.00	10.02
C.	INCOME ABOVE ₹ 10 CR.							
MAT for Company[#]	15.00	12.00	4.00	17.47	14.00	12.00	4.00	16.3072
MAT for Company^{\$}	9.00	12.00	4.00	10.48	9.00	12.00	4.00	10.48

Domestic Company other than Company being a Unit located in IFSC deriving its income wholly in convertible forex;

\$ Domestic Company being a Unit located in IFSC deriving its income wholly in convertible forex.

From Tax Year 2026-2027: -

- For domestic companies, it is proposed that: MAT would be a final tax, and no MAT credit to be allowed.
- No set-off of MAT credit if continuing in the old regime.
- Set off of old MAT credit upto AY 2026-27 if transitioning to the new regime during or after the Tax Year 2026-27, as follows:
 - Set off restricted to 25% of normal tax liability.
 - Balance credit can be carried forward to subsequent Tax Years (subject to existing limit of 15 years) and set off as above.

CONCESSIONAL TAX RATES FOR DOMESTIC COMPANY

Concessional Tax rate for Domestic Companies as per Section 200 & 201 on fulfilment of certain condition specified in the said Section.

Particulars	Basic Tax Rate		Surcharge	H & E Cess
	Companies other than New Companies	New Companies*		
Concessional Tax Rate	22%	15%	10%	4%
MAT	Not Applicable			

* New Manufacturing Companies and Companies engaged in business of generating electricity, set-up and registered on or after 1st October, 2019 and has commenced manufacturing or production of an article or thing on or before the 31st March, 2024.

There is no change in above Tax Rates applicable to corporate entities.

INCOME TAX RATES FOR CO-OPERATIVE SOCIETY

OPTION I: - NORMAL TAX RATES

Total Income	Existing Income Tax Rates AY 2026-27	Proposed Income Tax Rates Tax Year 2026-27
Up to ₹ 10,000/-	10%	10%
Between ₹ 10,000/- to 20,000/-	20%	20%
In excess of ₹ 20,000/-	30%	30%

OPTION II: - CONCESSIONAL TAX RATES: -

Particulars	Existing Income Tax Rates AY 2026-27	Proposed Income Tax Rates Tax Year 2026-27
Entity carrying out Non-Manufacturing Activities	22%	22%
Entity carrying out Manufacturing Activities	15%	15%

* Surcharge @ 10% and Health and Education Cess @ 4% to be applied over above Basic Tax Rate.

INCOME TAX RATES FOR OTHER ASSESSEES (OTHER THAN DOMESTIC COMPANY, INDIVIDUALS, HUF, AOP, BOI, CO-OP SOCIETY ETC.)

Type of Assessee	Existing Income Tax Rates (%) (AY 2026-27)				Proposed Income Tax Rates (%) (Tax Year 2026-27)			
	Tax	Sur.	H & E Cess	Eff. Rate	Tax	Sur.	H & E Cess	Eff. Rate
A.	INCOME UP TO ₹ 1 CR.							
a) Firm/LLP								
-Regular Tax	30.00	NIL	4.00	31.20	30.00	NIL	4.00	31.20
-AMT	18.50	NIL	4.00	19.24	18.50	NIL	4.00	19.24
b) Foreign Co.								
-Regular Tax	35.00	NIL	4.00	36.40	35.00	NIL	4.00	36.40
B.	INCOME ABOVE ₹ 1 CR. BUT LESS THAN ₹ 10 CR.							
a) Firm/LLP								
-Regular Tax	30.00	12	4.00	34.94	30.00	12.00	4.00	34.94
-AMT	18.50	12	4.00	21.55	18.50	12.00	4.00	21.55
b) Foreign Co.								
-Regular Tax	35.00	2.00	4.00	37.13	35.00	2.00	4.00	37.13
C.	INCOME ABOVE ₹ 10 CR.							
a) Firm/LLP								
-Regular Tax	30.00	12	4.00	34.94	30.00	12.00	4.00	34.94
-AMT	18.50	12	4.00	21.55	18.50	12.00	4.00	21.55
b) Foreign Co.								
-Regular Tax	35.00	5.00	4.00	38.22	35.00	5.00	4.00	38.22

HEALTH & EDUCATION CESS FOR ALL TYPES OF ASSESSEES

Types of Cess	For AY 2026-27	For Tax Year 2026-27
Health & Education Cess	4%	4%

Rationalizing due date to pay Employee contribution by the Employer to claim such contribution as deduction [Amendment to Section 29 of the Income-tax Act, 2025]: -

At present, Section 29(1)(e) of the Income-tax Act, 2025 provides deduction of amount received from employees, as contributions to any provident fund or superannuation fund, E.S.I.C etc., only if such sum is credited by the assessee to the employee's account in the relevant funds on or before the ***due date specified in relevant law.***

"Due date" with respect to Provident Fund and E.S.I.C., Act is as under:

Particulars	Due Date
The due date of payment of P.F. Contributions under Provident Fund Act	15 th of the following month
The due date of payment of E.S.I.C. Contributions under Employee's State Insurance Act	

Accordingly, if the employer deposits the employee contributions **after the due dates specified under the respective laws**, such contributions are **not allowed as a deduction** in the hands of the employer.

It is proposed to amend Section 29(1)(e) of the Income-tax Act, 2025 to provide that "due date" for this clause will be "***due date of filling of return of income u/s 263(1) of the Income-tax Act, 2025***".

The proposed change is tabulated as under: -

Employer deposits the employee contributions	Existing Provision	Proposed Amendment
Within due date specified in relevant law	Allowable Deduction	Allowable Deduction
After due date specified in relevant law but before due date of filling of return of income	Not allowable Deduction	Allowable Deduction
After due date of filling of return of income	Not allowable Deduction	Not allowable Deduction

This amendment will allow employers to ***claim deductions for employee contributions deposited up to the return filing due date***, thereby reducing unnecessary litigation and easing compliance burdens.

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Eligible Assessee claiming SEZ deduction now eligible for presumptive taxation [Amendment to Section 58 of the Income-tax Act, 2025]: -

At present, a resident individual, Hindu Undivided Family (HUF), or firm (other than a Limited Liability Partnership), being an **eligible assessee**, is **not allowed to opt for presumptive taxation** u/s 58 of the Income-tax Act, 2025, if such assessee claims a deduction in respect of **Special Economic Zone (SEZ) unit** u/s 144 of the Income-tax Act, 2025.

It is now proposed to amend Section 58(11) to provide that eligible assessee will now be eligible for presumptive taxation u/s 58 of the Income-tax Act, 2025, **even if a deduction is claimed for a SEZ Unit u/s 144 of the Income-tax Act, 2025.**

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Taxation of Buy-Back of Shares [Amendment to Section 69 and consequential amendment to Section 2(40) of the Income-tax Act, 2025]: -

At present, the amount received by a shareholder on buyback of shares is treated as **dividend** u/s 2(40) of the Income-tax Act, 2025. This amount is taxable in the hands of the shareholder as **dividend income** under the head "Income from Other Sources". At the same time, the cost of acquisition of the shares bought back is not adjusted against such income and is allowed separately as a **capital loss**.

It is now proposed to rationalize the taxation of such buybacks, whereby buyback transactions shall now be taxable as 'capital gains' for all categories of shareholders, instead of dividend income, after deducting applicable cost of acquisition of such shares.

Under the proposed provisions, the applicable tax rates on capital gains arising from buyback of shares will differ based on whether the shareholder is a promoter or a non-promoter, and whether the gain is short-term or long-term.

Effective tax rate for “*promoter*” receiving buy back proceeds is as under:

Type of Promoters	Nature of Capital Gain	Type of Security	Normal Tax Rate	Additional Tax Rate	Effective Tax Rate
Domestic Companies	Long-term	Listed Shares	12.5%	9.5%	22%
		Unlisted Shares	12.5%	9.5%	22%
	Short-term	Listed Shares	20%	2%	22%
		Unlisted Shares	Applicable Rate	-	Applicable Rate
Other Than Domestic Companies	Long-term	Listed Shares	12.5%	17.5%	30%
		Unlisted Shares	12.5%	17.5%	30%
	Short-term	Listed Shares	20%	10%	30%
		Unlisted Shares	Applicable Rate	-	Applicable Rate

Surcharge and cess, at the applicable rates, shall be levied on the above effective rate of tax.

Tax rates for non-promoter shareholders shall be same as per applicable capital gain tax rates with no additional tax.

