

Budget 2026: Important Tax Proposals

1. Failure to furnish audit report shall now invite mandatory fee of ₹75000/- for delay up to one month and Rs. 1.5 lacs thereafter. It has been replaced by penalty provisions.
2. No exemption on transfer of sovereign gold bonds where gold bond is not subscribed at the time of original issue and is held.
3. TDS limit for Interest to senior citizens increased from ₹50,000 to ₹1,00,000.
4. TDS limit for rent increased from ₹2.40 lakh to 6 lakh
5. TDS rate on supply of manpower services has been clarified to be covered by TDS on works being 1% when payment is made to individual /HUF and 2% in other cases.
6. TCS limit on remittance outside India being increased from 7 lakh to 10 lakh. Hence no TCS on remittance outside India up to Rs. 10 lacs
7. TCS on remittance for education on loan taken from specified financial institutions being exempted. General rate of TCS on remittance for education or medical treatment has been reduced from 5% to 2%.
8. TCS on remittance for overseas tour has been reduced to 2%.
9. TCS on sale of goods transactions being removed
10. Higher TDS deduction in non-PAN cases
11. Increase in period of registration for trusts from 5 years to 10 years
12. No disproportionate consequences for incomplete applications being filed by charitable entities.
13. Exemption of withdrawals from NSS accounts of senior and very senior citizens on or after 29th August 2024. No Interest is being awarded on these accounts. Similar treatment for NPS Vaatsalya accounts subject to overall limits
14. Extension of period of incorporation by 5 years to startups extended till 1st April 2030.
15. Assessors having business income but whose accounts are not required to be audited and also the partners of a firm whose accounts are not required to be audited shall file their return of income till 31st of August. Earlier, it was 31st of July. Here, it is important to mention that it is not mentioned in Finance Bill that in case of a partner, the firm should have business income. Therefore, partner of a non-business firm whose accounts are not required to be audited can also file return till 31st of August.
16. Time for filing revised return has been extended from 31st December to 31st March of assessment year. However, time for filing belated return still remains 31st December. Therefore, belated return can also be revised till 31st of March. However, if revised return is

filed after 31st of December but before 31st of March, late fees of ₹1000/5000 shall be paid depending upon total income upto ₹5,00,000/exceeding ₹5,00,000.

17. Earlier, the tax payer was not allowed to file updated return where reassessment notice under section 148 had been issued. However, now updated return can also be filed in cases where reassessment notice has been issued. However, in such cases, further additional tax and interest of 10% shall be paid. In such cases, no penalty under section 270A shall be imposed, where additional income tax is paid in updated return.

18. Earlier, loss return could be updated by a return of income only. However, now, return of loss can also be filed with reduced loss.

19. To put at rest the controversy of notices issued under section 150 issues by JAO instead of FAO, retrospective amendment is being brought with effect from 1st April 2021 to the effect that notices issued by an officer other than FAO shall also be treated as valid.

20. No demand for interest on penalty can be raised till an order of commissioner appeals or an ITAT order (for DRP orders) is passed.

21. Immunity from penalty and prosecution subject to non-filing of appeal has been amended to include cases of misreporting as well, subject to an additional condition that in cases of misreporting, 100% of tax has to be paid to avoid penalty equivalent to 200% of tax.

22. Approval of joint commissioner for passing an order of assessment shall be deemed to be approval for imposition of penalty

23. Prosecution for failure to afford facility of inspection of books of accounts has been reduced from rigorous imprisonment of 2 years to simple imprisonment upto 6 months.

24. Prosecution for removal, concealment, transfer, or delivery of property to thwart tax recovery has been reduced from rigorous imprisonment to simple imprisonment for a term upto 2 years.

25. Prosecution for non-payment of TDS/TCS/non-filing of return/wilful attempt to evade tax/underreporting of income/failure to furnish return of income in search cases/false statement in verification/falsification of books of accounts/abetment has been made contingent upon amount of tax involved. For cases involving tax lesser than 10 lakh, only fine shall be imposed, between 10 lakhs to 50 lakhs, simple imprisonment for a term upto 6 months, and for amount of tax more than 50 lakh, simple imprisonment for a term up to 2 months. Earlier, for all evasions, there was prosecution for a period ranging anywhere between 3 months to 7 years.

26. Prosecution for failure to produce account books or respond to notice under section 142(1) waived.

27. Prosecution for failure to comply with direction for special audit has been reduced from rigorous imprisonment upto 1 year to simple imprisonment for a term upto 6 months.

28. Controversy of allowance for depositing employee contribution upto due date specified under the Provident Fund Act, which was earlier pronounced in the favour of revenue in Checkmate Services Pvt. Ltd. by Supreme Court has been put to rest by allowing deposit of employee contribution to PF/ESI till the due date of filing of return.
29. Exemption on interest for third party compensation awarded by Motor Accidents Claims Tribunal. Also, no tax deduction to be made.
30. Certificate for lower deduction or nil deduction of tax can also be obtained by making an online application and on mere electronic verification of contents of application.
31. Resident, individual or HUF, are no longer required to obtain TAN for deduction and collection of tax at source where property is sold by non-resident seller. It brings the law at par relating to purchase of property from a resident seller.
32. Declaration for non deduction of tax on interest on securities, dividend can be filed with depository instead of concerned company where securities are held by depository and are listed on recognized stock exchange.
33. Exemption on compulsory acquisition Compensation for land to Individual and HUF to bring at par with RFCTLARR Act read with Circular 36/2016
34. Exemption for disability pension to armed forces and para military forces to be awarded when invalidated out of service on account of bodily disability and not on superannuation/retirement.
35. Scheme of disclosure of foreign assets by small tax payers being launched to allow declaration of foreign assets in legacy cases
36. No penalty for non-disclosure of foreign asset, other than immovable property, up to 20 lacs
37. Persons, other than searched person, shall now not be assessed for full block period but shall be assessed only for period for which undisclosed income is found.
38. Penalty for underreporting to be imposed in the assessment order itself.
39. Penalty for failure to provide information by person carrying out business increased from Rs. 1000/- to Rs. 25000/-.
40. Tax on undisclosed income has been reduced from 60% to 30% and penalty of 10% has been merged with general penalty for under/and misreporting of income. Since penalty has been merged with general penalty, therefore, to obtain immunity from penalty, 120% of the Tax has to be paid.
41. MAT rate reduced from 15% to 14%. Credit of MAT limited to credit under old regime, and no new MAT credit to be allowed. Further, set-off of old MAT credit to be restricted to 25% of tax liability.

42. Penalty for not sharing information relating to crypto assets imposed at ₹200 per day and ₹50,000 for furnishing inaccurate particulars.
43. Belated filing of return allowed in case of trusts.
44. No interest deduction to be allowed against dividend income .
45. No assessment can be invalidated on account of mistake, defect, or omission in respect of quoting of DIN, if assessment order contains reference to such number in any manner.
46. Condition of having post sale discount as per agreement before or at the time of supply has been done away with.
47. Credit note to be issued in case of post-sale discount also.
48. Provisional refunds to be allowed in case of inverted duty structures also.
49. Threshold of refund claim being higher than ₹1000 removed for refunds against export with payment of tax.
50. Place of supply for intermediary services shall be the location of recipient of service. Earlier, the place of supply in case of intermediary services was location of supplier. This will provide relief in case of export of services by intermediaries.
51. Presumptive taxation for non-residents providing service to resident company establishing electronic manufacturing facility
52. Tonnage tax scheme for inland vessels