

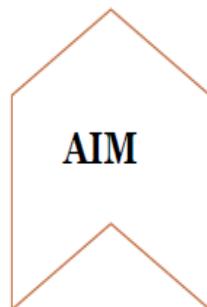
An overview of Finance Bill, 2026 – Direct Taxes



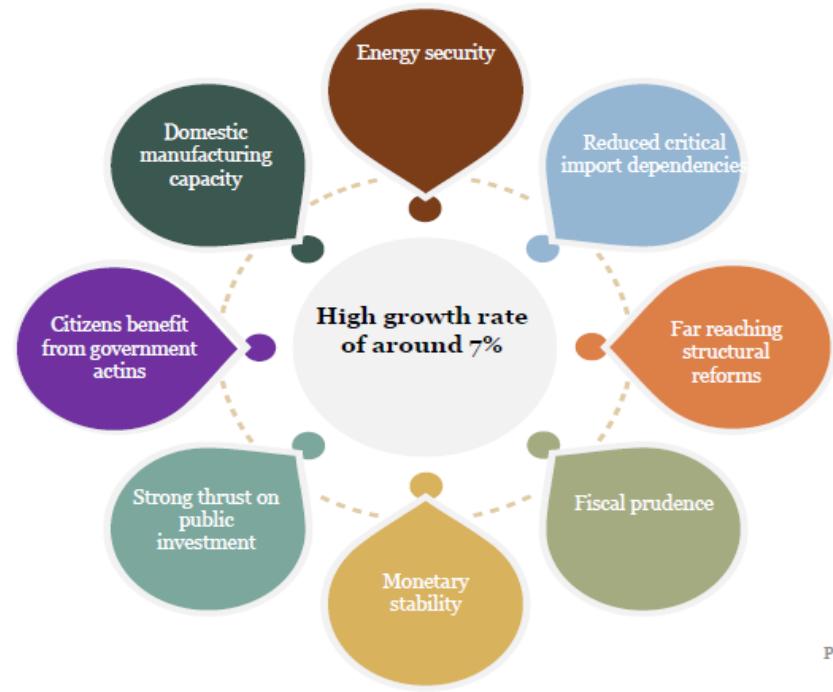
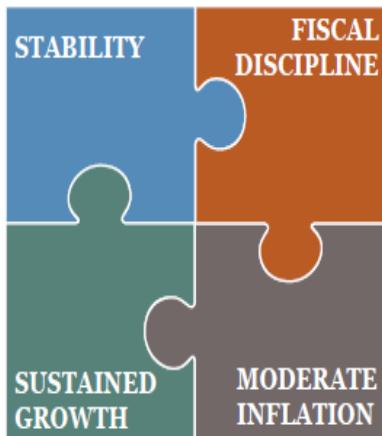
Prepared by: Team 'Voice of CA'

(I) Budget at a Glance

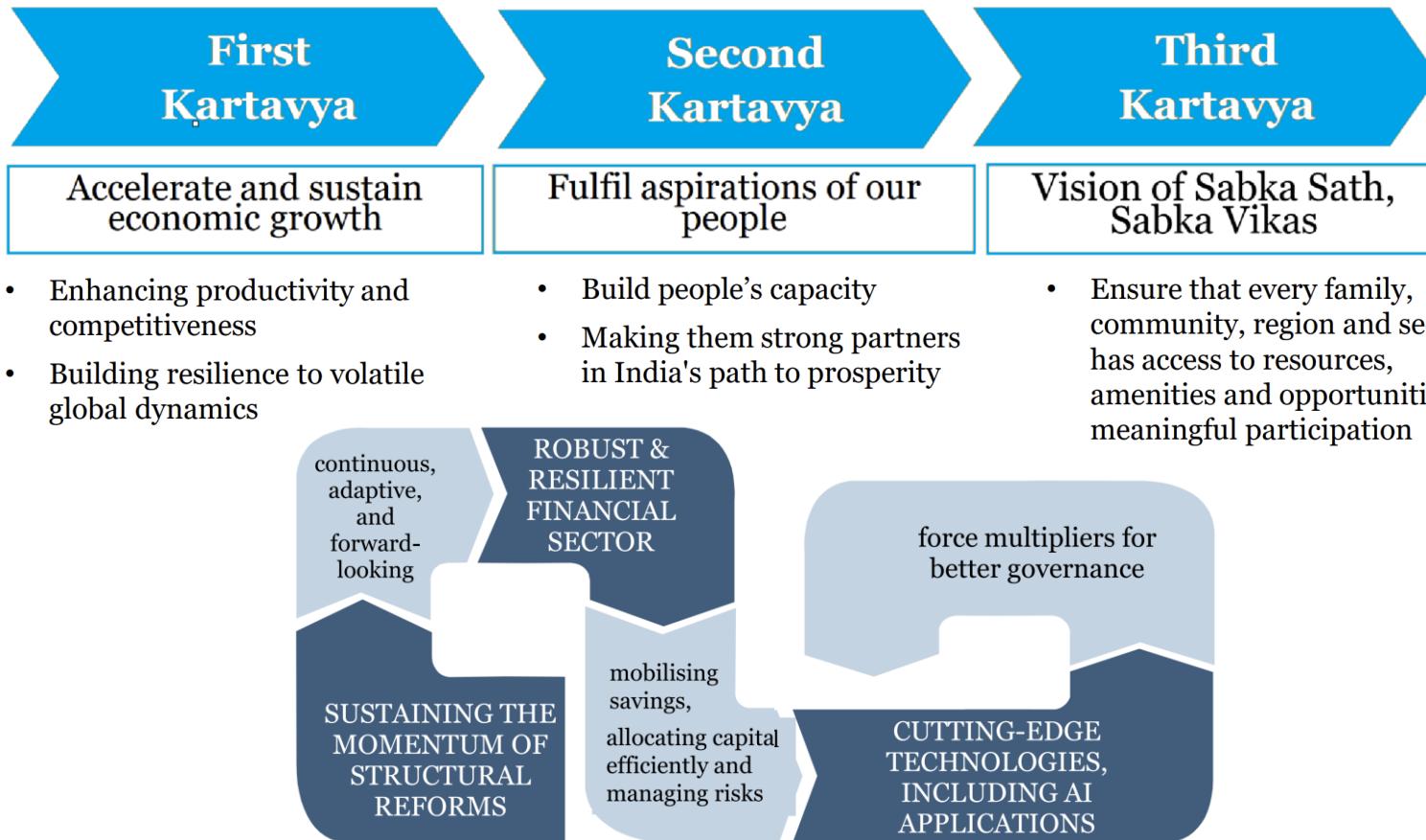
India's economic trajectory



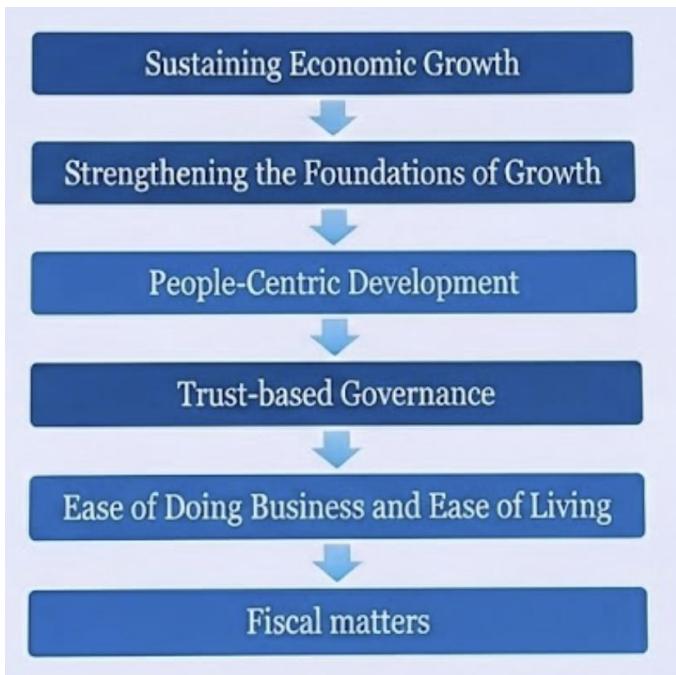
- Transform aspiration into achievement
- Potential into performance



Yuva Shakti-driven Budget



Pillars of Growth and Development



India's Reform Express

- Government has undertaken **comprehensive economic reforms** towards creating employment, boosting productivity and accelerating growth.
- Over **350 reforms** have been rolled out, including GST simplification, notification of Labour Codes, and rationalisation of mandatory Quality Control Orders.
- **High Level Committees** have been formed.
- Central Government is working with the State Governments on **deregulation** and reducing compliance requirements.



Financial Sector

Setting up of **High Level Committee on Banking for Viksit Bharat** to align with India's next growth phase.

Incentive of ₹100 crore for single issuance of municipal bonds of more than ₹1000 crore.

Current Scheme under AMRUT will continue.

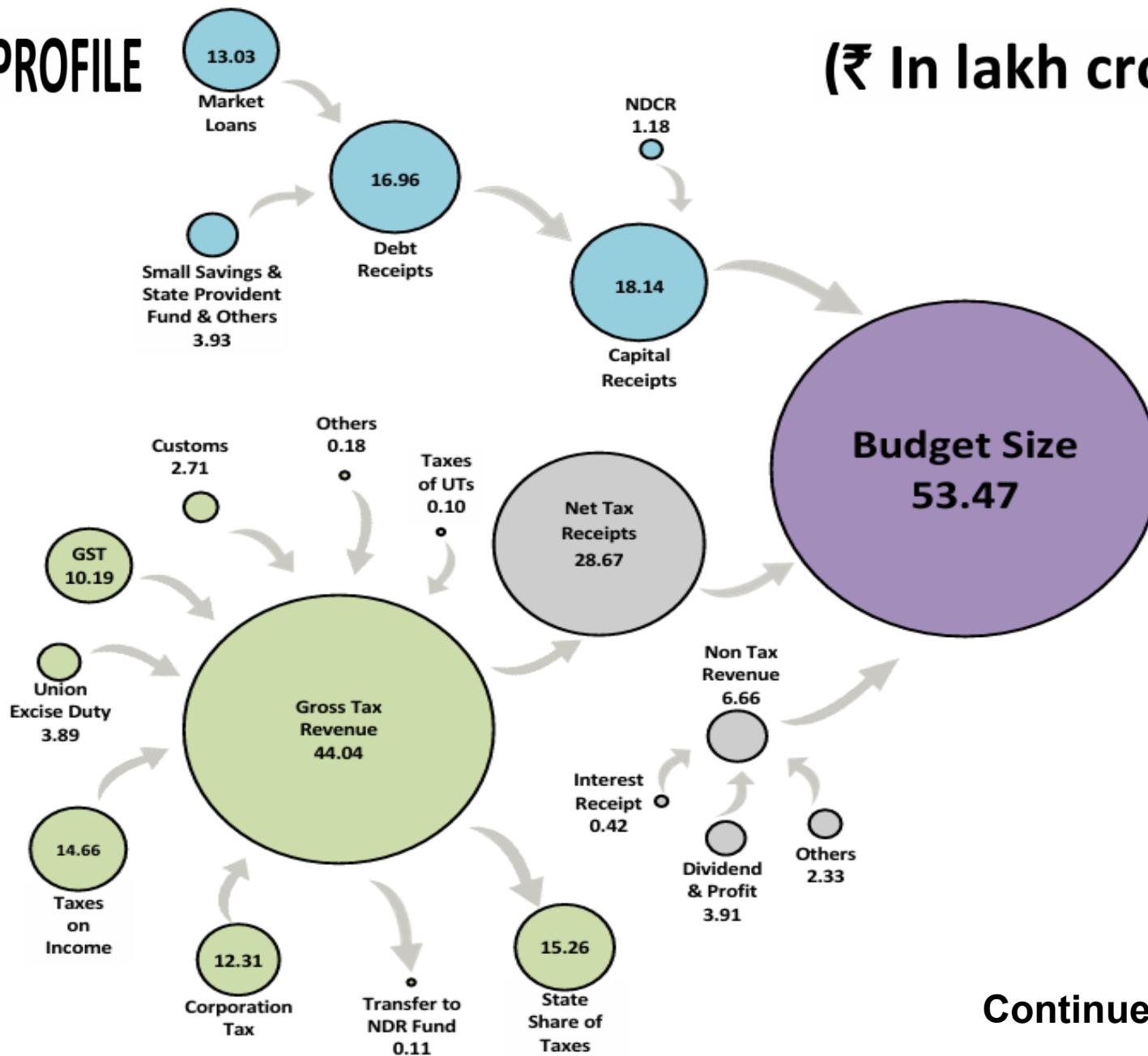
Restructuring Power Finance Corporation (PFC) and Rural Electrification Corporation (REC).

Comprehensive Review of the Foreign Exchange Management (FEMA) (Non-debt Instruments) Rules.

Introduction of Market making framework and total return swaps on corporate bonds.

BUDGET PROFILE

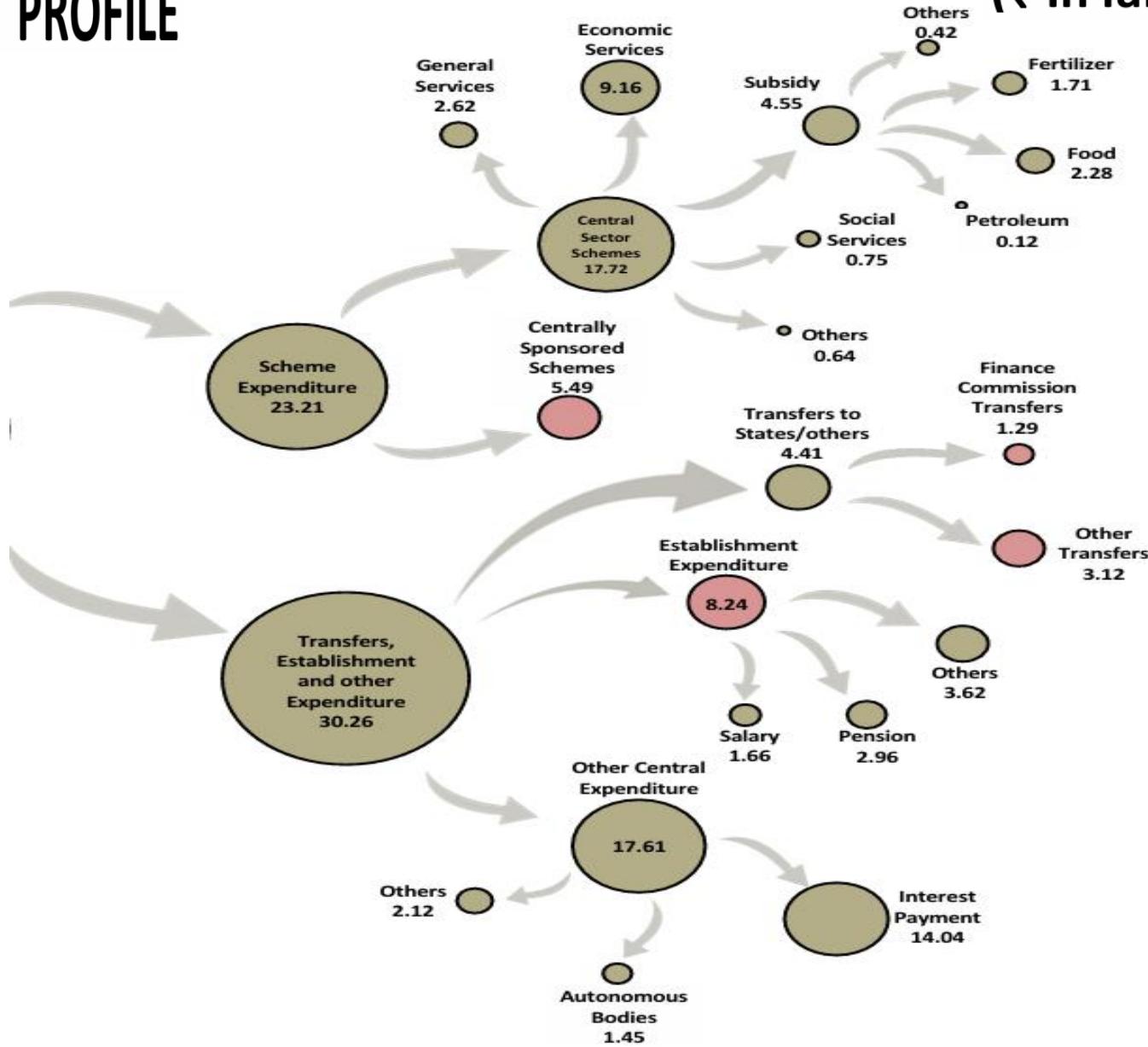
(₹ In lakh crore)



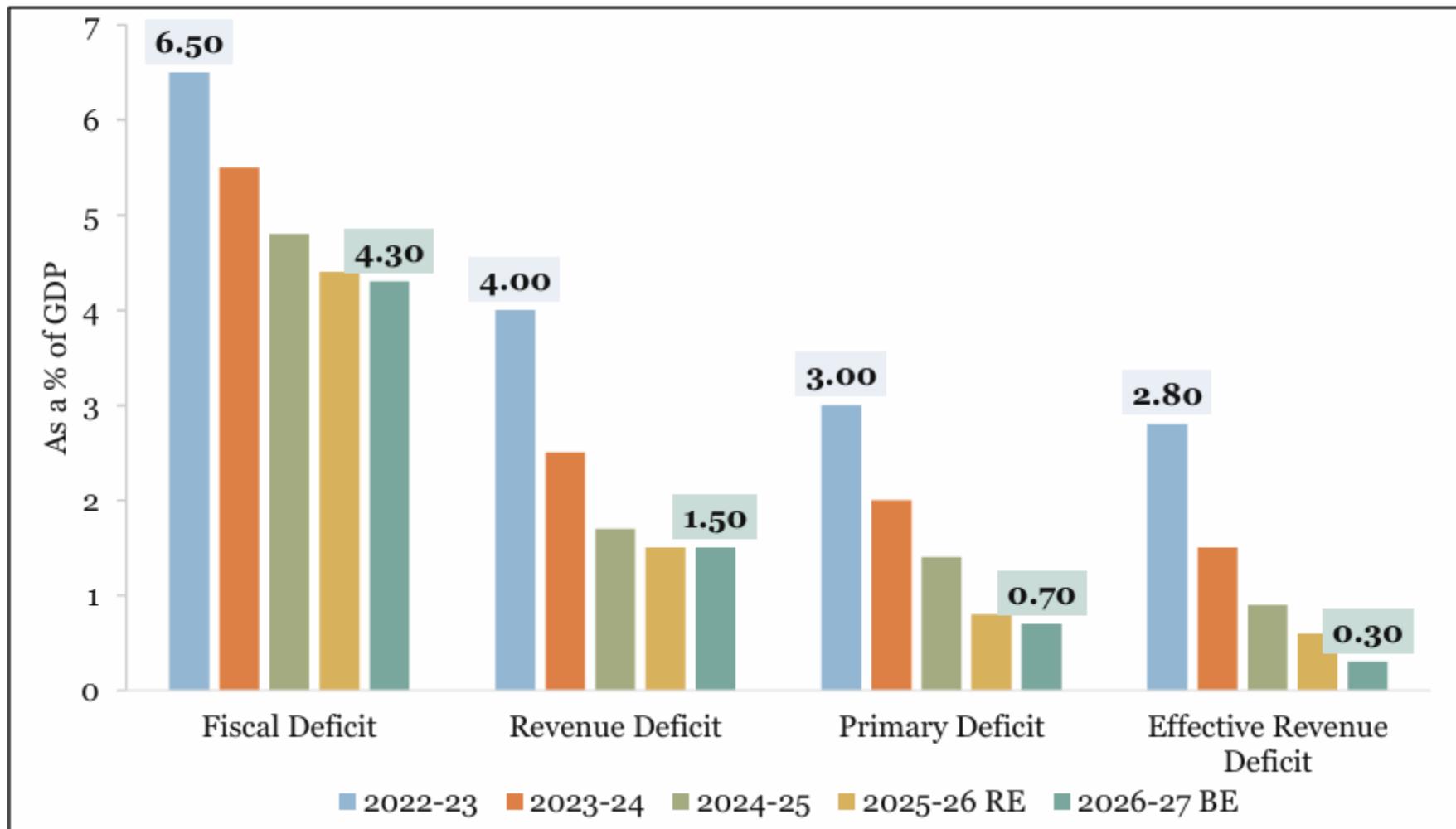
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BUDGET PROFILE

(₹ In lakh crore)