It is further proposed to define “Promoter” specifically for listed and unlisted companies, which is tabulated as under: -

Type of Company	Definition of Promoter
In case of Company, whose shares are listed on recognised stock exchange in India	Promoter as defined under regulation 2(k) of the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 made under the Securities and Exchange Board of India Act, 1992
In case of Other Company	Promoter as defined in Section 2(69) of the Companies Act, 2013; or Person who holds, directly or indirectly, more than 10% of the shareholding in the company

Consequential amendments are also proposed in Section 2(40) of the Income-tax Act, 2025 to provide that amount received by a shareholder on buyback of shares shall **not be treated as dividend** and will be **excluded from the definition of dividend**.

Above proposed amendments shall come into force from Tax Year 2026-27 onwards.

Exemption for Sovereign Gold Bond [Amendment to Section 70 of the Income-tax Act, 2025]: -

At present, income arising to an individual from the redemption of Sovereign Gold Bonds (SGBs) issued by the Reserve Bank of India (RBI) under the Sovereign Gold Bond Scheme, 2015 is exempt from capital gains tax. These bonds are issued by the Reserve Bank of India in different series from time to time, and each series is treated as a separate issue.

At present, law does not specifically state whether the exemption is **restricted only to the original subscriber or whether it is also available to a person who acquires the bonds later (for example, by purchase from secondary market)** As a result, the exemption is generally understood to apply to all redemptions of Sovereign Gold Bonds, irrespective of how or when the bonds were acquired.

It is now proposed to amend Section 70(1) of the Income-tax Act, 2025 to clearly define the scope of exemption. As per the proposed amendment, the capital gains tax exemption on redemption of Sovereign Gold Bonds will be available ***only to the original subscriber who subscribes to the bonds at the time of original issue and continues to hold the bonds until maturity.*** This clarification will apply to all Sovereign Gold Bonds issued by the Reserve Bank of India from time to time.

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Non-allowability of Interest as a deduction against Dividend Income [Amendment to Section 93 of the Income-tax Act, 2025]: -

At present, dividend income and income from units of mutual funds are taxable under the head "Income from Other Sources." Section 93 of the Income-tax Act, 2025 allows a deduction in respect of interest expenditure incurred for earning such income. However, this deduction is subject to a maximum limit of 20% of the gross amount such income.

It is now proposed to amend Section 93(2) of the Income-tax Act, 2025, to **withdraw the deduction** for interest expenditure. **Under the proposed amendment, no deduction shall be allowed for any interest expenditure incurred for earning dividend income or income from units of mutual funds.**

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Deduction in respect of dividends received and distributed by certain co-op. societies [Amendment to Section 149 and 150 of the Income-tax Act, 2025]: -

At present, Section 149(2)(d) of the Income-tax Act, 2025 allows a cooperative society to claim a deduction on income received as **interest or dividend from another cooperative society**. However, this deduction is available **only under the old tax regime**.

Further, any dividend received by a cooperative society from a **company** is fully taxable in its hands.

It is now proposed to insert Section 150 of the Income-tax Act, 2025, to extend the benefit of deduction under the **new tax regime** as well.

Under the proposed amendment, a cooperative society will be allowed a deduction in respect of **dividends received from other cooperative societies, to the extent such dividends are further distributed to its members**.

It is further proposed that: -

- a) Notified **federal cooperative societies** will get a **temporary deduction** for dividends received **from companies**;
- b) This benefit will be available for **3 years**, i.e., up to **Tax Year 2028-29**;
- c) Deduction will apply **only to dividends from investments made by the federal cooperative up to 31st January, 2026**;
- d) Deduction is allowed **only if such dividends are distributed to members**.

Above proposed amendments shall come into force from Tax Year 2026-27 onwards.

Removal of transactions with SEZ units from the ambit of transfer pricing [Section 162, 164 and 165 of Income-tax Act, 2025 and amendment to Section 92A, 92BA and 92C of the Income-tax Act, 1961]: -

At present, when a **SEZ Unit** (claiming deduction u/s 10AA of the Income-tax Act, 1961 or Section 144 of the Income-tax Act, 2025) enters into transactions with its **related domestic entity** in the Domestic Tariff Area (DTA), such transactions are treated as **Specified Domestic Transactions (SDT)** and are subject to **transfer pricing compliance**.

It is now proposed to **remove SEZ Units (claiming deduction) from the scope of transfer pricing provisions**. For this purpose, the definitions of Associated Enterprise, Specified Domestic Transaction, and Arm's Length Price shall be amended in both the Income-tax Act, 1961 and the Income-tax Act, 2025.

Accordingly, transactions between an eligible SEZ Unit and its related domestic entity shall **no longer be subject to transfer pricing provisions**.

Above proposed amendment in the Income-tax Act, 1961 shall come into force for A.Y. 2026-27.

Above proposed amendment in the Income-tax Act, 2025 shall come into force from Tax Year 2026-27 onwards.

Time Limit for passing Transfer Pricing Order clarified [Amendment to Section 166(7) of the Income-tax Act, 2025 and Section 92CA of the Income-tax Act, 1961]: -

At present, Section 92CA(3A) of the Income-tax Act, 1961 provides that the Transfer Pricing Order ("TPO") must be passed **at least 60 days before** the last date as provided u/s 153 / 153B for completion of assessment or reassessment by passing Assessment Order.

There was uncertainty on counting of 60 days time limit from the due date for passing the assessment order.

Different courts have taken different views, leading to uncertainty and disputes. There was significant litigation on how this 60 days period should be computed. Several courts, including the Madras High Court in Pfizer Healthcare India Pvt. Ltd. ([2021] 433 ITR 28 (Mad)), have held that the last date of limitation should not be included while calculating this 60 day period.

Although the legislative intent was to ensure that the Assessing Officer gets a clear 60 days after receiving the TPO's order to complete the assessment, the existing wording created ambiguity.

To remove this uncertainty and avoid further litigation, it is proposed to amend Section 166(7) of the Income-tax Act, 2025 (and the corresponding Section 92CA of the Income-tax Act, 1961) to prescribe the fixed last date for passing the TPO order, as follows:

i) Under the Income-tax Act, 1961 –

Particulars	Period of limitation for passing TPO
If period of limitation for passing assessment/ reassessment order expires on 31 st March of any year (non leap year)	30 th January of that year
If period of limitation for passing assessment/ reassessment order expires on 31 st March of any year (leap year)	31 st January of that year
If period of limitation for passing assessment/ reassessment order expires on 31 st December of any year	1 st November of that year

ii) Under the Income-tax Act, 2025 -

Particulars	Period of limitation for passing TPO
If period of limitation for passing assessment/ reassessment order expires on 31 st March of any year	31 st January of that year
If period of limitation for passing assessment/ reassessment order expires on 31 st December of any year	31 st October of that year

Above proposed amendments in the Income-tax Act, 1961 shall come into force with retrospective effect from 1st June, 2007.

Above proposed amendments in the Income-tax Act, 2025 shall come into force from Tax Year 2026-27 onwards.

Associate Enterprise subject to Advance Pricing Agreement allowed to file modified return [Amendment to Section 169 of the Income-tax Act, 2025]: -

At present, Section 169(1) of the Income-tax Act, 2025 when an Advance Pricing Agreement (APA) is signed, the taxpayer who entered into the APA can file a modified return for the Tax Years covered by the agreement. This return must be filed within 3 months from the end of the month in which the APA is signed.

The existing provisions relating to Advance Pricing Agreement contained in Section 168(1) of the Income-tax Act, 2025 allow filing of a modified return of income only by the person who has entered into Advance Pricing Agreement with the Board.

The provisions do not allow for modifying the return of income by the Associate Enterprise whose income and tax liability is correspondingly modified consequent to the Advance Pricing Agreement.

It is now proposed to allow Associate Enterprise of the entity subjected to Advance Pricing Agreement to file modified return within 3 months from the end of the month in which Advance Pricing Agreement is signed, in respect of Tax Years covered by such agreement.

Above proposed amendment in the Income-tax Act, 2025 shall come into force from Tax Year 2026-27 onwards.

Rationalisation of Tax Rate and Penalty in case of Unexplained Credit /Asset / Investment, etc. [Amendment to Section 195 and Consequential amendment to Section 439 of the Income-tax Act, 2025]: -

At present, amount of Unexplained Credit (Section 102), Unexplained Investment (Section 103), Unexplained Asset (Section 104), Unexplained Expense (Section 105) and amount borrowed or repaid on negotiable instrument or hundi (Section 106) attracts tax at higher rate as per Section 195 of the Income-tax Act, 2025.