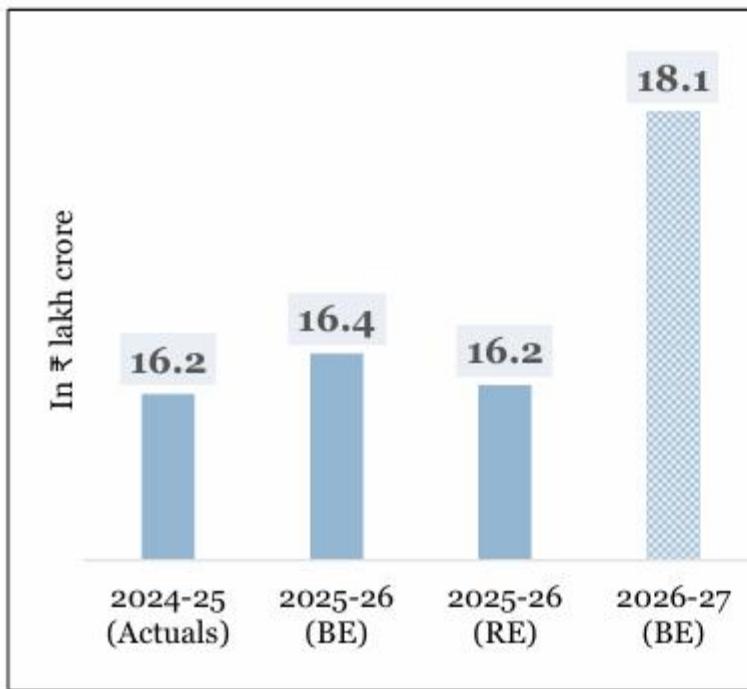
Deficit Trends



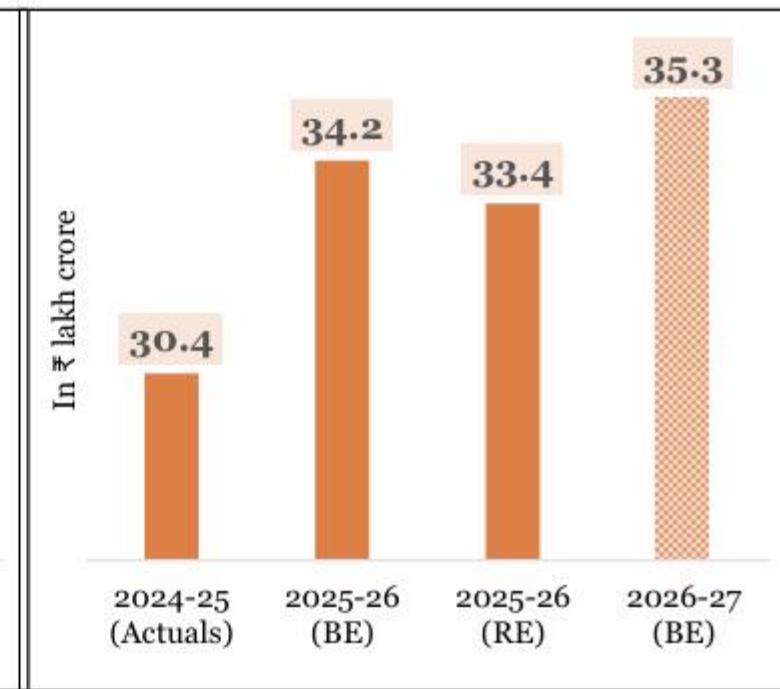


RECEIPTS

Capital Receipts



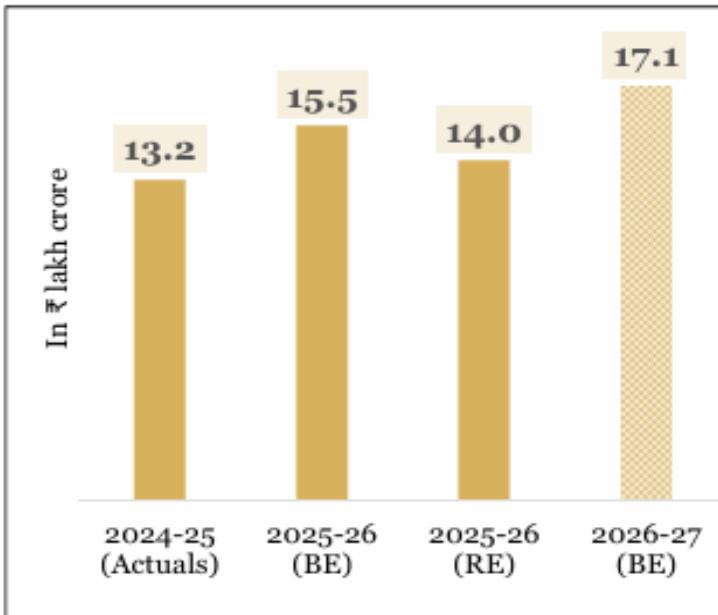
Revenue Receipts



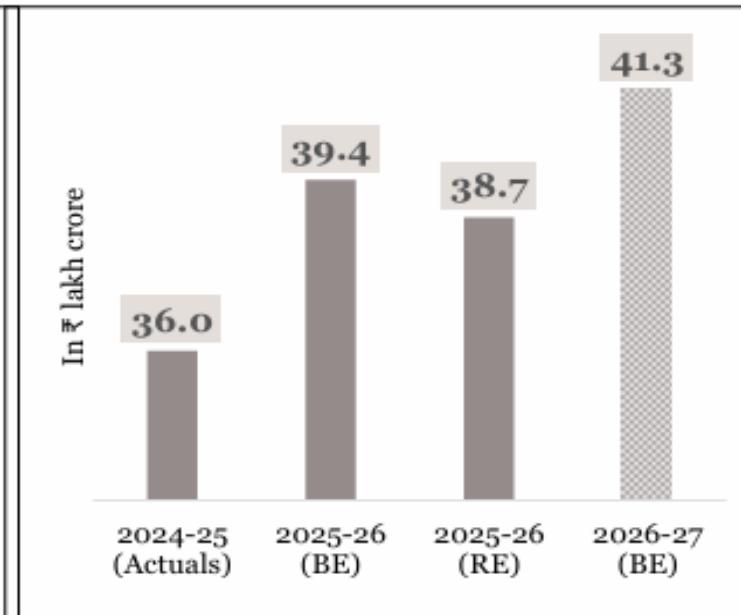


EXPENDITURES

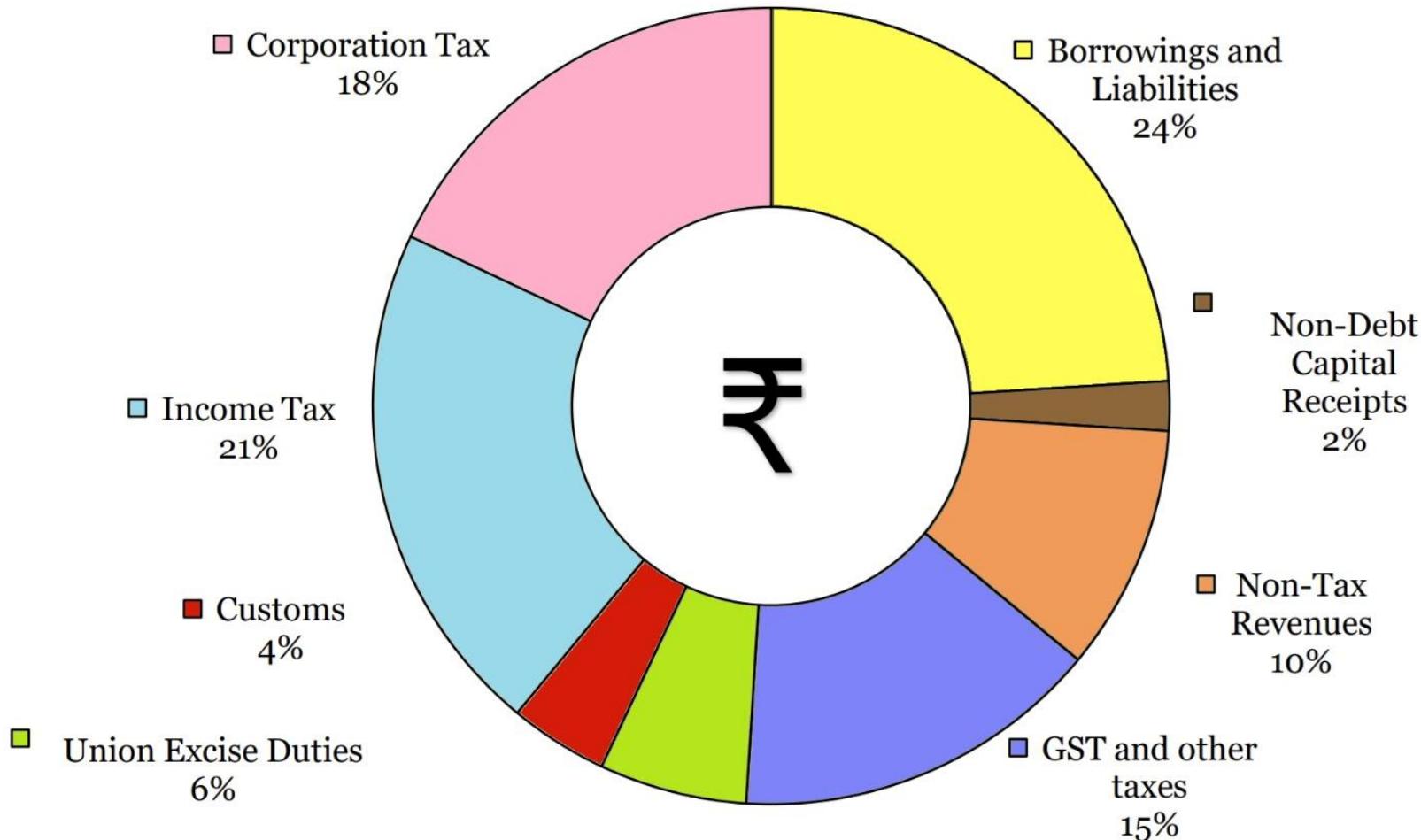
Effective Capital Expenditure



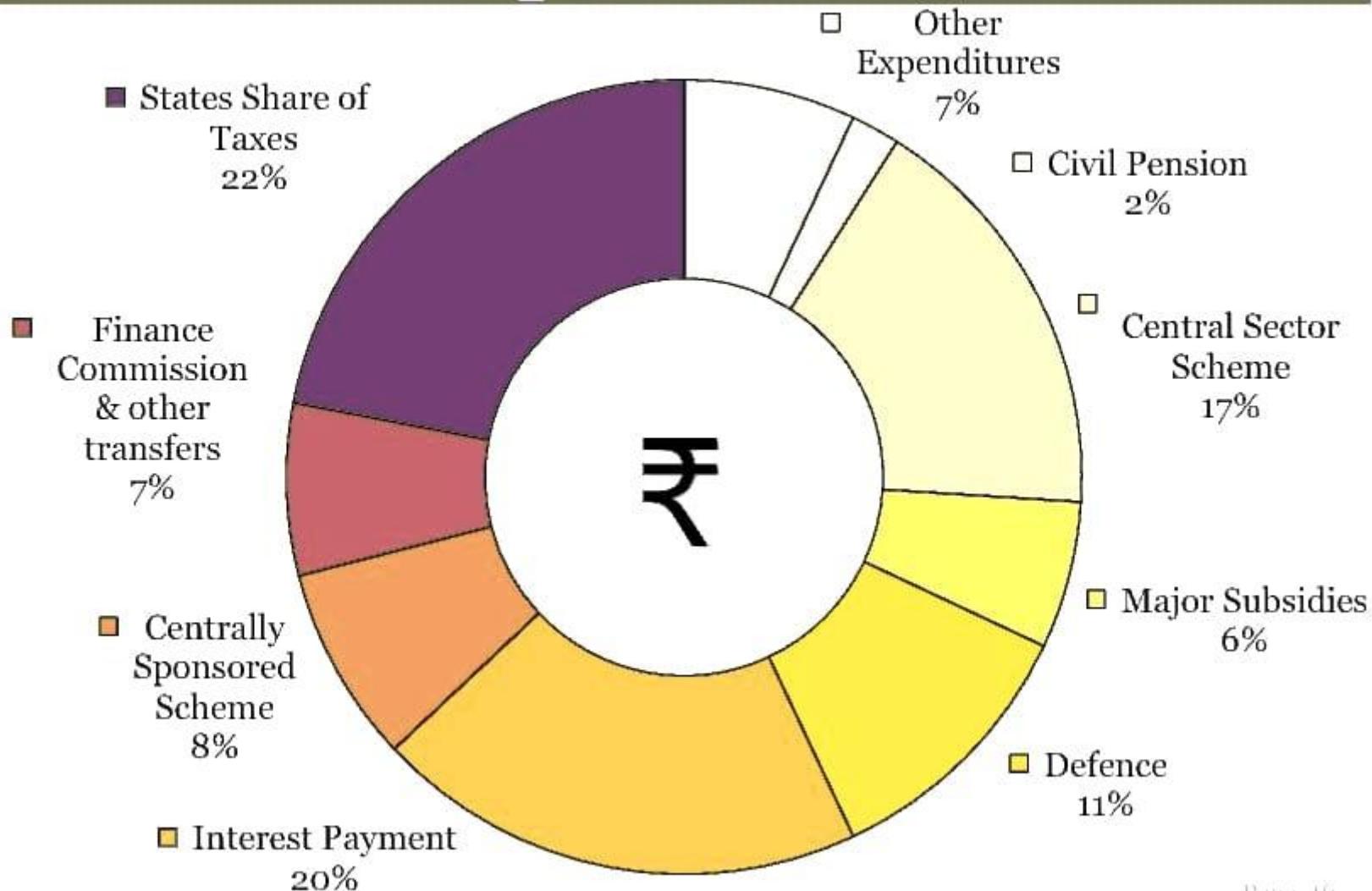
Revenue Expenditure



Rupee Comes From

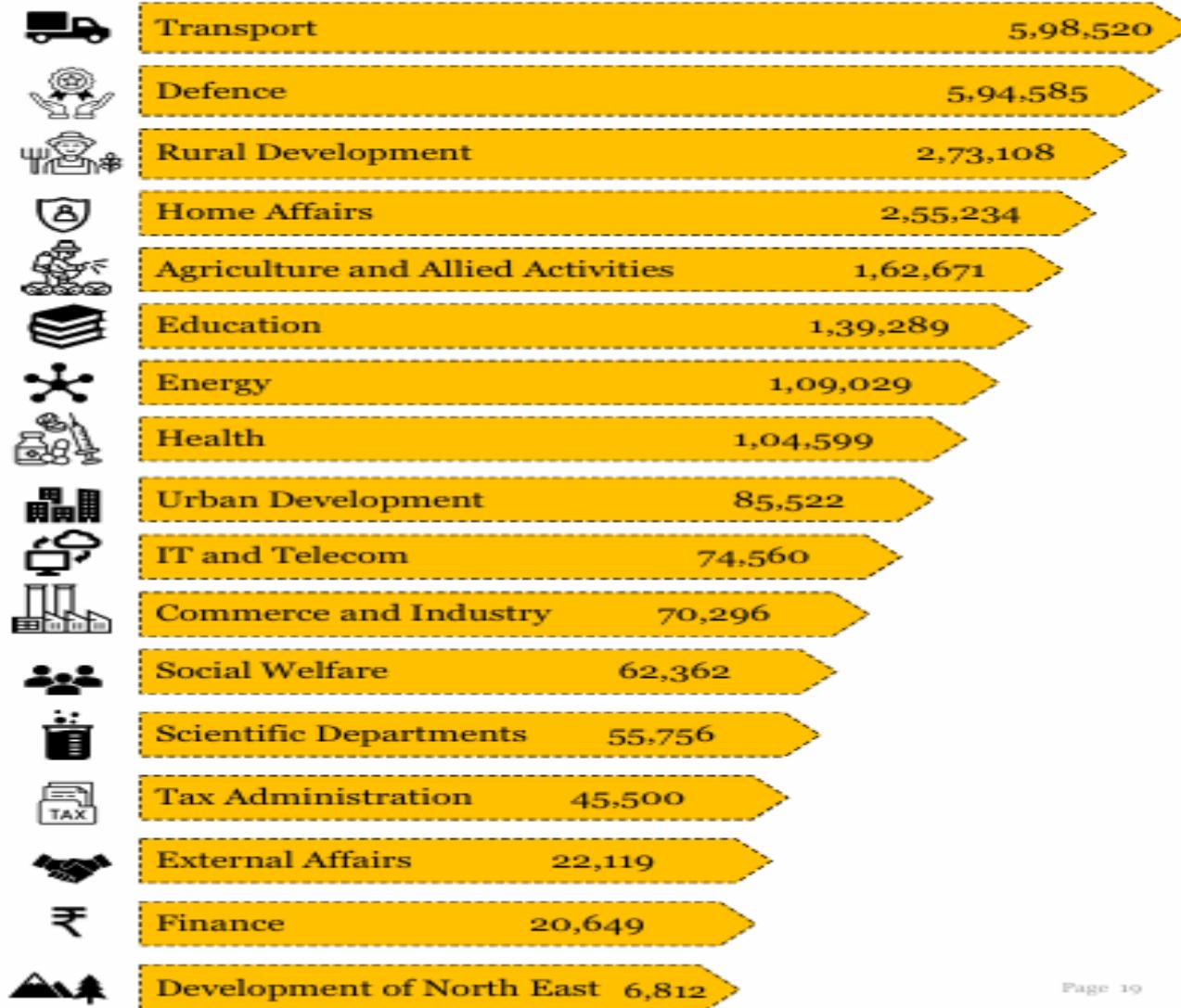


Rupee Goes To



Expenditure of Major Items

In ₹ crore



(II) Proposed Amendments under
Direct Taxes
in the Finance Bill, 2026

Proposed Amendments under Direct Taxes in the Finance Bill, 2026

- A. Rates of tax for financial year 2026-2027
- B. Ease of Living
- C. Rationalising penalty and prosecution
- D. Cooperatives
- E. Supporting IT sector as India's growth engine
- F. Attracting global business and investment
- G. Rationalisation of corporate tax regime
- H. Rationalisation of other direct tax provisions

A. RATES OF INCOME-TAX (Clauses 2, 3 & the First Schedule)

Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person

Slab Rates for New Tax Regime u/s 202 of ITA, 2025 (erstwhile section 115BAC(1A) of ITA, 1961) remains same for Tax 2026-27, which are as follows:

Total Income	Existing Tax Rates	New Tax Rates
Up to Rs 4,00,000	Nil	Nil
From Rs. 4,00,001 to Rs. 8,00,000	5 %	5 %
From Rs. 8,00,001 to Rs. 12,00,000	10 %	10 %
From Rs 12,00,001 to Rs 16,00,000	15 %	15 %
From Rs 16,00,001 to Rs 20,00,000	20 %	20 %
From Rs 20,00,001 to Rs 24,00,000	25 %	25 %
Above Rs 24,00,000	30 %	30 %

Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person

The above tax rates would be applicable on all individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in section 2(77) of ITA, 2025 (erstwhile section 2(31)(vii) of ITA, 1961), unless an option is exercised under section 202(4) of ITA, 2025 (erstwhile section 115BAC(6) of ITA, 1961).

No Exemption or deduction would be available except the following:

- i. Standard Deduction under Item No. 2 of Table under section 19(1) of ITA, 2025 (erstwhile section 16(ia) of ITA, 1961).
- ii. Deduction in respect of income in the nature of family pension as provided under section 93(1)(d) of ITA, 2025 (erstwhile section 57(iii) of ITA Act, 1961).
- iii. Deduction in respect of the amount paid or deposited in the Agniveer Corpus Fund as to be provided under section 125(1) of ITA, 2025 (erstwhile section 80CCH(2) of ITA Act, 1961).

Rebate u/s 156 of ITA, 2025 (erstwhile section 87A of ITA, 1961):

The income limit for rebateu/s 156 of ITA, 2025 (erstwhile section 87A of ITA, 1961) remains same at **Rs.12,00,000** for taxpayers opting for the new tax regime u/s 202 of ITA, 2025 (erstwhile section 115BAC(1A) of ITA, 1961). Also, the maximum rebate amount remains same at **Rs.60,000**.

Such rebate of income-tax is **not available** on tax on incomes chargeable at special rates (for e.g.: capital gains rebate u/s 196, 197, etc. of ITA, 2025 (erstwhile section 111A, 112, etc. of ITA, 1961))

Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person

The slab rates of the old tax regime remains same, which are as follows:

Total Income	Existing Tax Rates	New Tax Rates
Up to Rs. 2,50,000	Nil	Nil
Rs. 2,50,001 to Rs. 5,00,000	5%	5%
Rs. 5,00,001 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person

Surcharge:

The amount of income-tax computed as discussed above shall be increased by a surcharge at the following rates which remain unchanged.

Old Tax Regime		New Tax Regime	
Particulars	Surcharge	Particulars	Surcharge
Taxable Total Income < INR 50 lacs	-	Taxable Total Income < INR 50 lacs	-
INR 50 lacs < Taxable Income < INR 1 crore	10%*	INR 50 lacs < Taxable Income < INR 1 crore	10%*
INR 1 crore < Taxable Income < INR 2 crore	15%*	INR 1 crore < Taxable Income < INR 2 crore	15%*
INR 2 crore < Taxable Income < INR 5 crore	25%**	Taxable Income > INR 2 crore	25%**
Taxable Income > INR 5 crore	37%**		

Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person

**The total income of the Assessee includes the income earned by way of Dividends or income in accordance with the Provisions of the section 196, 197, 198 of ITA, 2025 (erstwhile section 111A, 112, 112A of ITA, 1961).*

***The above surcharge rate is applicable only if the total income of the assessee excluding the income in accordance with the provision of the section 196, 197, 198 of ITA, 2025 (erstwhile section 111A, 112, 112A of ITA, 1961). But if the total income of the Assessee (included income earned by way of the Dividend or the income in accordance with section 196, 197, 198 of ITA, 2025 (erstwhile section 111A, 112, 112A of ITA, 1961) exceeds Rs.2 crore, the rate of the surcharge computed on the dividend income or income chargeable under section section 196, 197, 198 of ITA, 2025 (erstwhile section 111A, 112, 112A of ITA, 1961) shall not exceed 15% on that part of the income.*

If the association of person consisting of only company as its members, the rate of surcharge shall not be exceed 15%.

Co – operative Society

- The rates of income-tax will continue to be the same as those specified for FY 2025-26

Total Income	Tax Rates
Up to Rs. 10,000	10%
Rs. 10,001 to Rs. 20,000	20%
Above Rs. 20,000	30%

- Surcharge- The amount of income-tax shall be increased by a surcharge at the rate of 7% of such income-tax in case the total income of a co-operative society exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% of such income-tax shall continue to be levied in case of a co-operative society having a total income exceeding ten crore rupees.
- Marginal relief is provided in cases of surcharge
- On satisfaction of conditions as specified in Section 203 of ITA, 2025 (erstwhile section 115BAD of ITA, 1961), a co-operative society resident in India shall have the option to pay tax at 22% plus surcharge of 10%.
- A new manufacturing co-operative society set up on or after 01.04.2023, which commences manufacturing or production on or before 31.03.2024 and does not avail of any specified incentive or deductions, may opt to pay tax at a concessional rate of 15%. The surcharge would be paid at 10% on such tax.

Partnership Firms

- The rates of income-tax will continue to be the same as those specified for Financial Year 2025-26 i.e. a partnership firm (including LLP) is taxable at 30%.

Add:

- I. Surcharge of 12% would continue to be applicable where the total income of firm exceeds Rs 1.00 Crore. [Subject to Marginal Relief*]
- II. Health & Education cess as applicable.

*However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

Local Authorities

- The rates of income-tax will continue to be the same as those specified for Financial year 2025-26 i.e. a local authority is taxable at 30%.

Add:

- I. Surcharge of 12% would continue to be applicable where the total income of Local Authority exceeds Rs. 1.00 Crore [Subject to Marginal Relief*]
- II. Health & Education cess as applicable.

*However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

Companies

A. Domestic Companies

- In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the previous year 2023-24 does not exceed ₹400 crores and in all other cases the rate of income-tax shall be 30% of the total income.(Unchanged).
- For a domestic company having total turnover/ gross receipts in the previous year (2024-25) not exceeding INR 400 Crores:

Particulars	Taxable income < INR 1 crore	Taxable income >INR 1 crore and < INR 10 crore	Taxable income > INR 10 crore
Corporate tax	25%	25%	25%
Surcharge	-	7%	12%
Corporate tax + surcharge	25%	26.75%	28%
Health & Education cess	4%	4%	4%
Effective tax rate	26%	27.82%	29.12%

Companies

- For a domestic company having total turnover/ gross receipts of the tax year (2024-25) exceeding INR 400 Crores:

Particulars	Taxable income < INR 1 crore	Taxable income >INR 1 crore and < INR 10 crore	Taxable income > INR 10 crore
Corporate tax	30%	30%	30%
Surcharge	-	7%	12%
Corporate tax + surcharge	30%	32.10%	33.60%
Health & Education cess	4%	4%	4%
Effective tax rate	31.20%	33.38%	34.94%

- However, domestic companies also have an option to opt for taxation under section 200 of ITA, 2025 (erstwhile Section 115BAA of ITA, 1961) on fulfillment of conditions contained therein. The rate of income-tax rate is 22% in section 200. Surcharge would be at 10% on such tax.

Companies

B. Foreign Companies

- The rates of income-tax for a **foreign company is taxable at 35% [Health & Education cess and surcharge as applicable].**

Particulars	Taxable income < INR 10 million	INR 10 million < taxable income < INR 100 million	Taxable income > INR 100 million
Corporate tax	35%	35%	35%
Surcharge	-	2%	5%
Corporate tax + surcharge	35%	35.7%	36.75%
Health & Education cess	4%	4%	4%
Effective tax rate	36.40%	37.128%	38.22%

B. EASE OF LIVING

B. Ease of Living

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
I.	Rationalising the due date to credit employee contribution by the employer to claim such contribution as deduction.	29	36(1)(va)	31	1 st April 2026
II.	Exemption on interest income under the Motor Vehicles Act, 1988.	Schedule III	NA (<i>New Introduction</i>)	108	1 st April 2026
III.	No tax to be deducted at source in respect of interest on compensation amount awarded by Motor Accidents Claims Tribunal to an individual.	393(4)	194A(3)(ix)(a)	72	1 st April 2026

B. Ease of Living

[Conti...]

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
IV.	Enabling electronic verification and issuance of certificate for deduction of income-tax at lower rate or no deduction of income-tax.	395	197	74	1 st April 2026
V.	Relaxation from requirement to obtain tax deduction and collection account number (TAN) by a resident individual or HUF, where the seller of the immovable property is a non –resident.	397(1)(a)	203A	75	1 st October 2026

B. Ease of Living

[Conti...]

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
VI.	Enabling filing of declaration for no deduction to a depository.	393(6)	197A	72	1 st April 2027
VII.	Application of TDS on supply of manpower.	393(1), 402	194C	78	1 st April 2026
VIII.	Allowing deduction to non-life insurance business when TDS, not deducted earlier is paid later	Schedule XIV & Sections 28 to 54	-	113	1 st April 2026
IX.	Exemption of income on compulsory acquisition of any land under the RFCTLARR Act.	Section 11 & Schedule III		108	1 st April 2026

B. Ease of Living

[Conti...]

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
X.	Exemption for Disability Pension to armed force personnel.	Schedule III	- <i>New Introduction</i>	108	1 st April 2026
XI.	Rationalising due dates for filing of return of Income.	263(1)(c)	139(1)	5, 57	1 st April 2026 - For I.T. Act 2025 & 1 st March 2026 – For I.T. Act 1961.
XII.	Extending the period of filing revised return.	263(5)	139(5)	5, 12, 57 & 83	1 st April 2026 - For I.T. Act 2025 & 1 st March 2026 – For I.T. Act 1961.

B. Ease of Living

[Contd...]

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
XIV.	Allowing the filing of updated return after issuance of notice of reassessment.	263(6), 267(5) & 280	139(8A), 148 & 180	5, 57	1 st April 2026 - For I.T. Act 2025 & 1 st March 2026 – For I.T. Act 1961.
XV.	Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026)			114 to 128	As notified by CG in Official Gazette

I. Rationalising the due date to credit employee contribution by the employer to claim such contribution as deduction [Clause 31]

Substitution of Clause (e) to Section 29(1) of I. T. Act, 2025 [Erstwhile Section 36(v)(a) of I. T. Act, 1961] w.e.f. 1st day of April, 2026:-

(e)(i) the amount of contribution received from an employee to which the provisions of section 2(49)(o) apply, if it is credited by the assessee to the account of the employee in the relevant fund or funds by the due date

(ii) for the purposes of sub-clause (i), “due date” means the date by which the assessee is required as an employer to credit employee contribution to the account of an employee in the relevant fund under any Act, rule, order or notification issued under it or under any standing order, award, contract of service or otherwise and the provisions of section 37 shall not apply for determining the “due date” under this clause.

(e) the amount of contribution received from an employee to which the provisions of section 2(49)(o) apply, if it is credited by the assessee to the account of the employee in the relevant fund or funds, on or before the due date of filing of return of income under section 263(1) for the tax year.

Brief Impact:

The prejudice caused to employer assessee by barring claim of deduction of amount of employee's contribution of ESI & PF on account of delay in such deposit to the credit of relevant fund within due dates as prescribed under relevant act in view of Judgement of *Checkmate Service Pvt. Ltd. vs CIT (SC)*, has been done away with by allowing deduction if the same has been deposited by the employer assessee within due date of filing of ITR u/s 263(1) of the act.

II. Exemption on interest income under the Motor Vehicles Act, 1988 [Clause 108]

Introduction of Entry No. 38B to Schedule III of I. T. Act, 2025 w.e.f. 1st day of April, 2026:-

SI. No.	Income not to be included in total income	Eligible persons	Conditions
38B	Any interest on compensation amount awarded by Motor Accident Claims Tribunal.	An individual or his legal heir.	Such interest is received under the Motor Vehicles Act, 1988 (59 of 1988)

Brief Impact:

In order to alleviate sufferings of victims of such accident and their family which may cause extreme hardship to the aggrieved person and family, it has been proposed to introduce exemption to an individual (*victim*) or his legal heir, on any income received in the nature of interest under the Motor Vehicles Act, 1988.

This proposal is to clarify by way of legal provision, ambiguity regarding taxation of interest received by any accident victim or its legal heir under Motor Vehicles Act, 1988.

III. No tax to be deducted at source in respect of interest on compensation amount awarded by Motor Accidents Claims Tribunal to an individual [Clause 72]

Substitution of Item (iv) in Sub-Clause (c) against S. No. 7 of Table in Sub-Section (4) of Section 393 of I. T. Act, 2025 [Erstwhile Section 194A(3)(ix)(a) of ITA, 1961] w.e.f. 1st day of April, 2026:-

(iv) by way of interest on the compensation amount awarded by the Motor Accidents Claims Tribunal where the amount of such income or, the aggregate of the mounts of such income does not exceed ₹ 50000 during the tax year;

(iv) on the compensation amount awarded by a Motor Accidents Claims Tribunal—
(A) to an individual; or
(B) to a person other than an individual, where the aggregate interest on such compensation does not exceed ₹ 50000 during the tax year;

Brief Impact:

In furtherance of relief allowed to victims of accidents i.e. exemption of interest received on claims of accident under Motor Vehicles Act, 1988, TDS requirement on such payments have been specifically waived-off for the **individual victim**.

IV. Enabling electronic verification and issuance of certificate for deduction of income-tax at lower rate or no deduction of income-tax [Clause 74]

Introduction of Sub-Section (6) of Section 395 of I. T. Act, 2025 [Erstwhile Section 197 of I. T. Act, 1961] w.e.f. 1st day of April, 2026:-

*“(6) The application referred to in sub-section (1)(a) may also be filed before the prescribed income-tax authority, subject to such conditions as may be prescribed, and such authority on electronic verification of the contents of the application, may—
(a) either issue a certificate for deduction of income-tax at lower rate or no deduction of income-tax; or
(b) reject such application on account of non-fulfillment of the prescribed conditions or on account of the application being incomplete.”*

Brief Impact:

This proposal has been introduced to provide option to small tax payers for filing of online application for Lower Deduction / NIL Deduction Certificate before prescribed authority instead of Jurisdictional TDS Assessing Officer for faster disposal of such applications.

[Details regarding this process to be analysed upon perusal of rules to be notified in near future.]

V. Relaxation from requirement to obtain tax deduction and collection account number (TAN) by a resident individual or HUF, where the seller of the immovable property is a non -resident [Clause 75]

Substitution of sub-clause (iii) and introduction of sub-clause (iv) to clause (c) to Sub-Section (1) of Section 397 of I. T. Act, 2025 [Erstwhile Section 203A of I. T. Act, 1961] w.e.f. 1st day of October, 2026:-

397.(1)(a) Every person deducting or collecting tax shall apply for allotment of a tax deduction and collection account number to the Assessing Officer within such time as may be prescribed, if that person has not already been allotted such number;

.....
(c) the provisions of clause (a) shall not apply—

- (i) to a person who is required to deduct tax under provisions of section 393(1) [Table: Sl. No. 2(i), 3(i) and 6(ii)];
- (ii) to a person referred to in section 393(4) [Table: Sl. No. 12.C(a)]; and
- (iii) a person notified in this regard by the Central Government.

(iii) a resident individual or Hindu undivided family in respect of a transaction where he is required to deduct tax on any consideration for the transfer of any immovable property under section 393(2) [Table: Sl. No. 17]; or

(iv) a person notified in this regard by the Central Government.

Brief Impact:

This proposal has been introduced to do away with major compliance issue faced by resident assessee's purchasing immovable properties from NRIs being they were bound to obtain TAN for ensuring TDS compliance related to consideration payable in lieu of such transfer and were required to be filed TDS Return under Form 27Q. Vide this amendment, PAN based compliance mechanism, as used in compliance related to 194IA of I. T. Act, 1961 for purchase from resident persons, shall be introduced w.e.f. 01.10.2026.

VI. Enabling filing of declaration for no deduction to a depository [Clause 72]

Introduction of Clause (b) to Sub-Section (6) of Section 393 of I. T. Act, 2025
[Erstwhile Section 197A of I. T. Act, 1961] w.e.f. 1st day of April, 2027:-

(6)(b) The declaration referred in clause (a) may also be furnished electronically to a depository, as defined in section (2)(e) of the Depositories Act, 1996, where—

- (i) the income is from units, interest on securities or dividends, as the case may be, as referred to in section 393(1) [Table: 4(i), 5(i) or 7];
 - (ii) such units or securities are held with such depository; and
 - (iii) such securities are listed on a recognised stock exchange,
- in accordance with such procedure and manner, as may be prescribed.

Brief Impact:

This proposal has been introduced to allow small taxpayers receiving incomes including dividend and interest, from various investments held in different securities and units of Mutual Fund, to file single declaration Form with depository for lower or non-deduction of TDS on such incomes instead of filing of separate declaration forms with each of said entities, from whom, any such income is receivable. Pertinently, the depository shall be required to file consolidated returns on quarterly basis with said entities regarding beneficiaries, in respect of whose income, TDS is not to be deducted.

This benefit is available only in respect of securities listed on Indian Stock Exchanges.

VII. Application of TDS on supply of manpower

[Clause 78]

Introduction of Sub-Clause (f) to Clause (47) of Section 402 of I. T. Act, 2025
[Erstwhile Section 194C of I. T. Act, 1961] w.e.f. 1st day of April, 2026:-

“(47) “work” shall include—

.....

(f) supply of manpower to a person to work under his supervision, control or direction.

Brief Impact:

This proposal has been introduced to remove ambiguity regarding TDS rate applicable on services related to **supply of manpower** and by way of legal provision, supply of manpower has been included in the definition of ‘Work’ u/s 402(47) of I.T. Act, 2025 [Erstwhile Section 194C of I. T. Act, 1961] to clarify that TDS will be deducted @ 1% in case of Individual / HUF and 2% in any other case.

VIII. Allowing deduction to non-life insurance business when TDS, not deducted earlier is paid later [Clause 113]

Introduction of Sub-Para 3 Para 4 of Schedule XIV to I. T. Act, 2025 [Erstwhile Schedule I to I. T. Act, 1961] w.e.f. 1st day of April, 2026:-

“(3) The amount not deductible under sub-clause (i) or (ii) of section 35(b), which is added under sub-paragraph (1)(a), shall be allowed subsequently as a deduction in a tax year in accordance with the provisions of the said sub-clause, as the case may be.

Brief Impact:

This proposal has been introduced to facilitate the assessee engaged in insurance business to claim deduction, on account of expenses incurred but TDS not deducted or TDS deducted but not deposited in such regard and the same are specifically barred to be claimed in the year of incurrence, shall be allowed in the year, when necessary TDS compliance has been made.

IX. Exemption of income on compulsory acquisition of any land under the RFCTLARR Act. [Clause 108]

Introduction of Entry No. 38C to Schedule III of I. T. Act, 2025 w.e.f. 1st day of April, 2026:-

SI. No.	Income not to be included in total income	Eligible persons	Conditions
38C	Any income in respect of any award or agreement made on account of compulsory acquisition of any land.	An individual or a Hindu undivided family.	Such award or agreement is made under the provisions of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (30 of 2013), except under section 46 of the said Act.

Brief Impact:

In order to align the provisions of Income Tax Act with the RFCTLARR Act, it has been proposed to introduce exemption to any individual of HUF, on any income received in respect of any award / agreement on account of compulsory acquisition of any land on or after 01.04.2026.

X. Exemption for Disability Pension to armed force personnel [Clause 108]

Introduction of Entry No. 38A to Schedule III of I. T. Act, 2025 w.e.f. 1st day of April, 2026:-

SI. No.	Income not to be included in total income	Eligible persons	Conditions
38A	Disability Pension received (including service element and disability element).	An individual who has been a member of the armed forces (including paramilitary forces) of the Union.	(a) The individual has been invalidated out of service in the armed forces on account of bodily disability attributable to, or aggravated by such service; and (b) the individual has not retired on superannuation or otherwise.

Brief Impact:

It has been proposed to introduce exemption on disability pension, including both the service element and the disability element, received by any army person or paramilitary person, where, such person has been invalidated out of Armed Forces service on account of a bodily disability attributable to, or aggravated by, such service and not on account of retirement.

XI. Rationalising due dates for filing of return of Income.

[Clause 5 & 57]

Provisions of Section 139 of I. T. Act, 1961 w.e.f. 01st March, 2026 and Section 263 of I. T. Act, 2025 w.e.f. 01st April, 2026 proposed to be amended to change due dates for filing of ITR in different cases in following manner

Sl. No.	Person	Condition	Due Date
1.	Assessee, including the partners of the firm or the spouse of such partner (if section 10 i.e. Portuguese Civil Code applies to such spouse).	Where the provisions of section 172 of I. T. Act, 2025 or section 92E of I. T. Act, 1961 apply i.e. Form 3CEB is to be filed.	30th 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; or the spouse of such partner (if section 10 i.e. Portuguese Civil Code applies to such spouse).	Where the provisions of section 172 of I. T. Act, 2025 or section 92E of I. T. Act, 1961 doesn't apply i.e. Form 3CEB is not to be filed.	31st October [No Change]

XI. Rationalising due dates for filing of return of Income.

[Contd.....]

Sl. No.	Person	Condition	Due Date
3.	<p>(i) Assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law in force;</p> <p>(ii) Partner of a firm whose accounts are not required to be audited under this Act or under any other law in force or the spouse of such partner (if section 10 applies to such spouse).</p>	Where the provisions of section 172 of I. T. Act, 2025 or section 92E of I. T. Act, 1961 doesn't apply i.e. Form 3CEB is not to be filed.	31st August. [New Introduction]
4.	Any other assessee	-	31st July.

Brief Impact:

It has been proposed that assessee not required to get their accounts audited but having income from business or profession and filing ITR-3 or ITR-4 shall be required to file respective ITRs by 31st August instead of 31st July.

XII. Extending the period of filing revised return.

[Clause 5, 12, 57, 83]

Amendment in sub-section (5) of section 139 of I. T. Act, 1961 w.e.f. 1st day of April 2026:-

~~(5) If any person, having furnished a return under sub-section (1) or sub-section (4), discovers any omission or any wrong statement therein, he may furnish a revised return at any time before three months prior to the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.~~

(5) If any person, having furnished a return under sub-section (1) or sub-section (4), discovers any omission or any wrong statement therein, he may, subject to the provisions of section 234-I, furnish a revised return at any time before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.”

Similar amendment in sub-section (5) of section 263 of I. T. Act, 2025 w.e.f. 1st day of April 2026:-

~~(5) If any person, having furnished a return under sub-section (1) or sub-section (4), discovers any omission or any wrong statement therein, he may furnish a revised return at any time within nine months from the end of the relevant tax year, or before the completion of the assessment, whichever is earlier.~~

(5) If any person, having furnished a return under sub-section (1) or (4), discovers any omission or any wrong statement therein, he may, subject to the provisions of section 428(b), furnish a revised return at any time within twelve months from the end of the relevant tax year, or before the completion of the assessment, whichever is earlier.

XII. Extending the period of filing revised return.

[Conti.]

Introduction of Section 234-I of I. T. Act, 1961 w.e.f. 1st day of April 2026:-

234-I. Without prejudice to the provisions of this Act, where any person furnishes a return of income under sub-section (5) of section 139, beyond nine months but before twelve months from the end of the relevant assessment year, he shall pay by way of a fee,—

- (a) a sum of one thousand rupees, if the total income of such person does not exceed five lakh rupees;
- (b) a sum of five thousand rupees, in any other case.

Similarly, Sub-Section (b) to Section 428 of I. T. Act, 2025 has been introduced w.e.f. 1st Day of April, 2026:-

428. Without prejudice to the provisions of this Act, where any person—

(b) furnishes a return of income under section 263(5) beyond nine months from the end of relevant tax year, he shall be liable to pay by way of fee,—

- (i) a sum of ₹ 1000, if the total income of such person does not exceed ₹ 500000; and
- (ii) a sum of ₹ 5000, in any other case;

XII. Extending the period of filing revised return.

[Conti.]

Brief Impact:

Vide aforesaid amendments to section 139(5) or 263(5) of the act I. T. Act, 1961 and I. T. Act, 2025 respectively and introduction of section 234-I and 428(b) of said acts respectively, it has been proposed to extend the time available for revising of ITRs till 31st March of year succeeding the tax year by payment of fees of Rs. 1000/- (in case, total income is upto Rs. 5 lakh) or Rs. 5000/- (in any other case.).

XIII. & XIV. Scope of filing of updated return in the case of reduction of losses and / or after issuance of notice of reassessment. [Clause 5 & 57]

Amendment in Section 139(8A) of the I. T. Act, 1961 w.e.f. 1st day of April, 2026

First Proviso

Provided that the provision of this sub-section shall not apply, if the updated return,—

- (a) *is a return of a loss except in a case referred to in the sixth proviso; or*

Sixth Proviso

Provided also that if any person has sustained a loss in any previous year and has furnished a return of loss in the prescribed form within the time allowed under sub-section (1) and verified in the prescribed manner and containing such other particulars as may be prescribed, he shall be allowed to furnish an updated return where such updated return is a return of income or such updated return has the effect of reducing the loss

Third Proviso

Provided also that no updated return shall be furnished by any person for the relevant assessment year, where—

- (b) *any proceeding for assessment or reassessment or recomputation or revision of income under this Act is pending or has been completed for the relevant assessment year in his case except in a case referred to in the eighth proviso; or*

Eighth Proviso

Provided also that an updated return may be furnished by a person for the relevant assessment year in pursuance of a notice under section 148 within such period as specified in the said notice and in such a case, the assessee shall be precluded from filing return in pursuance of the said notice in any other manner.

XIII. & XIV. Scope of filing of updated return in the case of reduction of losses and / or after issuance of notice of reassessment. [Contd.]

Similar Amendment in sub-section (6) of section 263 of I. T. Act, 2025 w.e.f. 1st day of April 2026:-

(b) the provisions of clause (a) shall continue to apply for a tax year if any person has sustained a loss in the said tax year and has furnished a return of loss within the due date specified under sub-section (1) and the updated return is a return of income;

(b) (i) the provisions of clause (a) shall continue to apply for a tax year if any person has sustained a loss in the said tax year and has furnished a return of loss within the due date specified under sub-section (1) and the updated return is a return of income or such updated return has the effect of reducing the loss;

(ii) the provisions of clause (a) shall also apply where an updated return is furnished by a person for the relevant tax year in pursuance of a notice issued under section 280 within such period as specified in the said notice and in such a case, the assessee shall be precluded from filing return in pursuance of the said notice in any other manner;

(c) the provisions of clause (a) shall not apply for a tax year for any person, if—

(i) the updated return is a return of loss for the said tax year except in a case referred to in sub-section (6) (b) (i); or

.....