To rationalise the same, amendments are proposed as per following table:

Particulars	Existing Provision	Proposed Amendments
Tax u/s 195 on the amount of Unexplained Credit/ Investments etc.	Tax @ 60% of such income	Tax @ 30% of such income
Penalty Section	Section 443	Section 439(11) <i>(Section 443 proposed to be omitted)</i>
Penalty in respect of such income	Penalty @ 10% of the tax	Penalty @ 200% of tax as penalty for above types of additions to total income is subsumed with General Penalty for under-reporting of Income which is in consequence of misreporting of Income
Immunity u/s 440 from imposition of Penalty	Not available for under-reporting of Income which is in consequence of misreporting of Income	Available if 120% additional income tax is paid within stipulated period

Above proposed amendments shall come into force from Tax Year 2026-27 onwards.

Rationalisation of Minimum Alternate Tax (MAT) [Amendment to Section 206 of the Income-tax Act,2025]: -

At present, when a Company pays **Minimum Alternate Tax (MAT)** in excess of its regular tax liability, the excess amount is allowed as a **MAT credit**. This credit can be **carried forward for up to 15 years** and set off in future years where the company's regular tax liability exceeds the MAT liability. The MAT regime is currently applicable **only under the old tax regime**.

In order to encourage companies to shift to the new tax regime, it is proposed that: -

- a) MAT shall be treated as **final tax** if old regime is continued by any assessee company, with **no new MAT credit allowed**.
- b) **MAT rate** shall be reduced from **15% to 14%**.
- c) **Brought forward MAT credit** of domestic companies, accumulated till 31st March, 2026 shall be allowed to be **set off to the extent of 25% of the regular tax liability in the new regime**.
- d) In the case of foreign companies, set off shall be allowed to the extent of the difference between the tax on the total income and the minimum alternate tax, for the Tax Year in which normal tax is more than MAT.

Above proposed amendments shall come into force from Tax Year 2026-27 onwards.

Exclusion of certain Non-Resident Specified Businesses from Minimum Alternate Tax (MAT) [Amendment to Section 61 of the Income-tax Act, 2025]: -

Presently, certain **Foreign Companies** are already excluded from MAT. Similarly, **non-residents deriving income from specified businesses** and opting for **presumptive taxation u/s 61** of the Income-tax Act, 2025 are **also excluded from rigor of MAT**. However, this exclusion is **not uniformly available** to all businesses covered u/s 61 of the Income-tax Act, 2025.

To ensure **uniform treatment of non-residents under presumptive taxation**, it is also proposed that the following two businesses opting for presumptive taxation u/s 61 of the Income-tax Act, 2025 **shall also be excluded from MAT**:

- a) the **business of operation of cruise ships**, and
- b) the **business of providing services or technology for setting up electronics manufacturing facility in India** for a resident company.

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Application of benefits to a non-resident Indian [Amendment to Section 217 of the Income-tax Act, 2025] :-

It is proposed to substitute Sections 217 of the Income-tax Act, 2025 with new Sections, which are in relation to the availability of benefits under **Part E of Chapter XIII - Special provisions relating to non-residents and foreign company**, where a **non-resident assessee becomes a resident**, and the provisions of the said Chapter shall not apply if the non-resident assessee so chooses, respectively.

Proposed amendments are tabulated as under: -

Particulars	Existing Provisions	Proposed Amendments
Applicability trigger	Applies where an NRI becomes resident in a subsequent Tax Year	Applies where an NRI becomes resident in a subsequent Tax Year
Option available	Only continuation option provided; no explicit opt-out provision is available	Two explicit options are proposed: 1. Continue special provision or 2. Voluntarily opt out and be taxed under normal provisions
Assets / income covered	Investment income from assets u/s 212(e) acquired in foreign currency while NRI excluding shares in an Indian company	Investment income from assets u/s 212(e) acquired in foreign currency while NRI excluding shares in an Indian company
Procedural requirement	Declaration to AO along with return u/s 263	Declaration to AO along with return u/s 263
Period of applicability	Continues until transfer or conversion (otherwise than by transfer) into money of such assets	If opted out: normal provisions of the Act apply for that Tax Year; otherwise, concessional regime continues.

Above proposed amendments shall come into force from Tax Year 2026-27 onwards.

Provisions relating to Return of Income [Amendment of Section 263 of the Income-tax Act, 2025]: -

A. RATIONALISING DUE DATES FOR FILING OF RETURN OF INCOME: -

Section 263(1)(c) of the Income-tax Act, 2025 provides due dates for filing return of income by various assesses. It is proposed to **extend the due date** in case of assesses **earning income from business and profession**, whose accounts are **not required to be audited** under the Income Tax or any other law. The revised due dates are as per the following table:-

Sr. No	Type of Assessee	Existing Due Date	Proposed Due Date
1	Assessee, including the partners of the firm (Where Transfer Pricing is Applicable)	30 th November	No change
2	(i) Company (ii) Assessee (other than a company) whose accounts are required to be audited under this Act or under any other law in force (iii) Partner of a firm whose accounts are required to be audited under this Act or under any other law in force (Where Transfer Pricing is not applicable)	31 st October	No change
3	(i) Assessee having income from Business or Profession who is not subject to audit under this Act or any other Law (ii) Partner of a firm whose accounts are not required to be audited under this Act or under any other law in force (Where Transfer Pricing is not Applicable)	31st July	31st August
4	Any other Assessee	31 st July	No change

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Similar amendments are proposed to be made in the existing provisions of Section 139 of the Income-tax Act, 1961 to extend the due date of assesses earning income from business or profession including partners of firm, whose accounts are not required to be audited from 31st July to 31st August. Above proposed amendments in the Income-tax Act, 1961 shall be applicable for AY 2026-27.

B. EXTENSION OF PERIOD FOR FILING REVISED RETURN: -

As per existing provisions of Section 263(5) of the Income-tax Act, 2025 the due date for filing Belated Return for any year coincides with the due date for filing Revised Return. Hence, a person who has filed Belated Return on the last date is not in a position to file Revised Return. It is therefore proposed the extend the due date for furnishing Revised Return which can be explained as under:-

Sr No	Particulars	Existing Provisions	Proposed Amendments
1	Time limit for filing Revised Return	31st December (Within 9 months from the end of the Tax Year or before completion of assessment, whichever is earlier)	31st March (Extended to 12 months from end of the Tax Year or before completion of assessment, whichever is earlier)
2	Time limit for filing Belated return	31 st December	No Change
3	Ability to revise belated return	Not possible if belated return is filed on the last permissible date	Possible due to extended time limit
4	Fee for filing Revised Return	No fee prescribed	If Revised Return filed within 9 months from end of Tax Year - No fees If Revised Return filed after 9 months but before 12 months from end of Tax Year- Fee introduced as per sr. no. 5
5	Fee for filing revised return if applicable as per sr.no.4 above	Not applicable	Total income ≤ ₹5 lakh- ₹1,000 Total income > ₹5 lakh- ₹5,000
6	Fee for filing Belated return	Total income ≤ ₹5 lakh- ₹1,000 Total income > ₹5 lakh- ₹5,000	No Change

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Similar provisions relating to fee for filing revised return after 9 months but before 12 months of also proposed in Section 234-I of the Income-tax Act, 1961. Moreover, similar provisions relating extension of timeline is also proposed in Section 139(5) the Income-tax Act, 1961, which shall be applicable for AY 2026-27.

C. AMENDMENTS IN THE PROVISIONS FOR FILING OF UPDATED RETURN: -

As per existing provisions of Section 263(6) of the Income-tax Act, 2025, an Updated return can be furnished within prescribed time limit subject to certain restrictions and on payment prescribed additional tax as per Provisions of Section 267(5) of the Income-tax Act, 2025.

With a view to provide better compliance as also to reduce prolonged litigations and promoting voluntary compliance, it is proposed to remove certain restrictions and allow filing of Updated returns as follows:

Particulars	Existing Provision	Proposed Amendment
Where the original returned loss is reduced	Updated return is not allowed to be filed only in case Return of Income is Loss. In other words, Updated Return can be filed only in case of Positive Income	Updated return can be filed even if it results in to reduction of loss as compared to loss reported in Original Return of Income
Return after issuance of Reassessment Notice u/s 280 of the Income-tax Act, 2025	Not allowed once reassessment proceedings were initiated or notice of reassessment was issued.	<ul style="list-style-type: none"> Updated return allowed even after issuance of reassessment notice, within the period specified therein. Moreover, the assessee is not required to file any other return in response to such notice.
Additional Tax in case the Updated Return is filed in response to Reassessment Notice	Not applicable as Updated Return is not allowed to be filed once the Reassessment notice is issued	Further additional tax of 10% in addition to the additional tax payable on the aggregate of tax and interest
Timeline for filing Updated Return	24 months from the end of relevant Assessment Year (1+2)	48 months from end of financial year succeeding the relevant Tax Year (1+4)
Rate of Additional Income-tax (Tax + Interest) [Section 267(5)]	1 st Year – 25% 2 nd Year – 50%	1 st Year – 25% 2 nd Year – 50% 3 rd Year – 60% 4 th Year – 70%

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Similar amendments are proposed in Section 140B and Section 139(8A) of the Income-tax Act, 1961, which will be effective from 01st March, 2026.