(v) any proceeding for assessment or reassessment or recomputation or revision of income under this Act is pending or has been completed for the said tax year except in a case referred to in sub-section (6) (b) (ii); or

XIII. & XIV. Scope of filing of updated return in the case of reduction of losses and / or after issuance of notice of reassessment. [Contd.]

Brief Impact:

Vide aforesaid amendments to section 139(8A) & 263(6) of the act I. T. Act, 1961 and I. T. Act, 2025 respectively, it has been proposed to extend the scope of filing of updated return in following cases:

- a. Where original return filed was a return of loss and the updated return is also a return of loss but the amount of loss in updated return is less than in original return.
- b. Where any assessment / reassessment proceeding has been initiated and notice u/s 280 of I. T. Act, 2025 has been issued.

Pertinently, for availing option to file updated return for any tax year, where, assessment / reassessment proceeding has been initiated, an additional tax of 25% / 50% / 60% / 70% shall be considered as 35% / 60% / 70% / 80% as the case may be. And, in such case, immunity from penalty u/s 439 of I. T. Act, 2025 has also been allowed.

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128]

Insertion of Clause 114 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

- (1) *This Scheme may be called the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026.*
- (2) *It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.*

Brief Impact:

Clause 114 introduces the Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026 (FAST-DS 2026) as a new statutory scheme under the Finance Bill, 2026, aimed at facilitating voluntary compliance in respect of undisclosed foreign assets and foreign-sourced income of resident small taxpayers. The Scheme seeks to address legacy and inadvertent non-disclosures arising from past foreign employment benefits such as ESOPs or RSUs, dormant or low-value foreign bank accounts, savings or insurance policies of returning non-residents, and assets held during overseas deputation, as highlighted by data received under the Automatic Exchange of Information framework. Clause 114 further empowers the Central Government to notify the date of commencement of the Scheme, thereby enabling its timely operationalization as a time-bound compliance window with limited immunity from penalty and prosecution, subject to prescribed conditions.

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128]

Contd.....

Insertion of Clause 115 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

(1) In this Scheme, unless the context otherwise requires,—

(a) “assessee” means a person,

(i) being a resident in India within the meaning of section 6 of the Income-tax Act, 1961 in the previous year; or

(ii) being a non-resident or not ordinarily resident in India within the meaning of clause (6) of section 6 of the said Act in the previous year, who was resident in India either—

(A) in the previous year to which the income referred to in section 4 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 relates; or

(B) in the previous year in which the undisclosed asset located outside India was acquired;

(b) “assessment” includes reassessment;

(c) “assessment year” shall have the same meaning as assigned to it in clause (9) of section 2 of the Income-tax Act, 1961;

(d) “Board” means the Central Board of Direct Taxes constituted under section 3 of the Central Boards of Revenue Act, 1963;

(e) “declarant” means a person who files declaration under section 116;

(f) “declaration” means the declaration filed under section 116;

(g) “last date” means such date as may be notified by the Central Government in the Official Gazette;

(h) “prescribed” means prescribed by rules made under this Act;

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128] Contd.....

- (i) “*previous year*” shall have the same meaning as assigned to it in clause (34) of section 2 of the Income-tax Act, 1961;
- (j) “*undisclosed asset located outside India*” means an asset (including financial interest in any entity) located outside India, held by the assessee in his name or in respect of which he is a beneficial owner, and he has no explanation about the source of investment in such asset or the explanation given by him, is in the opinion of the Assessing Officer, unsatisfactory;
- (k) “*undisclosed foreign income*” means the total amount of income of an assessee from a source located outside India which was chargeable to tax in India but has not been offered to tax under the Income-tax Act, 1961; and
- (l) “*value of the asset*” means the fair market value of the asset determined in such manner as may be prescribed.
- (2) Words and expressions used herein and not defined but defined in the Income-tax Act, 1961 or the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 or the Income-tax Act, 2025 shall have the meanings respectively assigned to them in those Acts.

Brief Impact:

Clause 115 lays down the key definitions for the purposes of the Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026 (FAST-DS 2026), including the scope of an eligible assessee, declarant, undisclosed asset located outside India, and undisclosed foreign income. Sub-section (2) provides interpretative clarity by aligning undefined terms and expressions with their meanings under the Income-tax Act, 1961 and the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 or the Income-tax Act, 2025, ensuring consistency in interpretation and reducing ambiguity in implementation of the Scheme.

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128] Contd.....

Insertion of Clause 116 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

Subject to the provisions of this Scheme, any person may make, on or after the date of commencement of this Scheme but on or before the last date, a declaration, for any previous year, in respect of any income or asset referred to in section 117, where—

- (a) *he has failed to furnish a return under section 139 of the Income-tax Act, 1961; or*
- (b) *he has failed to disclose such asset or income, in a return of income furnished by him under the Income-tax Act, 1961 before the date of commencement of this Scheme; or*
- (c) *such asset or income has escaped assessment within the meaning of section 147 of the Income-tax Act, 1961.*

Brief Impact:

Clause 116 enables any person to make a declaration under FAST-DS 2026, on or after the notified commencement date but on or before the prescribed last date, in respect of undisclosed foreign income or assets relating to a previous year. The clause specifies the categories of non-compliance that can be regularized under the Scheme, including failure to file a return of income, failure to disclose foreign income or assets in a filed return, or cases where such income or assets have escaped assessment. This provision operationalizes the Scheme by clearly defining the circumstances under which voluntary disclosure may be made.

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128]

Contd.....

Insertion of Clause 117 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

The declaration referred to in section 116 may be filed in respect of assets or income as specified in column (2) of the Table below and in respect of such assets or income, the amount payable by the declarant under this Scheme shall be as specified in column (3), subject to the conditions in column (4), of the said Table:

Sl. No. (1)	Type of assets or Income (2)	Amount Payable (3)	Conditions (4)
1.	(a) Undisclosed asset located outside India; or (b) Undisclosed foreign income.	Aggregate of,— (i) tax at the rate of thirty per cent. of the value of the undisclosed asset located outside India as on the 31 st March 2026; (ii) tax at the rate of thirty per cent. of the undisclosed foreign income; and (iii) an amount equal to one hundred per cent. of tax determined in clauses (i) and (ii).	The aggregate value of the undisclosed asset located outside India and the undisclosed foreign income does not exceed one crore rupees.

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128]

Contd.....

Sl. No.	Type of assets or income	Amount Payable	Conditions
2.	<p>(a) Asset located outside India acquired from income accruing or arising outside India, by an assessee, during the period in which such assessee was a non-resident, but such assets were not declared by him in the relevant Schedule in the return of income on becoming a resident; or</p> <p>(b) asset located outside India acquired from income which has been offered to tax under the Income-tax Act, 1961 (43 of 1961) by the assessee, but such assets were not declared by him in the relevant Schedule in the return of income.</p>	A fee of one lakh rupees.	The value of the asset located outside India does not exceed five crore rupees.

Brief Impact:

Clause 117 prescribes the manner of computation of tax and fee payable for declarations made under FAST-DS 2026, linking the payable amount to the nature of undisclosed foreign assets or income and the aggregate value thereof. For undisclosed foreign assets and foreign income not exceeding ₹1 crore in aggregate, the clause provides for payment of tax at 30 percent on the value of such assets or income along with an additional amount equal to 100 percent of the tax, thereby offering a structured and time-bound settlement mechanism.

Further, in specified cases where foreign assets were acquired during non-resident status or from income already taxed in India but were not reported in the relevant return schedules, the clause provides for a reduced, flat fee of ₹1 lakh, subject to a higher asset value threshold of ₹5 crore. This differential treatment incentivizes voluntary disclosure by small taxpayers and recognizes bona fide reporting lapses as distinct from deliberate tax evasion.

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128]

Contd.....

Insertion of Clause 118 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

- (1) *A declaration under section 116 shall be made complete in all respects to the prescribed income-tax authority, in such form and shall be verified in such manner, as may be prescribed.*
- (2) *The verification referred to in sub-section (1) shall be made electronically, so as to verify that—*
 - (a) *the assessee making the declaration is an eligible assessee; and*
 - (b) *the declaration of income or assets is in accordance with the provisions of this Scheme.*
- (3) *The declaration made under sub-section (1) shall be deemed to be invalid, if—*
 - (a) *any material particular furnished in the declaration is found to be false at any stage; or*
 - (b) *the declarant violates any of the conditions referred to in this Scheme.*

Brief Impact:

Clause 118 prescribes the procedural framework for filing a declaration under FAST-DS 2026, requiring the declarant to submit a complete and E-verified declaration to the prescribed income-tax authority. The clause mandates to confirm the eligibility of the declarant and ensure that the declared foreign income or assets are in accordance with the provisions of the Scheme. Further, the clause provides that a declaration shall be treated as invalid if any material information furnished is found to be false at any stage or if the declarant violates the conditions of the Scheme, thereby safeguarding the integrity of the Scheme and deterring misuse.

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128]

Contd.....

Insertion of Clause 119 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

- (1) After electronic verification of the declaration as specified in subsection (2) of section 118, the amount payable by the assessee shall be communicated electronically, within a period of one month from the end of the month in which the declaration is made, by way of an order in such form and manner, as may be prescribed.
- (2) The assessee shall pay the amount determined under sub-section (1) within a period of two months from the end of the month in which the order referred to in the said sub-section was received by him and the payment shall be made in such manner, as may be prescribed.
- (3) Where the assessee fails to pay the amount determined under subsection (1) or any part thereof within the period specified in sub-section (2), the assessee may pay such amount within a further period not exceeding two months, along with simple interest at the rate of one per cent. for every month or part of a month on such amount.
- (4) The assessee shall, upon making the payment under sub-section (2) or sub-section (3), as the case may be, intimate the details of such payment to the prescribed income-tax authority, in such form and manner, as may be prescribed, within the extended period specified in sub-section (3).
- (5) Upon receipt of the intimation referred to in sub-section (4), where the intimation is in accordance with the order under sub-section (1), an order certifying the payment of the amount as per the declaration, shall be communicated electronically to the assessee, in such form and manner, as may be prescribed, within one month from the end of the month of receipt of such intimation.
- (6) Every order made under sub-section (5) shall be conclusive as to the matters stated therein.

Brief Impact:

Clause 119 sets out a tight, digital-first settlement process aimed at quick closure and certainty for small taxpayers. The tax authority must communicate the exact payable amount within one month of electronic verification, cutting the usual assessment lag and giving declarants early visibility on liability. Payment is due within two months, with a further two-month extension available on payment of 1% simple interest, balancing practical fund-repatriation constraints with discipline. All communication and payment steps are mandated to be electronic, reducing discretion, physical interface, and governance risk. Most importantly, once payment is confirmed, the resulting order attains finality closing the matter for the disclosed assets and securing a clean pathway to immunity from penalty and prosecution.

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128] Contd.....

Insertion of Clause 120 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

The income or the amount of investment in an asset, which has been declared in the manner provided in section 118 shall not be included in the total income of the declarant for any assessment year under the Income-tax Act, 1961 or the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, if the declarant makes the payment of amount referred to in section 119 within the extended period specified in sub-section (3) of the said section.

Brief Impact:

Clause 120 provides that any foreign income or investment in foreign assets declared under FAST-DS 2026 shall not be included in the total income of the declarant for any assessment year under the Income-tax Act, 1961 or the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, subject to fulfillment of the payment conditions prescribed under the Scheme. The benefit of such exclusion is available only where the declarant makes payment of the amount determined within the prescribed or extended timelines. By specifically excluding these amounts from the Black Money Act, 2015, the clause effectively protects small taxpayers from the severe penalties and criminal prosecution that typically apply to undisclosed foreign holdings.

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128]

Contd.....

Insertion of Clause 121 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

In respect of income or asset declared or any amount paid thereon, the declarant shall not be entitled to claim for rectification or revision of any assessment made under the Income-tax Act, 1961 or the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 or claim any set off or relief in any appeal, reference or other proceeding in relation to any such assessment.

Insertion of Clause 122 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

No amount paid under section 119 in pursuance of a declaration made in the manner provided in section 118 shall be refundable.

Insertion of Clause 123 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

Notwithstanding anything contained in the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, a declarant who makes a valid declaration under this Scheme and pays any amount, whether as tax, fee or otherwise, as the case may be, in accordance with the provisions of this Scheme, shall be granted immunity from the levy of any further tax or penalty and also from prosecution under the said Act in respect of income or asset so declared, for the previous year ending on the 31st March 2026 or any earlier previous year.

Brief Impact:

Clauses 121, 122, and 123 of the Foreign Assets of Small Taxpayers Disclosure Scheme (FAST-DS), 2026, establishes a framework of absolute legal finality and unbreakable immunity for eligible taxpayers. Under these provisions, a valid declaration and payment serve as a clean slate, granting the declarant total immunity from any further tax, heavy penalties, or criminal prosecution under the Black Money Act, 2015 for the period ending March 31, 2026, or earlier. To ensure this settlement remains conclusive and avoids further litigation, Clause 121 mandates that declarants forfeit any right to seek rectification, revision, or set-off in relation to these assets in any other tax proceedings. Furthermore, Clause 122 clarifies that all taxes and fees paid under the scheme are strictly non-refundable, reinforcing the principle that the scheme is a one-time, final settlement. Collectively, these clauses incentivize voluntary compliance for small taxpayers such as former students, tech employees with ESOPs, and relocated NRIs by trading their right to future appeals for guaranteed protection against the severe enforcement measures typically associated with undisclosed foreign holdings.

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128] Contd.....

Insertion of Clause 124 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

The provisions of this Scheme shall not apply in respect of—

- (a) any income or asset which represents, directly or indirectly, proceeds of crime in respect of which proceedings have been initiated, or pending under the Prevention of Money-laundering Act, 2002; or
- (b) any income or asset relating to an assessment year for which assessment proceedings have been completed under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

Insertion of Clause 125 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

Where a declaration of any income or asset is made under this Scheme and assessment proceedings under the Income-tax Act, 1961 or the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 are pending in respect of such income or assets, the Assessing Officer shall take such declaration into account while finalizing such assessment order.

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128] Contd.....

Brief Impact:

Clauses 124 and 125 establish the eligibility boundaries and procedural integration of the Foreign Assets of Small Taxpayers Disclosure Scheme (FAST-DS), 2026.

By design, Clause 124 preserves the integrity of existing enforcement for high-level offenses by excluding any income or assets involving proceeds of crime under the Prevention of Money-laundering Act, 2002, or cases where assessment proceedings under the Black Money Act, 2015 have already been completed. This ensures the scheme serves as a relief mechanism for inadvertent lapses rather than a shield for adjudicated evasion.

Clause 125 provides a vital procedural bridge for active disputes, it mandates that Assessing Officers incorporate FAST-DS declarations when finalizing any pending assessments under the ITA, 1961 or BMA, 2015. The combined impact is a framework that maintains legal finality for resolved cases and criminal activity while offering a prioritized settlement path for current audits, effectively allowing the scheme's immunities to supersede standard adversarial outcomes for eligible small taxpayers

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128] Contd.....

Insertion of Clause 126 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

(1) *The Board may, from time to time, issue such directions or orders to the prescribed income-tax authorities, as it may deem fit:*

Provided that no direction or order shall be issued so as to require that a particular case be disposed of in a particular manner.

(2) *Without prejudice to the generality of the foregoing power, the Board may, if it considers necessary or expedient so to do, for the purposes of this Scheme, including collection of revenue, issue from time to time, general or special orders in respect of any class of cases, setting forth directions or instructions as to the guidelines, principles or procedures to be followed by the prescribed income-tax authorities in any work relating to this Act, including collection of revenue and issue such order, by way of relaxation of any provision of this Chapter or otherwise, if the Board is of the opinion that it is necessary in the public interest so to do.*

Brief Impact:

Clause 126 empowers the Central Board of Direct Taxes to issue general or special directions and procedural guidelines to the prescribed income-tax authorities for effective implementation and administration of FAST-DS 2026, including matters relating to collection of revenue. The clause also permits relaxation of procedural provisions in public interest, while expressly prohibiting directions that mandate disposal of any particular case in a specified manner, thereby balancing administrative flexibility with taxpayer safeguards.

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128]

Contd.....

Insertion of Clause 127 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

- (1) *The Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Scheme.*
- (2) *Without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—*
- (a) *the form in which a declaration may be made and the manner of its verification under sub-section (1) of section 118;*
 - (b) *the form and manner in which order shall be passed under subsection (1) of section 119;*
 - (c) *the manner of making payment under sub-section (2) of section 119;*
 - (d) *the form and manner of intimation of payment under sub-section (4) of section 119;*
 - (e) *the form and manner in which the order certifying the payment shall be communicated under sub-section (5) of section 119;*
 - (f) *the manner of calculating the value of the asset under this Scheme;*
 - (g) *the manner of calculating the amount payable under this Scheme;*
 - (h) *any other matter which is to be, or may be, prescribed, or in respect of which provision is to be made, by rules for carrying out the provisions of this Scheme.*

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128] Contd.....

(3) Every rule made by the Central Government under this Scheme shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days, which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

Brief Impact:

Clause 127 authorizes the Central Government to notify detailed rules for carrying out the provisions of FAST-DS 2026, including the form and manner of filing and verification of declarations, determination and communication of the amount payable, mode of payment, valuation of foreign assets, and computation of amounts payable under the Scheme. The clause also provides for parliamentary oversight by requiring such rules to be laid before both Houses of Parliament, thereby ensuring transparency and procedural certainty in implementation of the Scheme.

XV. Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) [Clause 114 to 128] Contd.....

Insertion of Clause 128 of The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (w.e.f. date to be notified by the Central Government) :-

- (1) *If any difficulty arises in giving effect to the provisions of this Scheme, the Central Government may, by order, not inconsistent with the provisions of this Scheme, remove the difficulty.*
- (2) *No order under sub-section (1) shall be made after the expiry of period of two years from the date on which provisions of this Scheme come into force.*
- (3) *Every order made under sub-section (1) shall, as soon as may be after it is made, be laid before each House of Parliament.*

Brief Impact:

Clause 128 empowers the Central Government to issue orders to remove any difficulties in giving effect to the provisions of FAST-DS 2026, provided such orders are not inconsistent with the Scheme. This power is time-bound and can be exercised only within two years from the date the Scheme comes into force, with all such orders required to be laid before Parliament, thereby ensuring smooth implementation while maintaining legislative oversight.

C. RATIONALISING PENALTY AND PROSECUTION

C. Rationalising Penalty and Prosecution

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
I.	Relaxation of conditions for prosecution under the Black Money Act			144	w.r.ef. 1st October,2024
II.	Rationalization of prosecution proceedings	473 to 485,247 & 494	275A to 278A & 280	17 to 25& 93to 105	1st April 2026 - For I.T. Act 2025 & 1st March 2026 – For I.T. Act 1961
III.	Rationalizing the period of block in case of other persons	295,247,248 &294		64	1st April 2026

C. Rationalising Penalty and Prosecution

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
IV.	Referencing the time limit to complete block assessment to the initiation of search or requisition	296 & 294		65	1st April 2026
V.	Rationalisation of Penalties into Fee	446,447,172,4 54,508(7), 428(c) & 427(3)		83,88 & 89	1st April 2026
VI.	Imposition of penalty for under-reporting or misreporting of income within Assessment Order:	156,220(2),27 4,270A,220,27 5,270,279,144 C,143 &147	274,220,245M A,234MA	11,13,14	1st April 2027 - For I.T. Act 2025 & 1st March 2026 – For I.T. Act 1961.

C. Rationalising Penalty and Prosecution

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
VII.	Increase in maximum amount of penalty in section 466 of the Act:	254 & 466		90	1st April 2026
VIII.	Rationalisation of tax rate under section 195 and penalty under section 443 in respect of certain Income:	195,102 to 106,443 & 439		46,84 & 86	1st April 2026
IX.	Expanding the scope of immunity from penalty or prosecution under section 440 of the Act	440,439,478,47 9,443 & 102to106		85	1st April 2026
X.	Expanding the scope of immunity from imposition of penalty or prosecution under section 270AA		270AA,270A, 276C & 276CC	15	1st March 2026

I. Relaxation of conditions for prosecution under the Black Money Act [Clauses 144]

Insertion of Proviso to Section 49 of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015

Provided further that this section shall not apply in respect of an asset or assets (other than immovable property), where the aggregate value of such asset or assets does not exceed twenty lakh rupees.

Insertion of Proviso to Section 50 of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015

Provided that this section shall not apply in respect of an asset or assets (other than immovable property), where the aggregate value of such asset or assets does not exceed twenty lakh rupees.

Brief Impact:

Proviso are inserted in order to make it harmonious with the threshold specified in sections 42 and 43 of the said Act.

Rationalization of prosecution proceedings

[Clause 17 to 25 and clause 93 to 105]

A. Contravention of order made during search action [Clause 93 and 17]

Particulars	ITA, 1961	ITA, 2025
Clause	17	93
Applicability	1 st March, 2026	1 st April, 2026
Section	275A	473
Text of Section	<p>Whoever contravenes any order referred to in the second proviso to sub-section (1) or sub-section (3) of section 132</p> <p>Contravention of order made during search action shall be punishable with rigorous simple imprisonment which may extend for a term up to two years and shall also be liable to with fine</p>	<p>Whoever contravenes any order referred to in section 247(4) Contravention of order made during search action shall be punishable with rigorous simple imprisonment which may extend up to two years and shall also be liable to with fine</p>

Brief Impact:

In order to decriminalise and make the punishment for the offences referred above in proportion to the nature of offenses, the nature of imprisonment is changed from rigorous imprisonment to simple imprisonment and the punishment is limited to two years from its current seven years.