Clarification for Authorities empowered to issue Reassessment Notices [Amendment to Section 279 of the Income-tax Act, 2025 and Insertion of new Section 147A to the Income-tax Act, 1961]: -

At present, there is ambiguity regarding the jurisdiction of Assessing Officer to issue reassessment Notice u/s 148 and to conduct pre-reassessment procedure u/s 148A of the Income-tax Act, 1961.

The ambiguity relates as to which of the following Assessing Officer have jurisdiction to issue reassessment notices:

- Jurisdictional Assessing Officer ("JAO");
or
- National Faceless Assessment Centre ("NaFAC") or Assessment Unit in NaFAC i.e. Faceless Assessment Officer ("FAO");
or
- Both (concurrent jurisdiction).

On the above issue, various High Courts have expressed divergent views and the issue is pending for adjudication before hon'ble Supreme Court.

Accordingly, in order to clear the ambiguity, it is proposed to insert a new Section 147A in the Income-tax Act, 1961, which clarifies that for the purpose of issue of Notice u/s 148 and for pre-reassessment procedure u/s 148A of the Income-tax Act, 1961, **Assessing Officer means, and shall always be deemed to have meant, Assessing Officer other than FAO**. Accordingly, JAO has jurisdiction to issue reassessment notices and not FAO. Above clarification is notwithstanding anything contained in any judgment, order or decree of court, in Section 151A of the Income-tax Act, 1961 or in any scheme framed thereunder.

Above proposed amendment in Income-tax Act, 1961 shall come into force **with retrospective effect** from 1st April, 2021.

It is also proposed to amend corresponding Section 279 of the Income-tax Act, 2025, to provide the above-mentioned meaning of Assessing Officer for the purpose of issuance of reassessment Notice u/s 280 and to conduct pre-reassessment procedure u/s 281 of the Income-tax Act, 2025.

Above proposed amendment in Income-tax Act, 2025 shall come into force from Tax Year 2026-27 onwards.

Clarification of Time-limit for completion of Assessment for Eligible Assessee under DRP [Amendment to Section 275 and 286 of the Income-tax Act, 2025 and Amendment to Section 144C, 153, 153B of the Income-tax Act, 1961]: -

At present, Section 144C provides for the procedure and scheme for making a reference to the Dispute Resolution Panel ("DRP") in respect of certain eligible assessee (in cases involving transfer pricing adjustments or non-residents or Foreign Companies).

The Dispute Resolution Panel mechanism, as provided u/s 144C of the Income-tax Act, 1961 provides for a specific procedure tabulated as under: -

Stage	Event	Time allowed
Step 1 - Draft Order	Assessing Officer("AO") issues Draft Assessment Order u/s 144C(1)	Must be within time limit of Section 153 / 153B
Step 2 - Assessee's option	Assessee may: • Accept draft order OR • File objections before DRP	Within 30 days from receipt of draft order
Step 3A - If NO objections filed (u/s 144C(4))	AO passes Final Assessment Order	Within 1 month from end of month in which 30-day period expires (notwithstanding 153 / 153B)
Step 3B - If objections filed	DRP issues directions to AO	Within 9 months from end of month in which draft order was issued
Step 4 - After receipt of DRP directions (u/s 144C(13))	AO passes Final Assessment Order	Within 1 month from end of month of receipt of DRP directions (notwithstanding 153 / 153B)

Presently, Section 153 of the Income-tax Act, 1961 provides for the time limits for completion of assessment, reassessment, and recomputation proceedings. Section 153B of the Income-tax Act, 1961 provides for Time limit for completion of assessment u/s 153A (Search and Requisition cases).

Although **Sections 153 and 153B prescribe general time limits** for completion of assessments and related proceedings, **Section 144C constitutes a specific statutory regime** governing cases involving draft assessment orders and DRP proceedings.

However, in various judgements of courts, differing interpretations have been made regarding the intent of the legislature on the question whether the outer time limits u/s 153 or 153B continued to apply at the final assessment stage. Even the apex court has rendered split verdict on this issue in the case of ***Assistant Commissioner of Income Tax & Ors. v. Shelf Drilling Ron Tappmeyer Limited***, arising out of SLP (Civil) Nos. 20569-20572 of 2023, thus, necessitating in bringing certainty and clarity to the legislative intent.

Accordingly, in order to resolve this ambiguity conclusively, it is now proposed to amend Section 144C, 153 and 153B of the Income-tax Act, 1961 **to expressly clarify that Sections 153 and 153B apply only up to the stage of issuance of the draft assessment order**, and that the timelines prescribed u/s 144C exclusively govern the completion of assessments thereafter, notwithstanding anything contained in any judicial decision to the contrary.

Above proposed amendment in Income-tax Act, 1961 shall come into force with retrospective effect from 1st April, 2009 in respect of Section 153, 144C(4A) and 144C(13A) and from 1st October, 2009 in respect of Section 153B, 144C(4B) and 144C(13B) of the Income-tax Act, 1961.

Corresponding Amendments are also proposed in Section 275 and 286 of the Income-tax Act, 2025, which shall come into force from Tax Year 2026-27 onwards.

Rationalizing the period of Block Assessment in case of other persons [Amendment to Section 295 of the Income-tax Act, 2025]: -

Section 295 of the Income-tax Act, 2025 deals with cases where, during a search or requisition action against one person (the "specified person"), the tax authorities discover undisclosed income belonging to another person ("other person"). It is proposed to amend the said Section, which is tabulated as under: -

Particulars	Existing Provisions	Proposed Provisions
Basis for determining block period of "other person"	Block period was always linked to the specified person (searched person).	Block period may now be independent of the specified person , depending on the year to which undisclosed income of the other person relates.
Undisclosed income relating to immediately preceding year + current period	Entire block period as per Section 301(a) applied, even if income pertained only to a limited period.	Clause (c): Block period restricted to only the immediately preceding Tax Year (specified year) plus period from 1st April of search year till date of search .
Undisclosed income relating to only one year among earlier 5 years	Full block period applied even if income pertained to only one Tax Year .	Clause (d): Block period restricted to only that single Tax Year out of the five preceding years.
Override of Section 301(a)	No specific override; Section 301(a) governed block period in all cases.	Explicit override provided – clauses (c) and (d) apply "irrespective of Section 301(a)" .
Compliance burden on "other person"	High compliance burden – assessment for full block period even for limited undisclosed income.	Reduced and proportionate burden – assessment confined strictly to relevant year(s) only .

Above proposed amendments shall come into force from Tax Year 2026-27 onwards.

Referencing the limitation period for completion of block assessment to initiation of search / requisition [Amendment to Section 296 of the Income-tax Act, 2025]: -

Section 296 of the Income-tax Act, 2025 provides that a block assessment u/s 294 of the Income-tax Act, 2025 must be completed within 12 months from the end of the quarter, in which the last search authorization was executed or requisition was made.

It is now proposed to amend the timelines tabulated as under:

Particulars	Existing Provisions	Proposed Amendment
Starting point for limitation period	From the end of the quarter in which the last of the authorisations for search was executed or requisition was made.	From the end of the quarter in which search was initiated or requisition was made.
Time limit for passing block assessment order	12 months from the relevant quarter.	18 months from the relevant quarter.
Extension linked to return filing (Sec 294(1)(a)(v))	If return-filing time extended by 30 days → time limit became 13 months .	No such conditional extension; single uniform time limit prescribed.
Complexity of computation of limitation	More complex – depended on execution of last authorisation and possible extension.	Simpler & clearer – linked only to initiation of search or requisition.

Above proposed amendments shall come into force from 1st April, 2026 in cases of search or requisition initiated or made as the case maybe, on or after 1st April, 2026 and thereafter.

Taxation of accreted income in case of merger of NPO [Amendment to Section 352(4) of the Income-tax Act, 2025]:-

At present, Section 352(4) of the Income-tax Act, 2025 provides a registered Non-Profit Organisation ("NPO") may be subject to tax on its accreted income at the Maximum Marginal Rate ("MMR") in certain situations, including when the organisation loses its charitable character or violates prescribed conditions. However, current law does not clearly specify the tax implications in case of mergers between NPOs, especially where merger is with another entity having different objects or where statutory merger conditions are not fully complied with. This lack of clarity creates uncertainty regarding whether tax on accreted income becomes payable in different merger scenarios.

It is now proposed to amend Section 352(4) to explicitly provide that tax on accreted income at MMR shall be levied when a registered NPO merges with-

- a) any entity that is not a registered NPO,
- b) a registered NPO having the same or similar objects but where the prescribed merger conditions are not met, or
- c) a registered NPO having objects that are not the same or similar.

In addition, **a new Section 354A is proposed to be inserted in the Income-tax Act, 2025 to clarify that MMR-based taxation will not apply** where a registered NPO merges with another registered NPO having the same or similar objects, provided all prescribed merger conditions are fulfilled.

This amendment has been introduced to prevent potential misuse of tax-exempt charitable funds through mergers with unrelated or non-compliant entities, to ensure that accumulated charitable assets continue to be used strictly for approved charitable purposes, and to remove ambiguity in the existing provisions by clearly distinguishing mergers that should be tax-neutral from those that warrant taxation.

Above proposed amendment in the Income-tax Act, 2025 shall come into force from Tax Year 2026-27 onwards.

Waiver or Reduction of penalties that are “imposable” as well as “imposed” [Amendment to Section 379 of the Income-tax Act, 2025 and Section 245MA of the Income-tax Act, 1961]: -

At present, as per Section 245MA of the Income-tax Act, 1961 (Corresponding Section 379 of the Income-tax Act, 2025), the Central Government is required to constitute a Dispute Resolution Committee (“DRC”) to help specified small and medium taxpayers resolve small tax disputes. The DRC has the power to modify variations in a specified order, reduce or waive penalties that are “imposable” under the Act, and grant immunity from prosecution, with the overall objective of reducing litigation and providing a simpler dispute-settlement route for taxpayers.

It is now proposed to amend Section 245MA of the Income-tax Act, 1961 (Corresponding Section 379 of the Income-tax Act, 2025) to make it clear that the DRC may waive or reduce not only penalties that are “imposable” but also penalties that have already been “imposed” in the specified order.

The reason for this amendment is to eliminate ambiguity in the existing provision and ensure that the DRC has full flexibility to offer meaningful relief to taxpayers. Earlier, the law only referred to penalties “imposable,” which created doubt about whether penalties already “imposed” could also be waived. By expressly allowing both imposed and imposable penalties to be waived, the amendment strengthens the DRC framework, enhances certainty for taxpayers, and supports the government’s broader aim of reducing tax litigation and promoting faster dispute resolution.

Above proposed amendment in the Income-tax Act, 1961 shall come into force from 1st March, 2026.

Above proposed amendment in the Income-tax Act, 2025 shall come into force from Tax Year 2026-27 onwards.

TDS related Amendments [Amendment to Section 393 of the Income-tax Act, 2025]:-

Section 393 deals with payments liable for TDS, thresholds, and rates of TDS for various types of income (contractors, fees, rent, interest, property, etc.).

Proposed amendments are tabulated as under: -

Nature of Amendments	Existing Provisions	Proposed Amendments	Applicable from
"Supply of manpower" included in Definition of Work	"Supply of manpower" was not expressly included in the definition of "work" for TDS on contractor payments	Supply of manpower is proposed to be treated as "work" u/s 402(47) and accordingly such payments proposed to be treated as "Payments made to contractors" and hence applicable TDS rate in such cases will be 1%/2%	w.e.f Tax Year 2026-27
No TDS on interest on compensation amount awarded by Motor Accidents Claims Tribunal (MACT) u/s 393(4)	Aggregate interest ≤ ₹50,000 - No TDS > ₹50,000 - TDS @10%	No TDS irrespective of amount for interest	w.e.f Tax Year 2026-27
Enabling filing of Single declaration for no deduction of TDS on eligible incomes	Taxpayers are required to submit separate written declarations for no deduction of TDS to each payer as per Section 393(6)	A new system u/s 393(6A) is introduced enabling taxpayers to file a single declaration to a depository, which will then transmit it to relevant payers	w.e.f Tax Year 2027-28
Time limit for furnishing above declaration as specified u/s 393(7)	Reporting Frequency Every month Reporting deadline 7th day of next month	Reporting Frequency Quarterly Reporting deadline 7th of month immediately following Quarter end	w.e.f Tax Year 2027-28

Enabling Electronic application for Lower or Nil TDS Certificate [Amendment to Section 395 of the Income-tax Act, 2025]: -

Section 395(1) of the Income-tax Act, 2025 deals with the issuance of Certificate for deduction of TDS at Nil or Lower rates, when a person's actual tax liability is lower.

Existing provisions and proposed amendments are explained as under: -

Existing Provision	Proposed Amendment
Presently, taxpayers must apply to the Assessing Officer for a lower or nil TDS certificate, which is issued after manual verification and followed by tax deduction at the approved rate.	Small taxpayers can now apply online for a lower or nil TDS certificate. The tax authority will verify the details electronically and will either approve the request or reject it if conditions are not met or the application is incomplete.

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

TCS Rates Rationalization [Amendment to Section 394 of the Income-tax Act, 2025]:-

Section 394(1) of the Income-tax Act, 2025 provides multiple rates for TCS. It is proposed to rationalize the rates of TCS by providing uniform rates to the extent possible. It is also proposed to reduce some of the rates so as to provide relief to the collectees.

Existing provisions and proposed amendments are explained as under: -

Sr. No.	Nature of receipt	Existing rates upto 31st March, 2026	Proposed rate applicable from 1st April, 2026
1	Sale of alcoholic liquor for human consumption	1%	2%
2	Sale of tendu leaves	5%	2%
3	Sale of scrap	1%	2%
4	Sale of minerals being coal or lignite or iron ore	1%	2%
5	LRS Remittance exceeding ₹10 lakhs for purposes of education or medical treatment	5%	2%
6	LRS Remittance exceeding ₹10 lakhs for all other purposes	20%	No Change
7	Sale of overseas tour program package including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure	Upto ₹10 lakhs – 5% Exceeding ₹10 lakhs – 1%	2% without any threshold limit

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Relaxation of TAN requirements for NRI Seller [Amendment to Section 397 and consequential Amendment to Section 393 of the Income-tax Act, 2025]: -

Section 397(1)(a) of the Income-tax Act, 2025 requires any person who deducts or collects tax to obtain a TAN.

At present, if a person buys immovable property from a resident seller, the buyer does not need to obtain TAN to deduct TDS. But if the seller is a non-resident, the buyer must obtain TAN, even if it is a one-time property transaction. This creates unnecessary compliance burden for the buyer, as he would need TAN for a single transaction.

To reduce this compliance burden, it is proposed to amend Section 397(1)(c) of the Income-tax Act, 2025.

After the amendment, a resident individual or Hindu Undivided Family (HUF) buying immovable property from a non-resident will not be required to obtain TAN for deducting TDS u/s 393(2) of the Income-tax Act, 2025.

As per proposed amendment, the buyer can instead deduct and deposit TDS using a PAN-based challan.

This change simplifies the procedure and makes it easier for individual and HUF buyers to comply with TDS provisions while purchasing property from non-residents.

The Above proposed amendment shall come into force from 1st October, 2026.

Payment and Recovery of Demand [Amendment to Section 411 of the Income-tax Act, 2025 and Consequential amendment to Section 220 of the Income-tax Act, 1961]: -

At present, any sum specified in a notice of demand shall be payable within 30 days of service of notice. If the amount is not paid within this period, the assessee is treated as a defaulter and is liable to pay interest. In addition, the tax authorities may initiate recovery proceedings for non-payment of such demand.

It is now proposed to amend the provisions to provide that **no interest shall be charged on penalty-related demand** up to the date of the order passed by the **CIT(A)** or the **ITAT** (in cases of appeal against DRP orders). This relief is intended to reduce the interest burden during the pendency of appeals arising out of Penalty orders.

Above proposed amendment in Section 411 of Income-tax Act, 2025 shall come into force from 1st April, 2026.

Similar amendment in Section 220 of Income-tax Act, 1961 shall come into force from 1st March, 2026.

Rationalization of Penalties into Fee [Amendments to Section 427, 428 and 454 of the Income-tax Act, 2025]: -

At present, certain **technical or procedural defaults** under the Income-tax Act, 2025 attract **penalties**, which are discretionary in nature and often lead to litigation. These penalties apply for failures such as delay in furnishing audit reports or statements of specified financial transactions (SFT), even where there is no intent to evade tax.