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

B. Failure to afford facility for inspection of books of accounts during search [Clause 94 and 18]

Particulars	ITA, 1961	ITA, 2025
Clause	18	94
Applicability	1 st March, 2026	1 st April, 2026
Section	275B	474
Text of Section	<p>If a person who is required to afford the authorised officer the necessary facility to inspect the books of account or other documents, as required under clause (iib) of sub-section (1) of section 132, Failure to afford facility for inspection of books of accounts during search fails to afford such facility to the authorised officer, he shall be punishable with rigorous simple imprisonment for a term which may extend up to two years six months and shall also be liable to, or with fine, or with both.</p>	<p>If a person, who is required to afford the authorised officer with the necessary facility to inspect the books of account or other documents, under section 247(1)(ii), fails to do so, he Failure to afford facility for inspection of books of accounts during search shall be punishable with rigorous simple imprisonment for a term which may extend up to two years six months and shall also be liable to, or with fine, or with both.</p>

Brief Impact:

In order to decriminalise and make the punishment for the offences referred above in proportion to the nature of offenses, the nature of imprisonment is changed from rigorous imprisonment to simple imprisonment and the punishment is limited to six months from its current two years.

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

C. Removal, concealment, transfer or delivery of property to prevent tax recovery [Clause 95 and 19]

Particulars	ITA, 1961	ITA, 2025
Clause	19	95
Applicability	1 st March, 2026	1 st April, 2026
Section	276	475
Text of Section	Whoever fraudulently removes, conceals, transfers or delivers to any person, any property or any interest therein, intending thereby to prevent that property or interest therein from being taken in execution of a certificate under the provisions of the Second Schedule shall be punishable with rigorous simple imprisonment for a term which may extend up to two years and shall also be liable to with fine.	Whoever, fraudulently removes, conceals, transfers or delivers to any person, any property or any interest therein, with the intent to prevent such property or interest therein from being taken in execution of a certificate drawn under section 413, shall be punishable with rigorous—simple imprisonment for a term which may extend up to two years and shall also be liable to with fine.

Brief Impact:

In order to decriminalise and make the punishment for the offences referred above in proportion to the nature of offenses, the nature of imprisonment is changed from rigorous imprisonment to simple imprisonment

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

D. Failure to pay tax to credit of Central Government under Chapter XIX-B. [Clause 96 and 20]

Particulars	ITA, 1961	ITA, 2025
Clause	20	96
Applicability	1 st March, 2026	1 st April, 2026
Section	276B	476
Text of Section	<p>If a person fails to [***],-</p> <p>(b) pay tax or ensure payment of tax to the credit of the Central Government, as required by or under-</p> <p>(i) sub-section (2) of section 115-O; the proviso to sub-section (1) of section 194S in relation to consideration for transfer of virtual digital asset, excluding such consideration which is wholly in kind; or</p> <p>(ii) the proviso to section 194B; sub-section (2) of section 194BA in relation to winnings, excluding such winnings which are wholly in kind,</p> <p>(iii) the first proviso to sub-section (1) of section 194R;</p> <p>(iv) the proviso to sub-section (1) of section 194S; or]</p> <p>{(v) sub-section (2) of section 194BA,} he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.]</p>	<p>(1) If a person fails to—</p> <p>(b) pay tax or ensure payment of tax to the credit of the Central Government, as required under in respect of—</p> <p>(i) Note 2 below the Table in section 393(3); or (A) any income by way of winnings from online games as referred in section 393(3) [Table: Sl. No. 2], excluding such winnings which are wholly in kind, as referred to in Note 2 to the said Table; or</p> <p>(ii) Note 6 to section 393(1) (Table: Sl. No. 8), (B) any sum by way of consideration for transfer of a virtual digital asset as referred in section 393(1) [Table: Sl. No. 8(vi)], excluding such consideration which is wholly in kind, as referred to in Note 6 to the said Table, with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years, and with fine.</p>

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

D. Failure to pay tax to credit of Central Government under Chapter XIX-B. [Clause 96 and 20]

Particulars	ITA, 1961	ITA, 2025
Text of Section	<p>{(v) sub-section (2) of section 194BA,} he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine:} he shall be punishable-----</p> <p>(i) With simple imprisonment for a term up to two years, or with fine, or with both, where the amount of such tax exceeds fifty lakh rupees; or</p> <p>(ii) with simple imprisonment for a term up to six months, or with fine, or with both, where the amount of such tax exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p> <p>(iii) with fine, in any other case:</p>	<p>(2) The provisions of this section shall not apply if the payment referred to in sub-section (1)(a) has been made to the credit of the Central Government on or before the time prescribed for filing the statement under section 397(3)(b) in respect of such payment</p> <p>he shall be punishable-----</p> <p>(i) with simple imprisonment for a term up to two years, or with fine, or with both, where the amount of such tax exceeds fifty lakh rupees; or</p> <p>(ii) with simple imprisonment for a term up to six months, or with fine, or with both, where the amount of such tax exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p> <p>(iii) with fine, in any other case.</p>

Brief Impact:

In order to decriminalise and make the punishment for the offences referred above in proportion to the nature of offenses, the nature of imprisonment is changed from rigorous imprisonment to simple imprisonment and limited to two years (tax > 50 Lakhs) and six-months (10Lakhs < Tax < 50Lakhs) from its current seven years

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

E. Failure to pay tax collected at source. [Clause 97 and 20]

Particulars	ITA, 1961	ITA, 2025
Clause	20	97
Applicability	1 st March, 2026	1 st April, 2026
Section	276BB	477
Text of Section	<p>*****he shall be punishable----- with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.</p> <p>(a) with simple imprisonment for a term up to two years, or with fine, or with both, where the amount of such tax exceeds fifty lakh rupees; or</p> <p>(b) with simple imprisonment for a term up to six months, or with fine, or with both, where the amount of such tax exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p> <p>(c) with fine, in any other case.</p>	<p>(1) If a person fails to pay the tax collected by him to the credit of the Central Government, as required under section 397(3)(a), he shall be punishable-----</p> <p>(a) with rigorous simple imprisonment for a term which shall not be less than three months but which may extend up to seven two years, and or with fine, or with both, where the amount of such tax exceeds fifty lakh rupees or</p> <p>(b) with simple imprisonment for a term up to six months or with fine, or with both, where the amount of such tax exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p> <p>(c) with fine, in any other case.</p>

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

Brief Impact:

In order to decriminalise and make the punishment for the offences referred above in proportion to the nature of offenses, the nature of imprisonment is changed from rigorous imprisonment to simple imprisonment and limited to two years (tax > 50 Lakhs) and six-months (10Lakhs < Tax< 50Lakhs) from its current seven years.

II. Rationalization of prosecution proceedings[Clause 17 to 25 and clause 93 to 105]

Contd.....

F.Wilful attempt to evade tax, etc. [Clause 98 and 20]

Particulars	ITA, 1961	ITA, 2025
Clause	20	98
Applicability	1 st March, 2026	1 st April, 2026
Section	276C	478
Text of Section	<p>(1)******, be punishable,—</p> <p>(i) in a case where the amount sought to be evaded or tax on under-reported income exceeds twenty-five hundred thousand rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine;</p> <p>(ii) in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and with fine.</p> <p>(a) with simple imprisonment for a term up to two years, or with fine, or with both, where the amount sought to be evaded or tax on under-reported income exceeds fifty lakh rupees; or</p> <p>(b) with simple imprisonment for a term up to six months, or with fine, or with both, where the amount sought to be evaded or tax on under-reported income exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p>	<p>(1)***, he shall be punishable,—</p> <p>(a) in a case, where the amount sought to be evaded or tax on under-reported income exceeds twenty-five lakh rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years, and with fine;</p> <p>(b) in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years, and with fine.</p> <p>(a) with simple imprisonment for a term up to two years, or with fine, or with both, where the amount sought to be evaded or tax on under-reported income exceeds fifty lakh rupees; or</p> <p>(b) with simple imprisonment for a term up to six months, or with fine, or with both, where the amount sought to be evaded or tax on under-reported income exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p> <p>(c) with fine, in any other case.</p>

II. Rationalization of prosecution proceedings[Clause 17 to 25 and clause 93 to 105]

Contd.....

F.Wilful attempt to evade tax, etc. [Clause 98 and 20] Contd.....

Particulars	ITA, 1961	ITA, 2025
Clause	20	98
Applicability	1 st March, 2026	1 st April, 2026
Section	276C	478
Text of Section	<p>(2)*****, be punishable---- with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and shall, in the discretion of the court, also be liable to fine.</p> <p>(a) with simple imprisonment for a term up to two years, or with fine, or with both, where the amount sought to be evaded exceeds fifty</p> <p>(b) with simple imprisonment for a term up to six months, or with fine, or with both, where the amount sought to be evaded exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p> <p>(c) with fine, in any other case</p>	<p>(2)*****, he shall be punishable---- with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and shall, in the discretion of the court, also be liable to fine.</p> <p>(a) with simple imprisonment for a term up to two years, or with fine, or with both, where the amount sought to be evaded exceeds fifty</p> <p>(b) with simple imprisonment for a term up to six months, or with fine, or with both, where the amount sought to be evaded exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p> <p>(c) with fine, in any other case</p>

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

Brief Impact:

In order to decriminalise and make the punishment for the offences referred above in proportion to the nature of offenses, the nature of imprisonment is changed from rigorous imprisonment to simple imprisonment and limited to two years (tax > 50 Lakhs) and six-months (10Lakhs < Tax< 50Lakhs) from its current seven years.

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

G. Failure to furnish returns of income [Clause 99 and 20]

Particulars	ITA, 1961	ITA, 2025
Clause	20	99
Applicability	1 st March, 2026	1 st April, 2026
Section	276CC	479
Text of Section	<p>*****he shall be punishable,—</p> <p>(i) in a case where the amount of tax, which would have been evaded if the failure had not been discovered, exceeds twenty five hundred thousand rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine;</p> <p>(ii) in any other case, with imprisonment for a term which shall not be less than three months but which may extend to two years and with fine:</p> <p>(a) with simple imprisonment for a term up to two years, or with fine, or with both, where the amount of tax, which would have been evaded if the failure had not been discovered, exceeds fifty lakh rupees; or</p>	<p>*****he shall be punishable,—</p> <p>(a) in a case, where the amount of tax, which would have been evaded if the failure had not been discovered, exceeds twenty five lakh rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years, and with fine;</p> <p>(b) in any other case, with imprisonment for a term which shall not be less than three months but which may extend to two years and with fine.</p> <p>(a) with simple imprisonment for a term up to two years, or with fine, or with both, where the amount of tax, which would have been evaded if the failure had not been discovered, exceeds fifty lakh rupees; or</p>

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

G. Failure to furnish returns of income [Clause 99 and 20]

Particulars	ITA, 1961	ITA, 2025
Text of Section	<p>(b) with simple imprisonment for a term up to six months, or with fine, or with both, where the amount of tax, which would have been evaded if the failure had not been discovered, exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p> <p>(c) with fine, in any other case.</p>	<p>(b) with simple imprisonment for a term up to six months, or with fine, or with both, where the amount of tax, which would have been evaded if the failure had not been discovered, exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p> <p>(c) with fine, in any other case.</p>

Brief Impact:

In order to decriminalise and make the punishment for the offences referred above in proportion to the nature of offenses, the nature of imprisonment is changed from rigorous imprisonment to simple imprisonment and limited to two years (tax > 50 Lakhs) and six-months (10Lakhs < Tax< 50Lakhs) from its current seven years

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

H. Failure to furnish return of income in search cases [Clause 100 and 20]

Particulars	ITA, 1961	ITA, 2025
Clause	20	100
Applicability	1 st March, 2026	1 st April, 2026
Section	276CCC	480
Text of Section	<p>*****he shall be punishable---- with imprisonment for a term which shall not be less than three months but which may extend to three years and with fine:</p> <p>(a) with simple imprisonment for a term up to two years, or with fine, or with both, where the amount of tax exceeds fifty lakh rupees; or</p> <p>(b) with simple imprisonment up to six months, or with fine, or with both, where the amount of tax exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p> <p>(c) with fine, in any other case.</p>	<p>*****he shall be punishable---- with imprisonment for a term which shall not be less than three months but which may extend to three years and with fine:</p> <p>(a) with simple imprisonment for a term up to two years, or with fine, or with both, where the amount of tax exceeds fifty lakh rupees; or</p> <p>(b) with simple imprisonment up to six months, or with fine, or with both, where the amount of tax exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p> <p>(c) with fine, in any other case.</p>

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

Brief Impact:

In order to decriminalise and make the punishment for the offences referred above in proportion to the nature of offenses, the nature of imprisonment is changed from rigorous imprisonment to simple imprisonment and limited to two years (tax > 50 Lakhs) and six-months (10Lakhs $<$ Tax $<$ 50Lakhs) from its current seven years

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

I. Failure to produce accounts and documents [Clause 100 and 20]

Particulars	ITA, 1961	ITA, 2025
Clause	20	100
Applicability	1 st March, 2026	1 st April, 2026
Section	276D	481
Text of Section	If a person wilfully fails to produce, or cause to be produced, on or before the date specified in any notice served on him under sub-section (1) of section 142, such accounts and documents as are referred to in the notice or wilfully fails to comply with a direction issued to him under sub-section (2A) of that section, he shall be punishable with rigorous simple imprisonment for a term which may extend up to one year six months, or with fine, or with both.	If a person wilfully fails to produce, or cause to be produced, the accounts and documents as are referred to in the notice served on him under section 268(1) on or before the date specified in such notice, or wilfully fails to comply with a direction issued to him under section 268(5), he shall be punishable with rigorous simple imprisonment for a term which may extend up to one year six months, or with fine, or with both.

Brief Impact:

In order to decriminalise and make the punishment for the offences referred above in proportion to the nature of offenses, the nature of imprisonment is changed from rigorous imprisonment to simple imprisonment and the punishment is limited to six months from its current one year.

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

J. False statement in verification, etc [Clause 101 and 21]

Particulars	ITA, 1961	ITA, 2025
Clause	21	101
Applicability	1 st March, 2026	1 st April, 2026
Section	277	482
<p>*****</p> <p>(a) in a case, where the amount of tax, which would have been evaded if the statement or account had been accepted as true, exceeds twenty-five lakh rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years, and with fine;</p> <p>(b) in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years, and with fine.</p>		
<p>*****</p> <p>(a) in a case, where the amount of tax, which would have been evaded if the statement or account had been accepted as true, exceeds twenty-five lakh rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years, and with fine;</p> <p>(b) in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years, and with fine.</p> <p>(a) with simple imprisonment for a term up to two years, or with fine, or with both, where the amount of tax, which would have been evaded if the statement or account had been accepted as true, exceeds fifty lakh rupees; or</p>		

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

J. False statement in verification, etc [Clause 101 and 21]

Particulars	ITA, 1961	ITA, 2025
	<p>(a) with simple imprisonment for a term up to two years, or with fine, or with both, where the amount of tax, which would have been evaded if the statement or account had been accepted as true, exceeds fifty lakh rupees; or</p> <p>(b) with simple imprisonment for a term up to six months, or with fine, or with both, where the amount of tax, which would have been evaded if the statement or account had been accepted as true, exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p> <p>(c) with fine, in any other case.</p>	

Brief Impact:

In order to decriminalise and make the punishment for the offences referred above in proportion to the nature of offenses, the nature of imprisonment is changed from rigorous imprisonment to simple imprisonment and limited to two years ($\text{tax} > 50 \text{ Lakhs}$) and six-months ($10 \text{ Lakhs} < \text{Tax} < 50 \text{ Lakhs}$) from its current seven years.

II. Rationalization of prosecution proceedings[Clause 17 to 25 and clause 93 to 105]

Contd.....

K. Falsification of books of account or document, etc [Clause 102 and 22]

Particulars	ITA, 1961	ITA, 2025
Clause	22	102
Applicability	1 st March, 2026	1 st April, 2026
Section	277A	483
If any person (hereafter in this section referred to as the first person) wilfully and with intent to enable any other person (hereafter in this section referred to as the second person) to evade any tax or interest or penalty chargeable and imposable under this Act, makes or causes to be made any entry or statement which is false and which the first person either knows to be false or does not believe to be true, in any books of account or other document relevant to or useful in any proceedings against the first person or the second person, under this Act, the first person shall be punishable with rigorous simple imprisonment for a term which shall not be less than three months but which may extend to up to two years and with fine.		
(1) If any person (herein referred to as the first person) wilfully and with intent to enable any other person (herein referred to as the second person) to evade any tax or interest or penalty chargeable and imposable under this Act, makes or causes to be made any entry or statement which is false and which the first person either knows to be false or does not believe to be true, in any books of account or other document relevant to or useful in any proceedings against the first person or the second person, under this Act, the first person shall be punishable with rigorous simple imprisonment for a term which shall not be less than three months but which may extend to up to two years and with fine.		

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

L. Abetment of false return, etc [Clause 103 and 23]

Particulars	ITA, 1961	ITA, 2025
Clause	23	103
Applicability	1 st March, 2026	1 st April, 2026
Section	278	484
Text of Section	<p>If a person abets or induces in any manner another person to make and deliver an account or a statement or declaration relating to any income or any fringe benefits chargeable to tax which is false and which he either knows to be false or does not believe to be true or to commit an offence under sub-section (1) of <u>section 276C</u>, he shall be punishable,—</p> <p>(i) in a case where the amount of tax, penalty or interest which would have been evaded, if the declaration, account or statement had been accepted as true, or which is wilfully attempted to be evaded, exceeds twenty-five hundred thousand rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine;</p> <p>(ii) in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and with fine.</p>	<p>If a person wilfully fails to produce, or cause to be produced, the accounts and documents as are referred to in the notice served on him under section 268(1) on or before the date specified in such notice, or wilfully fails to comply with a direction issued to him under section 268(5), he shall be punishable with rigorous simple imprisonment for a term which may extend up to one year six months, or with fine, or with both.</p>

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

L. Abetment of false return, etc [Clause 103 and 23]

Particulars	ITA, 1961	ITA, 2025
Text of Section	<p>(i) with simple imprisonment for a term up to two years, or with fine, or with both, where the amount of tax, penalty or interest which would have been evaded, if the declaration, account or statement had been accepted as true, or which is wilfully attempted to be evaded, exceeds fifty lakh rupees; or</p> <p>(ii) with simple imprisonment for a term up to six months, or with fine, or with both, where the amount of tax, penalty or interest which would have been evaded, if the declaration, account or statement had been accepted as true, or which is wilfully attempted to be evaded, exceeds ten lakh rupees but does not exceed fifty lakh rupees; or</p>	

Brief Impact:

In order to decriminalise and make the punishment for the offences referred above in proportion to the nature of offenses, the nature of imprisonment is changed from rigorous imprisonment to simple imprisonment and the punishment is limited to six months from its current one year.

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

M. Punishment for second and subsequent offences [Clause 104 and 24]

Particulars	ITA, 1961	ITA, 2025
Clause	24	104
Applicability	1 st March, 2026	1 st April, 2026
Section	278A	485
Text of Section	(i) If any person convicted of an offence under section 276B 44[or section 276BB] or sub-section (1) of section 276C or section 276CC or section 276DD or section 276E or section 277 or section 278 is again convicted of an offence under any of the aforesaid provisions, he shall be punishable for the second and for every subsequent offence with rigorous simple imprisonment for a term which shall not be less than six months but which may extend to seven three years, and with fine.	If any person convicted of an offence under sections 476, 477, 478(1), 479, 480, 482 or 484 is again convicted of an offence under any of the said sections, he shall be punishable for the second and for every subsequent offence with rigorous simple imprisonment for a term which shall not be less than six months but which may extend to seven three years, and with fine.

Brief Impact:

In order to decriminalise and make the punishment for the offences referred above in proportion to the nature of offenses, the nature of imprisonment is changed from rigorous imprisonment to simple imprisonment and the punishment is limited to three years from its current seven years.

II. Rationalization of prosecution proceedings [Clause 17 to 25 and clause 93 to 105]

Contd.....

N. Disclosure of particulars by public servants [Clause 105 and 25]

Particulars	ITA, 1961	ITA, 2025
Clause	25	105
Applicability	1 st March, 2026	1 st April, 2026
Section	280	494
	(1) If a public servant furnishes any information or produces any document in contravention of the provisions of subsection (2) of section 138, he shall be punishable with imprisonment which may extend to six months, and shall also be liable to fine. simple imprisonment up to one month, or with fine, or with both.	(1) A public servant, who furnishes any information or produces any document in contravention of the provisions of section 258(3), shall be punishable with imprisonment which may extend to six months, and shall also be liable to fine simple imprisonment up to one month, or with fine, or with both.

Brief Impact:

In order to decriminalise and make the punishment for the offences referred above in proportion to the nature of offenses, the nature of imprisonment is changed from rigorous imprisonment to simple imprisonment and the punishment is limited to one month from its six months.

III. Rationalizing the period of block in case of other persons [Clause 64]

Amendment in section 295(2) of ITA 2025 [Erstwhile section 158BD of ITA 1961]
w.e.f. 1st April 2026:-

(2) *For the purposes of this section,—*

- (a) *where there is one specified person relevant to such other person, the block period for such other person shall be the same as that single tax year for the specified person;*
- (b) *where there is more than one specified persons relevant to such other person, the block period for such other person shall be the same as that single tax year for the specified person in whose case the block period ends on a later date;*

Brief Impact:

Section 295 applied where the Assessing Officer (AO) found that undisclosed income belonged to a person other than the searched person (the “other person”). In such cases, seized material was handed over to the AO of the other person and the AO of the other person proceeded with block assessment under section 294. Block period for the other person was the same as the block period of the specified (searched) person, even if the undisclosed income related to only one assessment year, the other person was still subjected to a full block assessment period. However, Section 295(2) is proposed to be amended to limit the block period in case of a third (other) person, Where the undisclosed income of the other person relates only to a single tax year, the assessment will now be restricted to the relevant year(s) instead of the entire block period.⁹⁹

IV. Referencing the time limit to complete block assessment to the initiation of search or requisition [Clause 65]

Amendment in section 296 of ITA 2025 [Erstwhile section 158BE of ITA 1961] w.e.f. 1st April 2026:-

(296)(1)(a) Irrespective of the provisions of section 286, the order under section 294 shall be passed within ~~twelve~~ eighteen months from the end of the quarter in which the last of the authorisations for search was executed, or requisition was made.

Brief Impact:

Section 296 prescribes the time limit for completing block assessment under section 294. The assessment or reassessment order must be completed within 12 months from the end of the quarter in which the last search authorisation was executed, or requisition was made. In group search cases, different search authorisations may be executed on different dates, resulting in multiple limitation dates for different persons in the same group, and lack of uniformity in investigation and assessment proceedings. Section 296 is proposed to be amended to take the date of initiation of search or requisition as the reference point for computing the limitation period. The time limit for completing block assessment is proposed to be extended from 12 months to 18 months. The revised time limit will apply uniformly in cases where a search or requisition is initiated.

V. Rationalisation of Penalties into fee

[Clause 83, 88 & 89]

Amendment in Section 446 of I.T.A 2025 [earstwhile Section 271B of I.T.A 1961] w.e.f. 1st day of April 2026 :-

Section 446: If any person fails to get his accounts audited for any tax year or years or furnish the audit report as required under section 63 the Assessing Officer may impose a penalty on such person, which shall be the lesser of - (a) 0.5% of the total sales, turnover, or gross receipts in business, or the gross receipts in profession for such tax year or years; or (b) Rs. 1,50,000.

Conversion of penalty under section 446 to newly Inserted of Section 428(c) and amendment in Section 446:-

428(c): *Where any person fails to get his accounts audited or fails to furnish the audit report as required under section 63, such person shall be liable to pay a fee, which shall be- (a) Rs. 75,000, for a delay up to one month for which such failure continues; or (b) Rs. 1,50,000, thereafter.*

446: (1) *If any person who is required to furnish a statement in respect of a transaction of a crypto-asset under section 509(1), fails to furnish such statement within the time prescribed under the said section, the prescribed income-tax authority under that section may impose on him, a penalty of Rs. 200 for every day for which such failure continues.*

(2) *The prescribed income-tax authority may impose a penalty of Rs. 50,000 on a person referred to in sub-section (1), if such person -*

- (a) *provides inaccurate information in the statement and fails to remove such inaccuracy as per section 509(4); or*
- (b) *fails to comply with due diligence requirements under section 509(5).*

V. Rationalisation of Penalties into fee [Clause 83, 88 & 89]

Contd.....

Brief Impact:

The Finance Bill, 2026 proposes to amend and substitute section 446, which earlier provided for a discretionary penalty for failure to get accounts audited or to furnish the audit report, and replaces the same with a mandatory fee under newly inserted section 428(c). Under the revised framework, such non-compliance is no longer treated as a penal offence but as a technical and procedural default, attracting a graded fee of Rs. 75,000 or Rs.1,50,000 based on the period of delay. This amendment will take effect from the 1st day of April, 2026 and shall apply for tax year 2026-27 and subsequent tax years. Further, the amended section 446 states that if a person required to furnish a statement for a crypto-asset transaction under section 509(1) fails to do so within the prescribed time, the designated income-tax authority may levy a penalty of ₹200 for each day of delay. Additionally, a penalty of ₹50,000 may be imposed if the person provides inaccurate information and does not correct it as per section 509(4), or fails to comply with due diligence requirements under section 509(5).

V. Rationalisation of Penalties into fee [Clause 83, 88 & 89] Contd.....

Amendment in Section 447 of I.T.A 2025 [earstwhile Section 271BA of I.T.A 1961]
w.e.f. 1st day of April 2026:-

~~Section 447: If any person fails to furnish a report from an accountant as required by section 172, the Assessing Officer may impose a penalty of Rs. 100000 on such person.~~

Omission of Section 447 and Insertion of Section 428(d):-

~~Section 428(d): Where any person fails to furnish a report from an accountant as required under section 172, such person shall be liable to pay a fee, which shall be: (a) Rs. 50,000 for a delay upto one month for which such failure continue or (b) a sum of Rs. 1,00,000 thereafter.~~

Brief Impact:

Section 447 which prescribed a penalty of Rs. 1,00,000 for failure to furnish a report from an accountant as required under section 172 in relation to International Transactions, is **omitted** under the Finance Bill, 2026. The penalty regime is replaced by a graded fee structure introduced under **section 428(d)**, with fees of Rs. 50,000 or Rs. 1,00,000 depending on the delay period. This amendment will take effect from the 1st day of April, 2026 and shall apply for tax year 2026-27 and subsequent tax years.

V. Rationalisation of Penalties into fee [Clause 83, 88 & 89] Contd.....

Amendment in Section 454 of I.T.A 2025 [earstwhile Section 271FA of I.T.A 1961]
w.e.f. 1st day of April 2026:-

Section 454: (1) ~~If a person who is required to furnish a statement of financial transaction or reportable account under section 508(1) fails to furnish such statement within the time prescribed under sub-section (2) thereof, the income-tax authority prescribed under the said sub-section (1) may impose on him a penalty of Rs. 500 for every day during which such failure continues.~~

~~(2) If the person referred to in sub-section (1), fails to furnish the statement within the period specified in the notice issued under section 508(7), he shall pay penalty of Rs. 1000 for every day during which the failure continues, beginning from the day immediately after the time specified in such notice for furnishing the statement expires.~~

Insertion of substituted Section 454:-

Section 454: Where any person, who is required to furnish a statement of financial transaction or reportable account under section 508(1), fails to furnish such statement or reportable account within the period specified in the notice issued under section 508(7), the income-tax authority prescribed under section 508(1) may impose on him, a penalty of Rs. 1,000 for every day for which such failure continues, beginning from the day immediately after the period specified in such notice for furnishing such statement or reportable account expires, and such penalty shall not exceed Rs. 1,00,000.

V. Rationalisation of Penalties into fee [Clause 83, 88 & 89]

Contd.....

Brief Impact:

The substitution of Section 454 simplifies the penalty structure for failure to furnish statements of specified financial transactions or reportable accounts. Earlier, two different per-day penalties (Rs. 500 and Rs. 1,000) applied depending on the stage of default, and there was no cap on total liability, which often led to confusion and potentially huge penalties for technical delays. The new provision introduces a single per-day penalty of Rs. 1,000, applicable only after the notice period expires, with an upper limit of Rs. 1,00,000. This makes the levy predictable, fair, and proportionate, while still encouraging timely compliance. By capping the penalty and removing the lower-tier charge, the amendment also reduces the administrative burden and risk of litigation, ensuring that taxpayers are penalised for genuine defaults rather than minor or technical delays. The above amendments will take effect from the 1st day of April, 2026 and shall apply for tax year 2026-27 and subsequent tax years.

VI. Imposition of penalty for under-reporting or misreporting of income within Assessment Order [Clause 14]

Amendment in section 270A of ITA 1961 w.e.f. 1st March 2026:-

270A. (1) *The Assessing Officer or 94[the Joint Commissioner (Appeals) or] the Commissioner (Appeals) or the Principal Commissioner or Commissioner may, during the course of any proceedings under this Act, direct that any person who has under-reported his income shall be liable to pay a penalty in addition to tax, if any, on the under-reported income.*

274. (1) ~~No order imposing a penalty under this Chapter shall be made unless the assessee has been heard, or has been given a reasonable opportunity of being heard. In section 274, it is proposed to provide that, penalty for under-reporting of income leviable under section 270A shall be imposed in the assessment order.~~

VI. Imposition of penalty for under-reporting or misreporting of income within Assessment Order [Clause 14] Contd.....

Brief Impact:

The proposed amendments fundamentally alter the manner of levy of penalty for under-reporting and misreporting of income under section 270A by providing that such penalty shall now be imposed within the assessment order itself, instead of being levied through separate post-assessment proceedings. Correspondingly, section 274 is proposed to be amended to dispense with the requirement of initiating independent penalty proceedings by way of a separate show-cause notice after assessment, while still ensuring compliance with principles of natural justice within the assessment process. This integrated approach replaces the existing two-stage mechanism of assessment followed by separate penalty proceedings, thereby eliminating multiplicity of proceedings, reducing prolonged uncertainty for taxpayers, and ensuring greater consistency and finality in the levy of penalties under section 270A. The corresponding amendment will take place under section 439 and 471 of the new ITA, 2025 respectively.

VI. Imposition of penalty for under-reporting or misreporting of income within Assessment Order [Clause 14] Contd.....

Amendment in section 220 of ITA 1961 w.e.f. 1st March 2026:-

220.(2) *If the amount specified in any notice of demand under section 156 is not paid within the period limited under sub-section (1), the assessee shall be liable to pay simple interest at one per cent for every month or part of a month comprised in the period commencing from the day immediately following the end of the period mentioned in sub-section (1) and ending with the day on which the amount is paid:*

(3) *The following proviso shall be inserted and shall be deemed to have been inserted with effect from the 1st day of March, 2026, namely:—*

“Provided also that no interest shall be charged under this sub-section in respect of any demand raised on account of penalty levied under section 270A—

(a) up to the date of passing of the order under section 250;

(b) up to the date of passing of the order under section 254, where the assessment or reassessment has been made in pursuance to directions issued by the Dispute Resolution Panel under section 144C.”.

VI. Imposition of penalty for under-reporting or misreporting of income within Assessment Order [Clause 14] Contd.....

Brief Impact:

Under the existing provisions of section 220(2), where an assessee fails to pay the amount specified in a notice of demand within the prescribed period, simple interest at the rate of one per cent per month is charged from the day immediately following the due date till the date of payment. The amendment inserts a proviso to section 220(2), with effect from 1 March 2026, to provide relief in respect of penalty demands levied under section 270A, by stipulating that no interest shall be charged on such penalty component up to the date of passing of the appellate order by the Commissioner (Appeals) under section 250, or up to the date of passing of the order by the Income-tax Appellate Tribunal under section 254 in cases where assessment or reassessment is made pursuant to directions of the Dispute Resolution Panel under section 144C, thereby preventing accrual of interest on disputed penalty demands during pendency of appellate proceedings. The corresponding amendment will take place under section 411 of the new ITA, 2025 respectively.

VI. Imposition of penalty for under-reporting or misreporting of income within Assessment Order [Clause 14] Contd.....

Amendment in section 245MA of ITA 1961 w.e.f. 1st March 2026:-

245MA. (2) *The Dispute Resolution Committee, subject to such conditions, as may be prescribed, shall have the powers to reduce or waive any penalty imposable—*~~waive any penalty imposed or imposable~~ *under this Act or grant immunity from prosecution for any offence punishable under this Act in case of a person whose dispute is resolved under this Chapter.*

Brief Impact:

Under the Old Law, the Dispute Resolution Committee (DRC) was empowered, subject to prescribed conditions, to reduce or waive penalty imposable under the Act and to grant immunity from prosecution where a taxpayer's dispute was resolved under the DRC framework. Under the amended provisions, the provision has been expressly widened and clarified to empower the DRC to reduce or waive any penalty that is either imposed or imposable under the Act, in addition to granting immunity from prosecution. This change aligns the DRC's powers with the amended penalty regime under section 270A read with section 274, ensures consistency where penalty is levied along with assessment, and strengthens the effectiveness of the DRC as a dispute resolution forum by enabling comprehensive relief from both existing and prospective penal consequences.

VII. Increase in maximum amount of penalty in section 466 of the Act [Clause 90]

Amendment in Section 466 of the ITA, 2025 [Erstwhile section 272AA of ITA,1961], w.e.f. 1st day of April 2026:-

If a person fails to comply with the provisions of section 254, the Joint Commissioner, Deputy Director or Assistant Director or the Assessing Officer, may impose a penalty which may extend up to Rs. 1000 on him.

In section 466 of the Income-tax Act, for the figures “Rs. 1000”, the figures “Rs. 25000” shall be substituted.

Brief Impact:

From 1 April 2026, the maximum penalty for non-compliance with section 254 has been increased from Rs. 1,000 to Rs. 25,000, strengthening enforcement by tax authorities. Section 254 authorises income-tax authorities to collect information from business premises by directing proprietors, employees, or other persons connected with the business or profession to furnish the required information.

VIII. Rationalisation of tax rate under section 195 and penalty under section 443 in respect of certain Income

[Clause 46, 84 & 86]

Amendment in Section 195 of the ITA, 2025 [Erstwhile section 115BBE of ITA, 1961]
w.e.f. 1st day of April 2026:-

(1) Where the total income of an assessee—

- (a) includes any income referred to in section 102 or 103 or 104 or 105 or 106 and reflected in the return of income furnished under section 263; or
- (b) determined by the Assessing Officer includes any income referred to in any of the said section 102 or 103 or 104 or 105 or 106, if such income is not covered under clause (a),

the income-tax payable shall be the aggregate of—

- (i) income-tax calculated on the income referred to in clauses (a) and (b), at the rate of ~~60%~~; and

in sub-section (1), in the longline, in clause (i), for the figures and symbol “60%”, the figures and symbol “30%” shall be substituted.

VIII. Rationalisation of tax rate under section 195 and penalty under section 443 in respect of certain Income [Clause 46, 84 & 86]

Contd.....

Omission of Section 443 of the ITA, 2025 [Erstwhile section 271AAC of ITA, 1961]
w.e.f. 1st day of April 2026:-

(1) The Assessing Officer or the Joint Commissioner (Appeals) or Commissioner (Appeals) may impose a penalty of 10% of the tax payable under section 195(1)(i), on an assessee if the income determined in his case for any tax year includes any income referred to in section 102, 103, 104, 105 or 106.

Section 443 of the Income-tax Act shall be omitted

Brief Impact:

From 1 April 2026, it is proposed to omit the penalty provisions given u/s 443 of the Income Tax Act, 2025.

VIII. Rationalisation of tax rate under section 195 and penalty under section 443 in respect of certain Income [Clause 46, 84 & 86]

Contd.....

Amendment in section 439(11) of the ITA, 2025 [Erstwhile section 270A of ITA, 1961]
w.e.f. 1st day of April 2026:-

- (10) Irrespective of anything contained in sub-section (8) or (9), where under-reported income is in consequence of any misreporting thereof by any person, the penalty referred to in sub-section (1) shall be 200% of the tax payable on under-reported income.
- (11) The cases of misreporting of income referred to in sub-section (10) shall be the following:-
- (a) misrepresentation or suppression of facts;
 - (b) failure to record investments in the books of account;
 - (c) claim of expenditure not substantiated by any evidence;
 - (d) recording of any false entry in the books of account;
 - (e) failure to record any receipt in books of account having a bearing on total income; and
 - (f) failure to report any international transaction or any transaction deemed to be an international transaction or any specified domestic transaction, to which the provisions of Chapter X apply

after clause (f), the following clause shall be inserted, namely:—
“(g) income referred to in section 195(1)(b).”.

VIII. Rationalisation of tax rate under section 195 and penalty under section 443 in respect of certain Income [Clause 46, 84 & 86]

Contd.....

Brief Impact for Clause 46, 84, 86]:

From 1st April 2026, the income specified u/s 102 to 106 shall be taxed at the rate of 30%. Earlier the penalty on such income was levied at the rate of 10% now such penalty is proposed to be omitted.

For the purpose of levy of penalty given u/s 439, addition of such income specified u/s 102 to 106, to the total income of the assessee shall be treated as under reported income which is in the consequence of mis-reporting of income.

Consequently, with effect from 1 April 2026, where such under-reported income results from mis-reporting, a penalty at 200% of the tax payable on the income specified under sections 102 to 106 shall be levied in accordance with section 439(11).

IX. Expanding the scope of immunity from penalty or prosecution under section 440 of the Act [Clause 85]

Substitution of Sub-section 1 to 4 of section 440 of the ITA, 2025 [Erstwhile section 270AA of ITA, 1961] w.e.f. 1st day of April 2026:-

- 440.(1) An assessee may make an application to the Assessing Officer for granting immunity from penalty under section 439 and initiation of proceedings under section 478 or section 479, if-
- (a) ~~the tax and interest payable as per the order of assessment or reassessment under section 270(10) or section 279, has been paid within the period specified in the notice of demand, and~~
 - (b) ~~no appeal against the order referred to in clause (a) has been filed.~~
- (2) An application referred to in sub-section (1) shall be made within one month from the end of the month in which the order referred to in clause (a) of the said sub-section has been received, in such form and manner as may be prescribed.
- (3) The Assessing Officer, on fulfilment of the conditions as specified in sub-section (1), and after the expiry of the period of filing appeal as specified in section 358(3)(a), shall grant immunity from penalty under section 439 and initiation of proceedings under section 478 or 479.
- (4) No immunity under sub-section (3) shall be granted if penalty under section 439 has been initiated under circumstances referred to in section 439(11).
- (5) The Assessing Officer, shall pass an order accepting or rejecting the application as referred to in sub-section (1) within three months from the end of the month of its receipt.
- (6) No order of rejection under sub-section (5) shall be made without giving the assessee an opportunity of being heard.

IX. Expanding the scope of immunity from penalty or prosecution under section 440 of the Act [Clause 85]

Contd.....

- (7) The order made under sub-section (5) shall be final.
- (8) No appeal under section 356 or 357 or an application for revision under section 378 shall be admissible against the order referred to in sub-section (1)(a), if an order under sub-section (5) has been made accepting the application.

for sub-sections (1) to (4), the following sub-sections shall be substituted, namely:-

“(1) An assessee may make an application to the Assessing Officer to grant waiver of penalty levied under section 439 and immunity from initiation of proceedings under section 478 or 479 on fulfilment of the following conditions:—

- (a) the tax and interest payable as per the order of assessment under section 270(10) or reassessment under section 279, has been paid within the period specified in the notice of demand;
- (b) where penalty has been levied under the circumstances referred to in section 439(11)(a) to (f), additional income-tax amounting to 100% of the amount of tax payable on under-reported income has been paid within the period specified in the notice of demand, in lieu of such penalty;
- (c) where penalty has been levied under the circumstances referred to in section 439(11)(g), additional income-tax amounting to 120% of the amount of tax payable on under-reported income has been paid within the period specified in the notice of demand, in lieu of such penalty; and
- (d) no appeal has been filed against the order of assessment or reassessment and levy of penalty referred to in clause (a), (b) and (c).

IX. Expanding the scope of immunity from penalty or prosecution under section 440 of the Act [Clause 85]

Contd.....

- (2) An application referred in sub-section (1) shall be made within one month from the end of the month in which the order referred to in the said sub-section is received by the assessee, in such form and verified in such manner, as may be prescribed.
- (3) The Assessing Officer shall, on fulfilment of the conditions as specified in sub-section (1), and after the expiry of the period of filing appeal as specified in section 358(3)(a), grant waiver of penalty under section 439 and immunity from initiation of proceedings under section 478 or 479.
- (4) No waiver or immunity under sub-section (3) shall be granted if any proceeding has been initiated under Chapter XXII.”.

IX. Expanding the scope of immunity from penalty or prosecution under section 440 of the Act [Clause 85]

Contd.....

Brief Impact:

At present, immunity under section 440 is available only in cases of under-reporting of income.

From 1st April 2026, the proposed amendment seeks to extend immunity to cases involving misreporting, subject to payment of additional income-tax equal to 100% of the tax payable in lieu of penalty.

For the purpose of levy of penalty given u/s 439, addition of such income specified u/s 102 to 106, to the total income of the assessee shall be treated as under reported income which is in the consequence of mis-reporting of income. Consequently, with effect from 1 April 2026, where such under-reported income results from mis-reporting, a penalty at 120% of the tax payable on the income specified under sections 102 to 106 shall be levied.

X. Expanding the scope of immunity from penalty or prosecution under section 270AA of the Act [Clause 15]

Substitution of sub-section 1 to 3 of section 270AA of the ITA, 1961, w.e.f. 1st day of March 2026:-

270AA.

- (1) An assessee may make an application to the Assessing Officer to grant immunity from imposition of penalty under section 270A and initiation of proceedings under section 276C or section 276CC, if he fulfils the following conditions, namely:—
- (a) the tax and interest payable as per the order of assessment or reassessment under sub-section (3) of section 143 or section 147, as the case may be, has been paid within the period specified in such notice of demand; and
 - (b) no appeal against the order referred to in clause (a) has been filed.
-
- (2) An application referred to in sub-section (1) shall be made within one month from the end of the month in which the order referred to in clause (a) of sub-section (1) has been received and shall be made in such form and verified in such manner as may be prescribed.
- (3) The Assessing Officer shall, subject to fulfilment of the conditions specified in sub-section (1) and after the expiry of the period of filing the appeal as specified in clause (b) of sub-section (2) of section 249, grant immunity from imposition of penalty under section 270A and initiation of proceedings under section 276C or section 276CC, where the proceedings for penalty under section 270A has not been initiated under the circumstances referred to in sub-section (9) of the said section 270A.

X. Expanding the scope of immunity from penalty or prosecution under section 270AA of the Act [Clause 15]

Contd.....

- (4) The Assessing Officer shall, within a period of [three months] from the end of the month in which the application under sub-section (1) is received, pass an order accepting or rejecting such application:

Provided that no order rejecting the application shall be passed unless the assessee has been given an opportunity of being heard.

- (5) The order made under sub-section (4) shall be final.
- (6) No appeal under [section 246 or] section 246A or an application for revision under section 264 shall be admissible against the order of assessment or reassessment, referred to in clause (a) of sub-section (1), in a case where an order under sub-section (4) has been made accepting the application.

In section 270AA of the Income-tax Act, for sub-sections (1) to (3), the following sub-sections shall be substituted and shall be deemed to have been substituted with effect from the 1st day of March, 2026, namely:-

X. Expanding the scope of immunity from penalty or prosecution under section 270AA of the Act [Clause 15]

Contd.....