It is proposed to **replace certain penalties with mandatory fees** for technical delays, with the objective of **reducing litigation**. The proposed fees are fixed, non-discretionary, and in most cases **lower than the existing penalties**, which is tabulated as under: -

Offence	Existing Provisions		Proposed Amendments	
	Section	Penalty	Section	Fee
Failure to furnish statement of specified financial transactions or reportable account (i.e. SFT/Reportable account)	454 (1)	₹500 for each day during which such failure continues	427(3)	Maximum of: - ₹200 per day during which such failure continues Or ₹1,00,000
Failure to get accounts audited	446	Lower of: 0.5% of the total sales or gross receipts for such Tax Year(s) or ₹1,50,000	428(C)	₹75,000 (if Delay up to one month) thereafter ₹1,50,000
Failure to furnish an accountant report by persons entering international transaction or specified domestic transactions (transfer pricing report)	447	₹1,00,000	428 (d)	₹50,000 (if Delay up to one month) thereafter ₹1,00,000

Further, in our opinion, the late filing fee paid, being compensatory in nature, is allowable as a deduction u/s 34 of the Income-tax Act, 2025.

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Additional Amendment for failure to furnish the Statement of Financial Transaction (SFT) or reportable account within the time specified in response to notice issued by the tax authority: -

It is further proposed to amend the **penalty provisions u/s 454 of the Income-tax Act, 2025**, in cases, where a person fails to furnish the Statement of Financial Transaction (SFT) or Reportable Account within the time specified **in a notice issued by the tax authority.**

Above proposed amendment is tabulated as under: -

Offence	Existing Provisions		Proposed Amendment	
	Section	Penalty	Section	Penalty
failure to furnish the statement of financial transaction or reportable account within the time specified <i>in a notice issued by the tax authority</i>	454 (2)	Penalty of ₹1,000 per day (no upper limit)	454 (2)	Maximum of: - ₹1000 per day during which such failure continues or ₹1,00,000

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Penalty for under-reporting and misreporting of income [Amendment to Section 439 of the Income-tax Act, 2025]: -

1. Definition of Misreporting expanded [Insertion of Clause 439(11)(g) of the Income-tax Act, 2025]:

At present Section 443 of Income-tax Act, 2025 provides a separate Penalty in cases of **unexplained cash credits, investments, assets, or expenditures**.

There is also a separate penalty u/s 439 of Income Tax 2025 for other types of defaults covered under residuary cases of misreporting of income.

The definition of **misreporting of Income is proposed to be enhanced**. Now it is proposed that misreporting income will also cover specific cases of **unexplained cash credits, unexplained investments, assets, or expenditures** as referred to in Sections 102 to 106 of the Income-tax Act, 2025.

Accordingly, it is now proposed to subsume Penalty u/s 443 of Income Tax 2025 as referred above into penalty u/s 439 of Income-tax Act, 2025 for misreporting of Income Accordingly, Section 443 of the Income-tax Act, 2025 is proposed to be deleted.

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

2. Penalty Waiver for Income reflected in Updated Returns [Insertion of Sub-Section 439(13A) of the Income-tax Act, 2025]

It is proposed that in case, where additional income-tax is paid in accordance with Section 267 on Updated Return, then the income on which such additional income-tax is paid shall not be liable to imposition of penalty u/s 439 of the Income-tax Act, 2025.

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Similarly, it is proposed in Section 270A of Income, Tax Act 1961, sub-section (11A) is inserted wherein, additional income-tax is paid in accordance with Section 140B on Updated Return, then the income on which such additional income-tax is paid shall not be liable to imposition of penalty u/s 270A of the Income-tax Act, 1961.

Above proposed amendment shall come into force from 1st March, 2026.

Waiver of Penalty and Immunity from initiation of Prosecution [Amendment to Section 440 of the Income-tax Act, 2025]:-

At present, Immunity u/s 440 of the Income-tax Act, 2025 can only be granted in the cases of underreporting of income and **not in the case of under-reporting of income in consequence of misreporting of income.**

However, in order to reduce litigation related to penalty in case of misreporting of Income it is now proposed to amend Section 440 of the Income-tax Act, 2025 wherein Immunity from **imposition of Penalty shall also be granted in case of under-reporting of income which is in consequence of misreporting.**

Tabular presentation of the comparison between existing provision and proposed amendment is as under: -

Particulars	Existing Provisions	Proposed Amendment
Title of Section 440 of the Income-tax Act, 2025	Existing Heading :- Immunity from imposition of penalty, etc.	Proposed Heading :- Waiver of penalty u/s 439 of the Income-tax Act, 2025 and immunity from initiation of prosecution proceedings u/s 478 or 479 of the Income-tax Act, 2025
Eligibility for Immunity from penalty u/s 440 of the Income-tax Act, 2025	Limited to cases classified as under-reporting of income . In other words, cases classified as under-reporting of income which is in consequence of misreporting of Income are not eligible for Immunity from Penalty	Even cases classified as under-reporting of income which is in consequence of misreporting including unexplained credits, unexplained investments and expenditure together with under reporting of Income are proposed to be eligible for Immunity from Penalty
Additional Tax liability in case immunity from Imposition of Penalty is sought	No further Tax Liability	<u>For Normal Misreporting of Income</u> 100% of additional tax <u>In case additions are made for unexplained credits, investments and expenditure</u> 120% of additional tax

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Similarly, **at present** immunity by the Assessing Officer from imposition of penalty or prosecution u/s 270AA of Income Tax Act 1961 can only be granted in the cases of underreporting of income and **not in the case of underreporting of income in consequence of misreporting of Income.**

It is proposed that Scope of Eligibility for immunity from Imposition of penalty u/s 270AA of the Income-tax Act,1961 will be expanded as under: -

- a) cases classified as under-reporting of Income and
- b) **cases classified as under-reporting of income in consequence of misreporting on payment of additional income-tax amounting to 100% of such tax payable.**

However, penalty levied for additions made in cases of Unexplained Cash Credit, Unexplained investment, Assets or expenditure are still not eligible for immunity up to AY 2026-27.

This amendment will take effect from 1st March, 2026 for AY 2026-27.

Penalties for non-compliance in Crypto Reporting [Substitution of Section 446 of the Income-tax Act,2025]:-

New Penalties have been proposed for non-compliance with crypto asset reporting requirements under the Income-tax Act,2025 bringing the sector under formal tax compliance and reporting standards. The Proposed penalties are tabulated as under: -

Section	Particulars	Existing Penalty	Proposed Penalty
446(1)	Failure to furnish statement for Crypto-asset transactions u/s 509(1) of the Income-tax Act, 2025	NA	Penalty of INR 200 per day for every day during which the failure continues.
446(2)	Furnishing inaccurate information or non-compliance with due diligence for Crypto-asset transactions where a person: A. Furnishes inaccurate information in the statement and fails to rectify it as per Section 509(4) of the Income-tax Act, 2025; or B. Fails to comply with the due diligence requirements u/s 509(5) of the Income-tax Act, 2025.	NA	Penalty of INR 50,000

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Penalty for failure to furnish Information during on-site inspection by Tax Authorities [Amendment to Section 466 of the Income-tax Act, 2025]: -

Sr. No	Particulars	Existing Provisions	Proposed Amendments
1	Failure to furnish required information during a tax authority's visit to a business or professional premise	Maximum Penalty Amount of Rs 1,000/-	Maximum Penalty Amount of Rs 25,000/-

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Procedure for imposing Penalty [Amendment to Section 471 of the Income-tax Act, 2025]:-

At present, Section 471 of the Income-tax Act, 2025 provides for the procedure for imposing any penalty by giving reasonable opportunity of being heard.

Following amendments are proposed to prescribe procedure for imposing penalty in Section 471 of the Income-tax Act, 2025: -

- 1. Show Cause Notice Mandate:** The amendment to Section 471 now explicitly requires that this "reasonable opportunity" must be provided **through issuance of show cause notice ;**
- 2. Integration of Penalties with Assessment:** Penalty proceedings u/s 439 of the Income-tax Act, 2025 should **now be in-built** along with draft assessment order, regular assessment order, and reassessment order itself, reducing procedural, multi-stage litigation and
- 3. No separate Approval required:** Where approval of the Joint Commissioner is taken for passing of an order of assessment or reassessment, then, **no separate approval is required** for imposition of penalty u/s 439 of the Income Tax Act 2025 as Penalties are now proposed to be part of such order of assessment or reassessment.

Above proposed amendment shall come into force from Tax Year 2027-28 onwards.

Similar amendments as mentioned above are made in provision of Section 274 of Income-tax Act, 1961, for mandatory issuance of Show Cause Notice, Integration of Penalty u/s 270A of the Income-tax Act, 1961 with Assessment and requirement for approval from senior authorities before proceeding.

Above proposed amendments shall come into force from 1st March, 2026.

Relaxation in Prosecution -Simple Imprisonment from Rigorous Imprisonment [Amendment to Section 473, 474, 475, 476, 477, 479, 482, 484, 478, 480, 481, 483, 484, 495 of the Income Tax Act ,2025]: -

Sr No.	Section	Description of Contravention	Existing Provisions	Proposed Amendments
1	473	Contravention of order made during Search Action	Maximum sentence of rigorous imprisonment for 2 years along with fine	Simple imprisonment for a term up to 2 years along with fine
2	474	Failure to afford facility for inspection of books of account during search	Maximum sentence of rigorous imprisonment for 2 years along with fine	Simple imprisonment for a term up to 6 months OR with fine OR with both
3	475	Removal, concealment, transfer or delivery of property to prevent tax recovery	Maximum sentence of rigorous imprisonment for 2 years along with fine	Simple imprisonment for a term up to 2 years and with fine
4	481	Failure to produce accounts and documents	Rigorous imprisonment for a 1 year AND with fine	Simple imprisonment up to 6 months, OR with fine, OR with both
5	483	Falsification of books of account or document, etc	Rigorous imprisonment for not less than 3 months, which may extend to 2 years and with fine	Simple imprisonment up to 2 years and with fine
6	485	Punishment for second and subsequent offences	Rigorous imprisonment for a term not less than six months which may extend to seven years, along with fine.	Simple imprisonment for not less than 6 months, which may extend to 3 years, along with a fine

Sr No.	Section	Description of Contravention	Existing Provisions	Proposed Amendments
7	476 & 477	Failure to pay TDS or TCS in respect of winnings from online games or consideration for transfer of virtual digital assets under Chpt XII-D or XVII-B	Rigorous imprisonment for a term not be less than 3 months but which may extend to 7 years, and with fine	
8	478	Punishment for willful attempt to evade tax, penalty or interest or payment thereof	i. Rigorous imprisonment not less than 6 months, may extend to 7 years and with fine (Tax evasion > INR 25 lakhs) ii. Rigorous Imprisonment not less than 3 months, may extend to 2 years and fine (other cases)	I. Simple imprisonment up to 2 years, or fine, or both (Tax > INR 50 lakh); ii. Simple imprisonment up to 6 months, or fine, or both (INR 10 lakhs < Tax < INR 50 lakhs); and iii. fine (Tax < INR 10 lakh)
9	479	Failure to furnish Returns of Income		
10	482	Punishment for making false statements in Verification, etc		
11	484	Punishment for Abetment of false Return, etc		
12	480	Failure to furnish Returns of Income in search cases	Rigorous imprisonment not less than 3 months, may extend to 3 years with fine	
13	494	Disclosure of particulars by public servants	Imprisonment up to 6 months AND fine	Simple imprisonment up to 1 month, OR with fine, OR with both

Above proposed amendments shall come into force from Tax Year 2026-27 onwards.

Similar amendments are proposed in Sections 275A, 275B, 276, 276B, 276BB, 276C, 276CC, 276CCC, 276D, 278, 278A, 280 of the Income-tax Act, 1961 will take effect from 1st March, 2026.

Validity of Assessments despite Errors in quoting the DIN [Insertion of sub-section 522(2) of the Income-tax Act, 2025]:-

At present, the Section 522 of Income-tax Act, 2025 states that a tax return, assessment, notice, summons, or any other proceeding under the Income-tax Act will **not be considered invalid just because it contains a mistake, defect, or omission**. As long as the document or proceeding is **substantively correct and follows the intent and purpose of the Act**, it remains legally valid.

It is now proposed, to insert sub-section 522(2) wherein, it specifically clarifies that a proceeding will **not be invalid** on the ground of any mistake, defect, or omission in quoting a computer-generated Document Identification Number (DIN), **provided** the assessment order is referenced by such a number in any manner. In other words, as long as the assessment order is linked to the DIN in some way, it remains legally valid.

Above proposed amendment shall come into force from Tax Year 2026-27 onwards.

Similarly, a new Section 292BA to the Income-tax Act, 1961 is proposed to be inserted. This Section states that a tax assessment will not be cancelled just because there is a small error or omission in mentioning the Document Identification Number (DIN), as long as the order is connected to that number

Above proposed amendment will apply **retrospectively from 1st October, 2019**.

Taxability of previously allowed Deductions upon subsequent Non-Compliance or triggering events [Amendment to Section 536(2)(h) of the Income-tax Act, 2025] :-

Under the new Income-tax Act, 2025 (which replaces the old 1961 law from 1st April, 2026), Section 536 deals with "Repeal and Savings" — i.e., how deductions or incomes determined under the old Income-tax Act, 1961 are to be treated once that law is repealed.

Tabular presentation of the comparison between existing provision and proposed amendment in Section 536(2)(h) of Income-tax Act, 2025 is as under: -

Particulars	Existing Provision	Proposed Amendment
Scope	Amounts allowed as deduction under the Income-tax Act, 1961	Amounts allowed not only as deduction but also amounts not included in total income under the Income-tax Act, 1961
Trigger for taxability under new Act	Violation of conditions attached to the deduction allowed under the old Act	Even without violation , if such amount would have been included in income later under the old Act
Type of cases covered	Limited to cases where conditions of deduction are breached	Covers all deferred / postponed tax items , including exemptions, exclusions, or timing differences
Treatment under Income-tax Act, 2025	Amount deemed as income in the year of violation	Amount deemed as income in the year it would have been taxable under the old Act

Above proposed amendments shall come into force from Tax Year 2026-27 onwards.

The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 [“FAST-DS 2026”]: -

Target Beneficiaries and Benefits: -

FAST-DS 2026, proposed under the Finance Bill, 2026, is a time-bound facility enabling eligible assessee to regularise legacy and technical lapses in reporting foreign assets and foreign-sourced income under the Income-tax Act, 1961.

It permits **a voluntary, one-time foreign assets of small Tax payers disclosure scheme will provide a six-month time frame** by declaration of such previously undisclosed foreign income or foreign assets without reopening multiple past AYs.

Scope and Eligibility: -

For the purposes of FAST-DS 2026, an “assessee” means a resident individual (or a Non-Resident (“NR”) or Resident but not Ordinarily Resident (“RNOR”), who was resident in the relevant previous year in which foreign Asset was acquired or foreign income was earned), as defined under the Income-tax Act, 1961, who has earned undisclosed income or has acquired undisclosed asset while he was a Resident.

FAST-DS 2026 is intended to benefit small taxpayers, with eligibility determined by the nature, source, and quantum of foreign assets and foreign-sourced income proposed to be disclosed.

A declaration may be furnished for any previous year in respect of assets or income, **where the declarant has failed to furnish a Return of Income (“ROI”), failed to disclose such asset or income in an ROI, filed or such asset or income has escaped assessment under the Income-tax Act, 1961.**

Payment and Final Order: -

In respect of declarations made under FAST-DS 2026, the declarant is required to make payment as under:

Sr. No.	Type of Asset/Income	Amount Payable	Conditions
1	<ul style="list-style-type: none"> ➤ Undisclosed foreign asset; <li style="text-align: center;">or ➤ Undisclosed foreign income 	Aggregate of – <ul style="list-style-type: none"> i. 30% of the value of the undisclosed foreign asset (as on 31st March, 2026); <li style="text-align: center;">or ii. 30% of undisclosed foreign income; <li style="text-align: center;">and iii. 100% of tax computed under (i) or (ii) above. 	The aggregate value of the undisclosed Foreign asset and undisclosed foreign income does not exceed ₹ 1 Crore as on 31st March, 2026.
2	<ul style="list-style-type: none"> ➤ Foreign asset acquired during status as a non-resident <li style="text-align: center;">or ➤ Foreign asset acquired from disclosed income already taxed but not disclosed in ROI. 	<ul style="list-style-type: none"> ➤ Fee of ₹ 1,00,000/- 	The value of the foreign asset does not exceed ₹ 5 Crores as on 31st March, 2026.

Procedure relating to manner of payment: -

Steps	Particulars	Time Limit
1	Prescribed authority verifies declaration and communicates payable amount electronically	Within 1 month from end of month of declaration
2	Assessee pays the communicated amount	Within 2 months from end of month of receipt of communication
3	Failure to pay within normal period may render declaration ineffective	—
4	Extended payment allowed with simple interest @1% per month or part thereof	Additional period up to 2 months , subject to conditions
5	On receipt of payment and intimation, electronic order certifying payment is issued and becomes final & conclusive	Within 1 month from receipt of intimation

Any amount paid under FAST-DS 2026, including interest, shall be final and non-refundable.

Immunity from Penalty and Prosecution: -

Upon timely payment of prescribed amounts, declarants receive limited immunity from further penalty and prosecution under the Income-tax Act, 1961, and notified statutes, strictly for the assets and income disclosed under FAST-DS 2026.

Cases involving proceeds of crime, matters under the Prevention of Money-laundering Act, 2002, or those already dealt with under the Black Money Act are **excluded**, preserving full enforcement against serious and wilful violations.