- (1) An assessee may make an application to the Assessing Officer to grant immunity from imposition or, as the case may be, waiver of penalty under section 270A and immunity from initiation of proceedings under section 276C or section 276CC, if he fulfils the following conditions, namely:-
 - (a) the tax and interest payable as per the order of assessment under sub-section (3) of section 143 or reassessment under section 147 has been paid within the period specified in the notice of demand;
 - (b) where penalty has been levied or, as the case may be, leviable under the circumstances referred to in sub-section (9) of section 270A, additional income-tax amounting to one hundred per cent. of the amount of tax payable on under-reported income has been paid within the period specified in the notice of demand, in lieu of such penalty; and
 - (c) no appeal has been filed against the order referred to in clauses (a) and (b).
- (2) An application referred to in sub-section (1) shall be made within one month from the end of the month in which the order referred to in clause (a) and clause (b) of the said sub-section has been received by the assessee, in such form and verified in such manner, as may be prescribed.

X. Expanding the scope of immunity from penalty or prosecution under section 270AA of the Act [Clause 15]

Contd.....

- (3) The Assessing Officer shall, on fulfilment of the conditions specified in sub-section (1) and after the expiry of the period of filing the appeal as specified in clause (b) of sub-section (2) of section 249, grant immunity from imposition or, as the case may be, waiver of penalty under section 270A and initiation of proceedings under section 276C or section 276CC.
- (3A) No immunity or, as the case may be, waiver under sub-section (3) shall be granted where any proceedings has been initiated under Chapter XXII.”.

Brief Impact:

At present, immunity under section 270AA is available only in cases of under-reporting of income.

From 1st March 2026, the proposed amendment seeks to extend immunity to cases involving under-reporting of income is in consequence of misreporting given u/s 270A(9) of the ITA, 1961, subject to payment of additional income-tax equal to 100% of the tax payable in lieu of penalty.

However, immunity will not be available if prosecution proceedings under Chapter XXII have already been started.

D. COOPERATIVE

D. Cooperatives

S. No.	Brief	Section / Schedule Of I. T. Act 2025	Section / Schedule Of I. T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
I.	Deductions in respect of dividends received and distributed by certain cooperative societies	149(2)(d)		39,40,48 &49	1st April 2026
II.	Widening scope of deduction under section 149 by including ancillary activities of cattle feed and cotton seeds	149(2)(b)		39	1st April 2026
III.	Inclusion of Cooperatives registered under Multi-State Cooperative Societies Act, 2002 in the definition of co-operative society'	2(32)		27	1st April 2026

I & II. Deductions in respect of dividends received and distributed by certain cooperative societies and Widening scope of deduction under section 149 by including ancilliary activities of cattle feed and cotton seeds [Clause 39,40,48 & 49]

Substitution in sub-section (2) & (5) of section 149 of the ITA, 2025 (Erstwhile Section 80P of the ITA, 1961], w.e.f. 1st day of April 2026:-

149.

- (1) If the gross total income of an assessee, being a co-operative society, includes any income referred to in sub-section (2), the sums specified in the said sub-section shall, in accordance with and subject to the provisions of this section, be allowed as deduction in computing the total income of such assessee.
- (2) The sums referred to in sub-section (1) shall be the following-
 - (b) in the case of a co-operative society, being a primary society engaged in supplying milk, oilseeds, fruits, or vegetables raised or grown by its members to-
 - (d) in respect of any income by way of interest or dividends derived by the co-operative society from its investments with any other co-operative society, the whole of such income;
- (5) The provision of this section shall not apply to any co-operative bank which is not a primary agricultural credit society or a primary co-operative agricultural and rural development bank.

I & II. Deductions in respect of dividends received and distributed by certain cooperative societies and Widening scope of deduction under section 149 by including ancillary activities of cattle feed and cotton seeds [Clause 39,40,48 & 49] Contd.....

Substitution in sub-section (2) & (5) of section 149 of the ITA, 2025 (Erstwhile Section 80P of the ITA, 1961], w.e.f. 1st day of April 2026:-

In section 149 of the Income-tax Act,—

- (a) in sub-section (2),—
 - (i) in clause (b), after the word “oilseeds,” wherever it occurs, the words “cotton seed, cattle feed,” shall be inserted;
 - (ii) for clause (d), the following clause shall be substituted, namely:—
 - (d) in respect of any income derived by the co-operative society from its investments with any other co-operative society by way of—
 - (i) interest; or
 - (ii) dividends,

I & II. Deductions in respect of dividends received and distributed by certain cooperative societies and Widening scope of deduction under section 149 by including ancilliary activities of cattle feed and cotton seeds [Clause 39,40,48 & 49] Contd.....

- (b) after sub-section (5), the following sub-section shall be inserted, namely:—
- ‘(6) For the purposes of this section,—
- (a) “consumers’ co-operative society” means a society for the benefit of the consumers;
 - (b) “primary agricultural credit society” has the same meaning as assigned to it in Part V of the Banking Regulation Act, 1949; and 10 of 1949.
 - (c)“primary co-operative agricultural and rural development bank” means a society having an area of operation confined to a taluk, the principal object of which is to provide long-term credit for agricultural and rural development activities.’.

I & II. Deductions in respect of dividends received and distributed by certain cooperative societies and Widening scope of deduction under section 149 by including ancilliary activities of cattle feed and cotton seeds [Clause 39,40,48 & 49] Contd.....

Substitution of section 150 of the ITA, 2025 (Erstwhile Section 80P of the ITA, 1961), w.e.f. 1st day of April 2026:-

~~Interpretation for purposes of section 149~~

~~For the purposes of section 149,~~

- (a) ~~“consumers’ co-operative society” means a society for the benefit of the consumers;~~
- (b) ~~“primary agricultural credit society” has the same meaning as assigned to it in Part V of the Banking Regulation Act, 1949;~~
- (c) ~~“primary co-operative agricultural and rural development bank” means a society having an area of operation confined to a taluk, the principal object of which is to provide long-term credit for agricultural and rural development activities.~~

For section 150 of the Income-tax Act, the following section shall be substituted, namely:-

150.

- (1) If the gross total income of an assessee being a federal cooperative, in any tax year, includes any income by way of dividends received from its investment with any company, a deduction shall be allowed from such income, to the extent of the amount which,**

I & II. Deductions in respect of dividends received and distributed by certain cooperative societies and Widening scope of deduction under section 149 by including ancilliary activities of cattle feed and cotton seeds [Clause 39,40,48 & 49] Contd.....

- (a) has arisen from such investment as recorded in its books of account on or before the 31st January, 2026; and
 - (b) has been distributed by it to its members at least one month before the due date for filing the return of income under section 263(1).
- (2) The provisions of this section shall not apply to any tax year beginning on or after the 1st April, 2029.
- (3) For the purposes of this section, “federal co-operative” means a “federal co-operative” as defined in section 3(k) of the Multi-State Cooperative Societies Act, 2002 and notified as such by the Central Government.’.

I & II. Deductions in respect of dividends received and distributed by certain cooperative societies and Widening scope of deduction under section 149 by including ancilliary activities of cattle feed and cotton seeds [Clause 39,40,48 & 49] Contd.....

Substitution of Section 203 of the ITA, 2025 (Erstwhile Section 115BAD of the ITA, 1961], w.e.f. 1st day of April 2026:-

203.

- (1) Irrespective of anything contained in this Act but subject to the provisions of Part A, B, E and this Part (other than section 204) of this Chapter, the income-tax payable for a tax year shall be at the rate of 22%, at the option of a person being a co-operative society resident in India, in respect of the total income of such person computed in the following manner:—
 - (a) without any deduction under—
 - (i) Chapter VIII other than the provisions of ~~section 146~~; or
 - (ii) sections specified in section 205(1)(a) to (g);
 - (b) without set off of any loss carried forward or depreciation from any earlier tax year, if such loss or depreciation is attributable to any of the deductions referred to in clause (a).
- (2) Where a person fails to satisfy the requirements contained in sub-section (1) in any tax year, the option shall become invalid in respect of the said tax year and subsequent tax years and other provisions of the Act shall apply, as if the option had not been exercised for such tax year and for subsequent tax years.
- (3) The loss and depreciation referred to in clause (b) of sub-section (1) shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent tax year.

I & II. Deductions in respect of dividends received and distributed by certain cooperative societies and Widening scope of deduction under section 149 by including ancilliary activities of cattle feed and cotton seeds [Clause 39,40,48 & 49] Contd.....

- (4) In case of a person, having a Unit in the International Financial Services Centre, which has exercised option under sub-section (5), the requirements contained in sub-section (1) shall be modified to the extent that the deduction under section 147 shall be available to such Unit subject to fulfilment of the conditions contained in the said section.
- (5) The provisions of this section shall not apply unless the option is exercised by the person in the prescribed manner on or before the due date specified under section 263(1) for furnishing the return of income and such option once exercised shall apply to subsequent tax years.
- (6) Once the option under this section has been exercised for any tax year, it shall not be subsequently withdrawn for the same or any other tax year.

In section 203 of the Income-tax Act,—

- (a) in sub-section (1), in clause (a), in sub-clause (i), after the word and figures “section 146”, the word and figures “or 150” shall be inserted;
- (b) after sub-section (6), the following sub-section shall be inserted, namely:—

I & II. Deductions in respect of dividends received and distributed by certain cooperative societies and Widening scope of deduction under section 149 by including ancilliary activities of cattle feed and cotton seeds [Clause 39,40,48 & 49] Contd.....

(7) In case of an assessee, being a co-operative society, which has exercised option under sub-section (5), the requirements contained in sub-section (1) shall be modified to the extent that the deduction under section 149(2)(d)(ii) shall be available to such assessee as does not exceed the amount of dividend distributed by it to its members at least one month before the due date for filing the return of income under section 263(1).”.

I & II. Deductions in respect of dividends received and distributed by certain cooperative societies and Widening scope of deduction under section 149 by including ancilliary activities of cattle feed and cotton seeds [Clause 39,40,48 & 49] Contd.....

Amendment in Section 204 of the ITA, 2025 (Erstwhile Section 115BAE of the ITA, 1961), w.e.f. 1st day of April 2026:-

- (1) Irrespective of anything contained in this Act but subject to the provisions of Part A, B, E and this Part (other than section 203) of this Chapter, the income-tax payable in respect of the total income of an assessee, being a co-operative society, resident in India, engaged in the business of manufacture or production of any article or thing, shall at the option of such assessee, be computed at the rates specified in column A of the said Table, if the conditions contained in column B thereof are fulfilled.
- (3) For the purposes of sub-section (1), the total income of the assessee shall be computed,—
 - (a) without any deduction under—
 - (i) Chapter VIII other than the provisions of section 146; or
 - (ii) sections specified in section 205(1)(a) to (g);
 - (b) without set off of any loss carried forward or depreciation from earlier tax year, if such loss or depreciation is attributable to any of the deductions referred to in clause (a).
- (4) While computing the income of the assessee, the loss and depreciation, or both, as specified in sub-section (3)(b) shall be deemed to have been given full effect to and no further deduction for such loss or depreciation, or both, shall be allowed for any subsequent year.

I & II. Deductions in respect of dividends received and distributed by certain cooperative societies and Widening scope of deduction under section 149 by including ancilliary activities of cattle feed and cotton seeds [Clause 39,40,48 & 49] Contd.....

Amendment in Section 204 of the ITA, 2025 (Erstwhile Section 115BAE of the ITA, 1961], w.e.f. 1st day of April 2026:-

204.

In section 204 of the Income-tax Act,—

- (a) in sub-section (3), in clause (a), in sub-clause (i), after the word and figures “section 146”, the word and figures “or 150” shall be inserted;
 - (b) after sub-section (4), the following sub-section shall be inserted, namely:—
- “(5) In case of an assessee, being a co-operative society, which has exercised option under sub-section (2), the requirements contained in sub-section (3) shall be modified to the extent that the deduction under section 149(2)(d)(ii) shall be available to such assessee as does not exceed the amount of dividend distributed by it to its members at least one month before the due date for filing the return of income under section 263(1).”.

I & II. Deductions in respect of dividends received and distributed by certain cooperative societies and Widening scope of deduction under section 149 by including ancilliary activities of cattle feed and cotton seeds [Clause 39,40,48 & 49] Contd.....

Brief Impact of Clause 39, 40, 48 & 49]:

From 1st April 2026, it proposes to allow deduction on dividends received by cooperative societies from other cooperative societies, to the extent such dividends are distributed to its members, in the new tax regime.

It is also proposed to allow deduction for dividends received by notified federal cooperatives from companies for 3 years, i.e. till tax year 2028-29 under both the old and new tax regimes. This deduction is proposed to be allowed only to the dividends arising out of investments made by the federal cooperative till 31.01.2026 and which are further distributed by it to its members.

At present, section 149(2)(b) allows 100% deduction of business profits to primary co-operative societies supplying milk, oilseeds, fruits or vegetables grown by their members to specified entities. Whereas From 1st April, 2026 Consequently, profits from supplying cattle feed and cotton seeds by eligible primary co-operative societies will now also qualify for deduction.

III. Inclusion of Cooperatives registered under Multi-State Cooperative Societies Act, 2002 in the definition of co-operative society’ [Clause 27]

Amendment in Section 2(32) of the ITA, 2025 (Erstwhile Section 2(32) of the ITA, 1961], w.e.f. 1st day of April 2026:-

(32) “Co-operative society” means a co-operative society registered under the Co-operative Societies Act, 1912, or under any other law in force in any State or Union territory for the registration of co-operative societies;

In section 2 of the Income-tax Act, 2025 (hereafter in this Part referred to as the Income-tax Act),

a) for clause (32), the following clause shall be substituted, namely:

(32) “co-operative society” means a co-operative society registered under the Co-operative Societies Act, 1912, or the Multi-State Cooperative Societies Act, 2002, or under any other law in force in any State or Union territory for the registration of co-operative societies;’

Brief Impact of Clause 45]:

At present the definition of cooperative society u/s 2(32) covers only co-operative society registered under co-operative act, 1912

From 1st April 2026, it is proposed to include the co-operative society registered under the multi-state co-operative act 2002” with in the definition of co-operative society.

E. SUPPORTING IT SECTOR AS INDIA'S GROWTH ENGINE

E. Supporting IT Sector as India's Growth Engine

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
I.	Amendment of section 169 of the Income-tax Act, 2025 relating to providing effect to advance pricing agreements	169		45	1st April 2026

I. Amendment of section 169 of the Income-tax Act, 2025 relating to providing effect to advance pricing agreements [Clause 45]

Substitution to Section 169(1) of ITA 2025 [erstwhile section 92CD of ITA, 1961] w.e.f. 1st April 2026:-

(1) *Irrespective of anything to the contrary contained in section 263, where an income is modified as a result of advance pricing agreement entered into with any person then, such person shall, or any other person being an associated enterprise may,-*

- (a) *furnish a return or a modified return in accordance with and limited to the agreement; and*
- (b) *the time period for furnishing such return or modified return shall be three months from the end of the month in which the agreement was entered into*

where the tax years relevant for such return or modified return shall be the years covered by such agreement.

Brief Impact:

Under the existing provisions, the facility to furnish a modified return pursuant to an advance pricing agreement, including in respect of rollback years, was restricted only to the person entering into the APA, which in several cases resulted in the corresponding income or expense adjustments not being allowed in the hands of the associated enterprise, thereby giving rise to tax asymmetry and potential double taxation. The proposed substitution enables the affected associated enterprise to also furnish a return or modified return in accordance with the APA, including for rollback years, allowing corresponding adjustments to be duly given effect and ensuring tax symmetry while significantly reducing the risk of double taxation.

F. ATTRACTING GLOBAL
BUSINESS AND INVESTMENT

F. Attracting Global Business and Investment

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
I.	Exemption to a foreign company on any income arising in India by way of procuring data centre services from a specified data centre.	11 & Schedule IV		109	1st April 2026
II	Allowing expenditure on prospecting of critical minerals as deduction	51 & Schedule XII		112	1st April 2026
III	Exemption to a foreign company on income arising on account of providing capital equipment etc. to an electronic goods manufacturer located in a custom bonded area	11 & Schedule IV		109	1st April 2026

F. Attracting Global Business and Investment

S. No.	Brief	Section / Schedule Of I. T. Act 2025	Section / Schedule Of I. T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
IV.	Exclusion of specified business of Non-residents which are under presumptive taxation from the applicability of Minimum Alternate Tax	61		50	1st April 2026
V	Exemption to non-residents for rendering services under a notified Scheme in India.	11 & Schedule IV		109	1st April 2026
VI	Extension of period of deduction for units in IFSC and rationalization of tax rate	147		38 & 51	1st April 2026
VII	Rationalisation of certain terms for treasury centres in IFSC	2(40)		27	1st April 2026

I. Exemption to a foreign company on any income arising in India by way of procuring data Centre services from a specified data center

[Clause 109]

Insertion to Schedule IV of ITA, 2025 w.e.f. 1st April 2026:-

Sl. No.	Income not to be included in total income	Eligible persons	Conditions
A	B	C	D
13C	<i>Any income accruing or arising in India deemed in or to accrue or arise in any way in India by of procuring data centre services from a specified data centre.</i>	<i>A foreign company</i>	<ul style="list-style-type: none">(a) Such foreign company is notified by the Central Government in this behalf;(b) such foreign company does not own or operate any of the physical infrastructure or any resources of the specified data centre;(c) all sales by such foreign company to users located in India are made through a reseller entity being an Indian company;(d) such foreign company maintains and furnishes such information in such form and manner, as prescribed; and

I. Exemption to a foreign company on any income arising in India by way of procuring data Centre services from a specified data center [Clause 109]

Contd.....

Sl. No.	Income not to be included in total income	Eligible persons	Conditions
A	B	C	D
			<i>(e) such exemption shall be available up to tax year ending on the 31st March, 2047.;</i>

Note 3: For the purposes of Sl.No.13C,—

- (a) data centre means a dedicated secure space within a building or centralised location where computing and networking equipment is concentrated for the purpose of collecting, storing, processing, distributing or allowing access to large amounts of data;
- (b) data centre services means the services provided by a data centre through the use of physical infrastructure including land, buildings, mechanical electrical power equipments, cooling system, security and information technology infrastructure including servers, computers, storage systems, operating systems, security solutions, network and associated software platforms, networking and other equipment, human resource in India;

I. Exemption to a foreign company on any income arising in India by way of procuring data Centre services from a specified data center [Clause 109] Contd.....

(c) *specified data centre means a data centre which is—*

- i. *set up under an approved scheme and is notified in this behalf by the Central Government in the Ministry of Electronics and Information Technology; and*
- ii. *owned and operated by an Indian company.*

Brief Impact:

The insertion of Item 13C in Schedule IV, via Clause 109 of the Finance Bill, 2026, marks a strategic effort to transform India into a global hub for cloud computing and Artificial Intelligence (AI) by offering an unprecedented tax holiday extending until March 31, 2047. This incentive is specifically designed for notified foreign companies providing global cloud services by procuring infrastructure from specified data centers approved by the Ministry of Electronics and Information Technology. To drive domestic infrastructure growth, the policy mandates an asset-light model where the foreign entity is prohibited from owning or operating the physical infrastructure, which must instead be owned and operated by an Indian company. Furthermore, to ensure appropriate domestic taxation, all sales to users located within India must be routed through an Indian reseller entity, thereby protecting the foreign provider's global revenue while integrating it into the local fiscal framework.

II. Allowing expenditure on prospecting of critical minerals as deduction [Clause 112]

Amendment in Schedule XII of ITA, 2025 w.e.f. 1st April 2026:-

In Schedule XII, Part A, after serial number 27 and the entries relating thereto, the following shall be inserted, namely:-

28. Beryllium bearing minerals.
29. Glauconite.
30. Graphite.
31. Indium bearing minerals.
32. Lithium bearing minerals.
33. Niobium bearing minerals.
34. Potash.
35. Rhenium bearing minerals.
36. Tantalum bearing minerals.

Brief Impact:

The amendment proposes to incentivise the prospecting and other associated activities in relation to critical minerals.

III. Exemption to a foreign company on income arising on account of providing capital equipment etc. to an electronic goods manufacturer located in a custom bonded area. [Clause 109]

Insertion to Schedule IV of ITA, 2025 w.e.f. 1st April 2026:-

Sl. No.	Income not to be included in total income	Eligible persons	Conditions
A	B	C	D
13A	<i>Any income arising on account of providing capital goods, equipment or tooling to a contract manufacturer, being a company resident India.</i>	<i>A foreign company, who is providing capital goods, equipment or tooling to the contract manufacturer for use in electronic manufacturing in India.</i>	<ul style="list-style-type: none"> (a) <i>Ownership of such capital goods, equipment or tooling remains with the foreign company;</i> (b) <i>such capital goods, equipment or tooling is under the control and direction of the contract manufacturer;</i> (c) <i>the contract manufacturer is located in a custom bonded area, that is, a warehouse referred to in section 65 of the Customs Act, 1962 (52 of 1962);</i>

III. Exemption to a foreign company on income arising on account of providing capital equipment etc. to an electronic goods manufacturer located in a custom bonded area. [Clause 109]

Contd.....

Sl. No.	Income not to be included in total income	Eligible persons	Conditions
A	B	C	D
			<p>(d) the contract manufacturer produces electronic goods on behalf of the foreign company for a consideration;</p> <p>(e) such exemption shall be available up to the tax year 2030-2031.</p>

Brief Impact:

It is proposed to extend targeted tax exemption to foreign companies earning income from supporting electronic manufacturing in India by providing capital goods, equipment or tooling to contract manufacturers located in custom bonded areas. This measure seeks to incentivize global manufacturing and technology supply chains to operate through India, enhance the ease of doing business for foreign manufacturers, promote domestic electronics manufacturing under a controlled tax framework, and strengthen India's position as a preferred hub for high-value manufacturing with the exemption available for a defined time horizon to ensure policy certainty.