The proposed Scheme shall come into force on such date as may be notified by the Central Government in the Official Gazette.

GOODS AND SERVICES TAX

Intermediary services - Change in place of supply [Amendment to Section 13(8)(b) of IGST Act, 2017]: -

Existing Provision - Section 13(8) of IGST Act, 2017: -

The place of supply of the following services shall be the **location of the supplier of services**, namely: —

(a) services supplied by a banking company, or a financial institution, or a non-banking financial company, to account holders;

(b) Intermediary services;

(c) services consisting of hiring of means of transport, including yachts but excluding aircrafts and vessels, up to a period of one month.

Issues with Existing Provision: -

- Supplies by Indian Intermediary to Foreign Principal was not treated as Export of services.
- GST was payable even if Service was provided to Foreign Principal and payment was received in foreign convertible currency.
- In spite of prevailing circulars and judgments there are various disputes and litigation between assessee and the department about the scope of the term Intermediary.

Proposed Amendment: -

It is now proposed to **Omit** the provisions related to the Place of Supply of Intermediary Services as mentioned in **clause (b)** of Section 13(8) of IGST Act, 2017.

Hence, once specific provision of clause (b) of Section 13(8) of IGST Act, 2017 is **Omitted**, supplies of Intermediary Services will fall under **General Provisions of Section 13(2) of IGST Act, 2017** wherein **Place of supply will be location of Recipient** and supplies will be treated as **Export** if all other conditions satisfied and no tax will be required to be paid.

The revised **Section 13(8) of IGST Act, 2017: -**

The place of supply of the following services shall be the location of the supplier of services, namely: —

(a) services supplied by a banking company, or a financial institution, or a non-banking financial company, to account holders;

~~(b) intermediary services;~~

(c) services consisting of hiring of means of transport, including yachts but excluding aircrafts and vessels, up to a period of one month.

Impact of the proposed amendment: -

- Indian Intermediaries like commission agents providing services to foreign customers will be treated as export subject to receipt in foreign convertible currency.
- Indian intermediary suppliers will be eligible for refund of tax paid or unutilised ITC on exports.
- IGST under Reverse charge will be applicable on the remittance made to foreign commission agents and other foreign intermediaries after the amendment. ITC will be admissible on such RCM payment subject to other conditions.

Above Proposed amendment is prospective and shall be effective from a date to be notified.

Post - Supply discount deduction [Amendment to Section 15 of CGST Act, 2017]: -

Existing Provisions: -

- Deduction of post-supply discount is allowed only when such post-supply discount is established in terms of an agreement entered before or at the time of supply and specifically linked to relevant invoices
- Input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.
- There was no formal procedure on GST portal to verify the compliance to ITC reversal. Hence Circular No. 212/6/2024-GST, dated 26th June, 2024 earlier prescribed a procedure of obtaining certificate / CA certificate for reversal of ITC by recipient. However, the said circular was withdrawn vide C.B.I.C. Circular No. 253/10/2025-GST, dated 1-10-2025. Currently there is no specific procedure notified.

It is now **proposed** to Amend Section 15(3)(b) of CGST Act, 2017 which is explained as under: -

- Restriction that such post-supply discount should be based on pre-agreed terms by an Agreement before or at the time of supply and specifically linked to relevant invoices.
- A credit Note can now be issued for Post supply Discount by the Supplier.
- **Section 34 of CGST Act, 2017** is simultaneously **proposed to be amended** to include **specific reference to a Credit note issued for Post Supply discount** u/s 15(3)(b) of CGST Act, 2017. However, **time limit** as specified u/s 34 for Issue of Credit Note for Post Supply Discount **has not been changed**.
- Condition for Reversal of ITC by the recipient will continue to be applicable for GST credit note.
- Supplier will still have to prove that ITC is reversed by recipient on the credit note issued for such discount. It can be argued that acceptance of credit note on IMS will satisfy the condition of Section 15(3)(b) of CGST Act, 2017. However, there is no specific circular or provision which states that acceptance of. Hence it is advised to obtain confirmation from the recipients.

Above Proposed amendment shall be effective from a date to be notified.

Provisional refund for Inverted Rate duty (IDS) [Amendment to Section 54 of CGST Act, 2017]: -

Existing provisions Section 54(6) of the CGST Act, 2017 are as under: -

As per Section 54(6) and Circular No. 125/44/2019 – GST, Provisional refund of 90% for Refund claim of “unutilized input tax” is allowed only for Zero rated Supply of Good & Services (Export). Refund of unutilized input tax credit for Inverted Duty Structure was allowed to be sanctioned only after final verification.

GST Council, in its 56th Meeting, had recommended to provide for sanction of 90% of the refund amount claimed on provisional basis, for refund claims filed on account of inverted duty structure (IDS). Such provisional refund is required to be sanctioned on the basis of the risk assessment on the GST System.

Pending statutory amendments, the Government had allowed processing of 90% provisional refund for IDS refunds vide C.B.I. C. Instruction No. 6/2025-GST, dated 3-10-2025.

It is **now proposed** to amend Section 54 (6) of CGST Act, 2017 to provide for statutory power to grant provisional refund in case of refund of Inverted Duty Structure.

Above proposed amendment shall be effective from a date to be notified.

Other Changes effective from 1st April, 2026: -

A National Appellate Authority (Advance rulings) was proposed to be set up for deciding the appeals filed against contradictory advance rulings in different states for the same entity. The said provisions are yet to be notified.

Amendment is proposed to be made in Section 101A of the CGST Act, 2017 to empower any existing authority including Tribunal to act as a National Appellate Authority till the time the prescribed authority is established. It appears that the said amendment is being made with an intention to empower the GSTAT to act as a National Appellate Authority (Advance Rulings).

CUSTOMS

- 102 exemptions/ concessional rates have been extended up to 31st March, 2028, which inter alia includes gold ores and concentrates for manufacturing of gold, specified goods imported for use in the manufacture of leather or synthetic footwear, orthopedic implants etc.
- 22 exemptions/ concessional rates will lapse on 31st March, 2026 which inter alia includes metal parts for use in manufacture of electrical insulators, pipes and tubes for use in manufacture of boilers, specified television equipment and cameras.
- Customs duty deferral benefit extended to certain eligible importer manufacturer; due date for payment of duty extended from bi-monthly to monthly.
- A special one-time measure is proposed to facilitate sales by eligible SEZ manufacturing units to the Domestic Tariff Area (DTA) at concessional customs duty rates –details yet to be announced.
- Duty-free limits raised to ₹75,000 for residents and ₹25,000 for foreign tourists. Stricter scrutiny and clear definitions introduced for high-value electronics like air fryers and gaming consoles. Transfer of residence benefits now require strict stay-duration compliance, with shortfalls attracting duty plus interest. Re-importing personal items duty-free now strictly permitted only if they were declared at the time of departure.
- Duty exemption extended to 17 additional drugs for cancer care, and for additional 7 identified rare diseases.
- Duty on import of personal goods reduced from 20% to 10%, but with an additional levy of Social Welfare Surcharge.
- Simplified procedure for movement of goods between warehouses, not requiring prior permission of the proper officer.

- Shipments will be subjected to a non-intrusive scanning for faster clearances.
- Customs compliances to have a single-window for all agencies involved, through a pan-India integrated platform.
- Harvests by an Indian-flagged fishing vessel beyond India's territorial waters and brought into India will be exempt from customs duty, and if landing at a foreign port, will be treated as export from India.
- Validity of Advance Ruling has been increased from 3 years to 5 years. Existing advance rulings can also be extended up to 5 years.

Above proposed amendments shall be effective from a date to be notified.

OTHER AMENDMENTS

Relaxation of prosecution proceeding under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015: -

The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 prescribes stringent penalties and prosecution, including imprisonment and monetary fines, for residents who willfully fail to disclose foreign income or assets.

At present, the prosecution provisions u/s 49 and 50 apply even in cases involving minor or inadvertent non-disclosures. This has, in some instances, resulted in disproportionate consequences for small or technical defaults.

To introduce greater fairness and proportionality, it is proposed to relax these provisions by limiting the applicability of prosecution. Under the proposed amendment, prosecution will not be initiated where the aggregate value of undisclosed foreign assets, other than immovable property, does not exceed ₹20 lakh.

The amendment will apply **retrospectively** from 1st October 2024, offering relief in genuine cases of small-value or unintentional non-compliance while continuing to address serious violations effectively.

Increase in tax rates of Securities Transaction Tax: -

The existing rates of STT has been increased for the following:

Nature of Securities	Existing Rates	Proposed Rates
Sale of futures	0.02%	0.05%
Sale of Options	0.1%	0.15%
Sale of Options, where exercised	0.125%	0.15%

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