IV. Exclusion of specified business of Non-residents which are under presumptive taxation from the applicability of Minimum Alternate Tax [Clause 50]

Amendment to Section 206(1) of ITA 2025 [erstwhile section 115JA, 115JAA, 115JB, 115JC, 115JD, 116JE, 115JEE & 115JF of ITA, 1961] w.e.f. 1st April 2026:-

(iii) the total income of the assessee comprises solely of profits and gains from business referred to in section 61(2) (Table: Sl. Nos. 1, 3, 4 and 5), and such income has been offered to tax at the rates specified in the respective sections.

Brief Impact:

The amendment extends the exclusion from Minimum Alternate Tax (MAT) to additional specified businesses of non-residents that have opted for presumptive taxation under section 61, namely the business of operation of cruise ships and the business of providing services or technology for setting up an electronics manufacturing facility in India. This ensures parity in tax treatment across all specified presumptive regimes, provides greater tax certainty to non-residents, and supports growth in the cruise tourism and electronics manufacturing sectors, with effect from tax year 2026-27.

V. Exemption to non-residents for rendering services under a notified Scheme in India. [Clause 109]

Sl. No.	Income not to be included in total income	Eligible persons	Conditions
A	B	C	D
13B	<i>Any income which accrues or arises outside India, and is deemed not to accrue or arise in India</i>	<i>An individual, being a non-resident for a period of five consecutive tax years immediately preceding the tax year during which he visits India for the first time for rendering services India connection with scheme may in any as be notified by the Central Government</i>	<ul style="list-style-type: none"> (a) <i>Such individual, during the relevant tax year renders any service in India in connection with any scheme as may be notified by the Central Government;</i> (b) <i>such exemption shall not be available beyond a period of five consecutive tax years commencing from the first tax year during which he visits India in connection with such scheme; and</i> (c) <i>such other conditions, as may be prescribed</i>

Brief Impact:

It is proposed to incentivise participation of skilled non-resident individuals in notified schemes in India by exempting income accruing or arising outside India, and deemed not to accrue or arise in India, for a limited period, thereby facilitating knowledge transfer, attracting global expertise, and supporting strategic government initiatives without creating additional tax exposure, while ensuring the benefit is time-bound and subject to prescribed safeguards.

VI. Extension of period of deduction for units in IFSC and rationalization of tax rate [Clause 38 & 51]

Substitution to Section 147(2) and (5) of ITA 2025 [erstwhile section 80 LA of ITA, 1961] w.e.f. 1st April 2026:-

- (2) Irrespective of anything contained in section 80LA of the Income tax Act, 1961, the deduction shall be allowed-
- (a) for twenty consecutive tax years beginning from the relevant tax year in the case of an entity mentioned in sub-section (1)(a);
 - (b) for twenty consecutive tax years out of twenty-five years beginning from the relevant tax year, at the option of an assessee, in the case of an entity mentioned in sub-section (1)(b);
- (5) In respect of any Offshore Banking Unit or any other unit referred in sub-section (1), commencing operations on or after the 1st April, 2026, the deduction under sub-section (1) shall be available only if such unit is not formed by splitting up or reconstruction or reorganisation or transfer of a business already in existence in India;
- (6) For the purposes of this section,—
- (a) relevant tax year shall be,—
 - i. in case of an entity referred to in sub-section (1)(a), the tax year in which permission under section 23(1)(a) of the Banking Regulation Act, 1949, or permission or registration under the Securities and Exchange Board of India Act, 1992 or any other relevant law in force was obtained; or
 - ii. in case of an entity referred to in sub-section (1)(b), the tax year in which permission under section 23(1)(a) of the Banking Regulation Act, 1949, or permission or registration under the Securities and Exchange Board of India Act, 1992, or permission or registration under the International Financial Services Centres Authority Act, 2019 was obtained;

VI. Extension of period of deduction for units in IFSC and rationalization of tax rate [Clause 38 & 51] Contd.....

- (b) *Unit* shall have the same meaning as assigned to it in section 2(zc) of the Special Economic Zones Act, 2005;
- (c) *aircraft and ship* shall have the meanings respectively assigned to them in Schedule VI (Note 3)

Substitution to Section 217 of ITA 2025 [erstwhile section 115H of ITA, 1961] w.e.f. 1st April 2026:-

217 (1) *Where a non-resident Indian in any tax year,—*

- (a) *becomes assessable as a resident in India in respect of total income in a subsequent year; and*
- (b) *furnishes a declaration in writing to the Assessing Officer along with his return of income under section 263 for the tax year for which he is so assessable, to the effect that provisions of sections 212 to 216 shall continue to apply to him in relation to the investment income derived from any foreign exchange asset referred to in section 212(e) other than shares in an Indian company, then the provisions of sections 212 to 216 shall continue to apply in relation to such income for that tax year and every subsequent tax year until the transfer or conversion (otherwise than by transfer) of such assets into money.*

(2) *A non-resident Indian may choose not to be governed by the provisions of sections 212 to 216 for any tax year by declaring it in his return of income under section 263 for such tax year, and if he does so,—*

- (a) *the provisions of sections 212 to 216 shall not apply to him for that tax year; and*
- (b) *his total income for that tax year shall be computed and charged to tax according to the other provisions of this Act.*

VI. Extension of period of deduction for units in IFSC and rationalization of tax rate [Clause 38 & 51] Contd.....

Substitution to Section 218 of ITA 2025 [erstwhile section 115I of ITA, 1961] w.e.f. 1st April 2026:-

Where the total income of an assessee includes income of the nature referred to in section 147(3), the aggregate of income-tax payable by the assessee shall be the aggregate of income-tax computed on the income specified in column B of the Table below at the rate specified in the corresponding entry in column C of the said Table:

Sl. No.	Income	Rate of Income tax payable
A	B	C
1	<i>Income referred to in section 147(3)</i>	15%
2	<i>Total income as reduced by income referred to in Sl. No. (1).</i>	<i>Rates in force</i>

Brief Impact:

Under the existing provisions, a non-resident Indian becoming resident in India could continue to be governed by the special investment income regime only upon furnishing a declaration, with an option to opt out of such regime for any tax year by declaration in the return of income. This framework led to limited clarity regarding continuation and exit from the regime. The proposed amendments extends the period of 100% deduction to 20 consecutive years out of a block of 25 years and provides for taxation at a concessional rate of 15% thereafter, significantly enhancing the attractiveness of IFSCs, ensuring certainty over the tax lifecycle of such units, and reinforcing India's position as a global financial services hub.

VI. Extension of period of deduction for units in IFSC and rationalization of tax rate [Clause 38 & 51]

Contd.....

Brief Impact:

The substitutions to Sections 147, 217, and 218 of the Income-tax Act, 2025, significantly strengthen India's framework for attracting global capital and facilitating the return of the Indian diaspora.

The reforms to Section 147 bolster the global competitiveness of the IFSC and OBUs by doubling the 100% profit-linked deduction period to 20 consecutive years. For IFSC units, this can be claimed for any 20-year block within a 25-year window, providing strategic tax planning flexibility,. To ensure these incentives drive genuine new investment, a new anti-fragmentation clause mandates that units commencing operations on or after April 1, 2026, will only qualify if they are not formed by reorganizing or splitting up an existing Indian business.

Complementing this is Section 218, which introduces a rationalized 15% tax rate for OBU and IFSC business income once the initial tax holiday expires,. This provides long-term fiscal certainty, incentivizing global entities to remain in India rather than exiting after their primary exemptions conclude.

For NRIs relocating to India, the substitution of Section 217 creates a vital tax transition bridge. It allows returning NRIs to opt via a written declaration with their tax return to maintain concessional non-resident tax treatments on their foreign exchange assets (excluding shares in Indian companies) until those assets are transferred or converted into money,. This protects their long-term global investment returns from higher domestic tax brackets, facilitating a seamless economic reintegration.

VII. Rationalization of certain terms for treasury centers in IFSC [Clause 27]

Substitution to first long line for sub-clause (v) below sub-clause (f) of Clause (40) of Section 2 of ITA 2025 [erstwhile sub-clause (iia) of sub-clause (f) of Clause (22) of Section 2 of ITA, 1961] w.e.f. 1st April 2026:-

(v) any advance or loan between two group entities, where,—

- (A) one of the group entities is a “Finance Company” or a “Finance Unit”;
- (B) the other group entity to the transaction is located in a country or territory outside India; and
- (C) the parent entity or the principal entity of such group is listed on the stock exchange in a country or territory outside India,

for the purposes of items (B) and (C), the country or territory outside India shall be specified by the Central Government, by notification,

Substitution to sub-clause (E), for item (II) in the second long line for sub-clause (v) below sub-clause (f) of Clause (40) of Section 2 of ITA 2025 [erstwhile Explanation 3(d) to Clause (22) of Section 2 of ITA, 1961] w.e.f. 1st April 2026:-

- (II) “group entity” shall have the same meaning as assigned to the expression “group entities” in clause (m) of sub-regulation (1) of regulation 2 of the International Financial Services Authority (Payment Services) Regulations, 2024 made under the International Financial Services Centres Authority Act, 2019; 50 of 2019.
- (III) “parent entity” or “principal entity” in relation to one or more other group entities, shall be an entity of which other group entities are subsidiary and such entity,—

VII. Rationalization of certain terms for treasury centers in IFSC [Clause 27] Contd.....

- (a) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiaries; or
- (b) controls the composition of the Board of Directors;

Brief Impact:

The substitution to Clause (40) of Section 2 rationalizes the deemed dividend provisions to bolster India's International Financial Services Centre (IFSC) as a competitive global treasury hub. By exempting specific advances or loans between group entities from being treated as dividends, the reform facilitates seamless liquidity management for Multinational Corporations (MNCs), provided one entity is an IFSC-based Finance Company or Finance Unit acting as a notified treasury center. This exemption is strictly tied to global transparency and governance standards, requiring the counterparty to be located in a notified offshore jurisdiction and the group's parent entity to be listed on a recognized international stock exchange. Furthermore, the amendment ensures regulatory synchronization by aligning the definition of a group entity with the IFSCA (Payment Services) Regulations, 2024, while codifying clear legal benchmarks for parent entities based on majority voting power or board control. Ultimately, these changes remove significant tax friction for intra-group financing, incentivizing global firms to centralize their regional financial operations within India's IFSC framework

G. RATIONALISATION OF CORPORATE TAX REGIME

G. Rationalisation of Corporate Tax Regime

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
I.	Rationalization of Minimum Alternate Tax provisions	206		50	1st April 2026

I. Rationalization of Minimum Alternate Tax provisions [Clause 50]

Amendment in Section 206 of ITA, 2025 [Erstwhile Section 115JA to 115JF of ITA, 1961] w.e.f. 1st day of April 2026:-

In section 206 of the Income-tax Act,—

- (a) in sub-section (1),—
 - (i) in clause (b), in sub-clause (ii), for the figures and symbol “15%”, the figures and symbol “14%” shall be substituted;
 - (ii) in clause (i), for sub-clause (ii), following sub-clause shall be substituted, namely:— “(ii) the assessee has not utilised the credit of tax paid under section 115JAA of the Income-tax Act, 1961, in any subsequent tax year ending on or before the 31st March, 2026,”;
 - (iii) in clause (l), in sub-clause (iii), the brackets, words, letters and figures “(Table: Sl. Nos. 1, 3, 4 and 5)” shall be omitted;
 - (iv) clauses (m), (n), (o) and (p) shall be omitted;
 - (v) in clause (q), in the opening portion, for the word “section”, the word “sub-section” shall be substituted;
 - (vi) clause (r) shall be omitted;
 - (vii) in clause (s), for the words “which this section”, the words “which this sub-section” shall be substituted;

I. Rationalization of Minimum Alternate Tax provisions [Clause 50] Contd..

(b) for sub-section (3), the following sub-sections shall be substituted, namely:—

“(3) (a) The provisions of this sub-section shall be applicable only to an assessee, being a domestic company, that has exercised the option under section 200(5) or section 201(2) for a tax year, beginning on or after the 1st April 2026. (b) Where any amount of credit, in respect of tax paid, was allowed to be carried forward to the assessee under the provisions of section 115JAA of the Income-tax Act, 1961, as on 31st March, 2026,—

- (i) such credit brought forward shall be allowed to be set off in any tax year to the extent of 25% of the tax payable on the total income computed as per the other provisions of this Act for that tax year;*
- (ii) the remaining credit shall be carried forward to the subsequent tax year; and*
- (iii) such carry forward or set off of tax credit shall not be allowed beyond the fifteenth tax year immediately succeeding the tax year in which the tax credit first became allowable under section 115JAA of the Income-tax Act, 1961.*

(c) Where, as a result of any order passed under this Act, tax payable under this Act is decreased or increased, as the case may be, tax credit allowed to be set off under clause (b) shall also be decreased or increased, accordingly.

(d) In case of conversion of a private company or unlisted public company into a limited liability partnership under the Limited Liability Partnership Act, 2008, the provisions of clauses (a) and (b) shall not apply to the successor limited liability partnership

I. Rationalization of Minimum Alternate Tax provisions [Clause 50] Contd..

- (4) (a) The provisions of this sub-section shall be applicable only to an assessee, being a foreign company. (b) Where, any amount of credit in respect of tax paid was allowed to be carried forward to the assessee under the provisions of section 115JAA of the Income-tax Act, 1961, as on 31st March, 2026,—
- (i) such tax credit shall be carried forward and set off in a tax year, when tax payable on the total income computed as per the provisions of this Act exceeds the minimum alternate tax computed as per provisions of sub-section (1);
- (ii) such set off in respect of brought forward tax credit shall be allowed for any tax year to the extent of the difference between the tax liability on the total income computed as per the other provisions of this Act and the minimum alternate tax for that tax year; and
- (iii) such carry forward or set off of tax credit shall not be allowed beyond the fifteenth tax year immediately succeeding the tax year in which the tax credit first became allowable under section 115JAA of the Income-tax Act, 1961.
- (c) Where, as a result of any order passed under this Act, tax payable under this Act is decreased or increased, as the case may be, tax credit allowed to be set off under clause (b) shall also be decreased or increased, accordingly.
- (d) In case of conversion of a private company or unlisted public company into a limited liability partnership under the Limited Liability Partnership Act, 2008, the provisions of clauses (a) and (b) shall not apply to the successor limited liability partnership.
- (5) Save as otherwise provided in this section, all other provisions of this Act shall apply to every assessee mentioned in this section.”.

I. Rationalization of Minimum Alternate Tax provisions [Clause 50] Contd..

Brief Impact:

Clause 50 proposes to rationalise the Minimum Alternate Tax (MAT) framework to facilitate a smoother transition from the old tax regime to the new tax regime.

Key impacts are as follows:

- **MAT as final tax in old regime:** MAT shall be treated as a final tax under the old tax regime, with **no fresh MAT credit allowed**. Also, it is proposed to reduce the MAT rate **from 15% to 14% of book profits**.
- **Restricted utilisation of MAT credit in new regime:** MAT credit shall be available **only under the new tax regime**.
 - For **domestic companies**, set-off is restricted to **25% of the tax liability**.
 - For **foreign companies**, set-off is allowed **to the extent of the difference between normal tax and MAT**, where normal tax exceeds MAT.
- **Effective date:** The amendments shall apply from **1 April 2026**, i.e., from **Tax Year 2026-27 onwards**.

H. RATIONALISATION OF OTHER DIRECT TAX PROVISIONS

H. Rationalisation of Other Direct Tax Provisions

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
I.	Rationalisation of TCS rates	394(1)		73	1st April 2026
II	Clarification regarding jurisdiction to issue notice u/s 148 where income has escaped assessment and for carrying out pre-assessment procedure u/s 148A.		147,148,148A,148,144B,148,144B & 151A	8,62	1st April 2026 - For I.T. Act 2025 & Retrospective from 1st April 2021 – For I.T. Act 1961.
III	Assessments not to be invalid on ground of any mistake, defect or omission on account of computer-generated DIN, if such assessment is referenced by computer generated DIN in any manner.		292B		1st April 2026 - For I.T. Act 2025 & Retrospective from 1st October 2019 – For I.T. Act 1961.

H. Rationalisation of Other Direct Tax Provisions

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
IV	Clarifying time-limit for completion of assessment under section 144C	144C	153 & 153B	7,9,10, 61& 63	1st April 2026 - For I.T. Act 2025 & Retrospective from 1st April 2009 in respect of section 153 and 1st October, 2009 in respect of section 153B – For I.T. Act 1961.
V	Clarifying the manner of computation of sixty days for passing the order by the Transfer Pricing Officer.		92CA,92C,153 & 153B	4 & 44	1st April 2026 - For I.T. Act 2025 & Retrospective from 1st June 2007 – For I.T. Act 1961.

H. Rationalisation of Other Direct Tax Provisions

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
VI	Amendments in Chapter XIII -G for giving effect to extension of Tonnage tax scheme to Inland Vessels	227,228,232, 263,235		52,53,54& 55	1st April 2026
VII	Penalty provision for non-furnishing of statement or furnishing inaccurate information in a statement on transaction of crypto-assets	509 & 446		87	1st April 2026
VIII	Providing definition of “commodity derivative”	66(33)		33	1st April 2026

H. Rationalisation of Other Direct Tax Provisions

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
IX	Providing definition of “authorised person”	402(27)		78	1st April 2026
X	Correction of referencing error	99(1)(a)(i), 99(1)(a)(ii), 99(2) & 402(27)		37	1st April 2026
XI	Correction of referencing error	393(1) [Table: Sl. No. 3(i)]		72	1st April 2026
XII	Correction in provisions relating to Income from House Property and Permanent Account Number	21(5), 22, 262(10)(c)	24 & 139A(5)(c)	29, 30 & 56	1st April 2026

H. Rationalisation of Other Direct Tax Provisions

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
XIII	Guidelines to be binding on income-tax authorities and person liable to deduct or collect income-tax	400(2)		77	1st April 2026
XIV	Clarifying repeal and savings clause where amount allowed as deduction earlier is to be treated as income in a later year	536(2)(h)		107	1st April 2026
XV	Amendment in the definition of the specified fund	Sl. No.1 to 4 of Schedule VI	10(4D)	110	1st April 2026

H. Rationalisation of Other Direct Tax Provisions

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
XVI	Amendment in the provision relating to merger of non-profit organisations (NPOs)	352(4) [Table: Sl. No. 8.B], 354A & 352	12AC	69 & 70	1st April 2026
XVII	Amendment in the provisions relating to the violations by a registered NPO	351 & 353		68	1st April 2026
XVIII	Amendment of section 332(1)(f) of the Income-tax Act, 2025 to remove certain funds from the requirement of registration	332	Schedule VII (Table: Sl. No. 10) to (Table: Sl. No. 16) & 10	66	1st April 2026

H. Rationalisation of Other Direct Tax Provisions

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
XIX	Amendment in section 349 of the Income-tax Act, 2025 to provide for filing of belated return by NPO	349, 263(1)(c) & 263(4)		67	1st April 2026
XX	Non-allowability of Interest as a deduction against Dividend Income	93		36	1st April 2026
XXI	Rationalisation of Schedule XI relating to Provident Funds	Schedule XI, 17(1)(h) & 17		111	1st April 2026

H. Rationalisation of Other Direct Tax Provisions

S. No.	Brief	Section / Schedule Of I.T. Act 2025	Section / Schedule Of I.T. Act 1961	Clause No.	Effective date [i.e. w.e.f.]
XXII	Exemption for Sovereign Gold Bond	70(1)(x)		35	1st April 2026
XXIII	Increase in tax rates of Securities Transaction Tax			143	1st April 2026
XXIV	Taxation of buyback of shares	2(40)(f) & 69		27 & 34	1st April 2026
XXV	No tax to be deducted at source in respect of interest income credited or paid to any cooperative society engaged in carrying on the business of banking (including a cooperative land mortgage bank)	393(4) [Table: Sl. No. 7, Column C (a)(i)]		72	1st April 2026

I. Rationalisation of TCS rates

[Clause 73]

Amendment in Section 394 of ITA, 2025 [Erstwhile Section 206C of ITA, 1961] w.e.f. 1st day of April 2026:-

In section 394 of the Income-tax Act, in sub-section (1), in the Table,—

- (a) against Sl. No. 1, in column D, for the figure and symbol “1%”, the figure and symbol “2%” shall be substituted;
- (b) against Sl. No. 2, in column D, for the figure and symbol “5%”, the figure and symbol “2%” shall be substituted;
- (c) against Sl. No. 4, in column D, for the figure and symbol “1%”, the figure and symbol “2%” shall be substituted;
- (d) against Sl. No. 5, in column D, for the figure and symbol “1%”, the figure and symbol “2%” shall be substituted;
- (e) against Sl. No. 7, in column D, in clause (a), for the figure and symbol “5%”, the figure and symbol “2%” shall be substituted;
- (f) against Sl. No. 8, in column D, for clauses (a) and (b), the figure and symbol “2%” shall be substituted.

Brief Impact:

The amendment to section 394(1) proposed to **rationalise and simplify the Tax Collection at Source (TCS) structure** by aligning rates across categories and reducing rates in certain cases to provide relief to collectees. The amendment will take effect from the 1st day of April, 2026.

Sl. No.	Nature of receipt	Current Rate	Proposed Rate
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	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding ten lakh rupees—	a) 5% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment.	(a) 2% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment.
6	Sale of “overseas tour programme package” including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure.	(a) 5% of amount or aggregate of amounts up to ten lakh rupees; (b) 20% of amount or aggregate of amounts exceeding ten lakh rupees.	2%

II. Clarification regarding jurisdiction to issue notice u/s 148 where income has escaped assessment and for carrying out pre-assessment procedure u/s 148A [Clause 8 & 62]

- **Clause 8:** After section 147 of **the Income-tax Act, 1961** the following section shall be **inserted** and shall be deemed to have been inserted **with effect from the 1st day of April, 2021**, namely:—

“Section 147A. Assessing Officer for purposes of sections 148 and 148A.

Notwithstanding anything contained in any judgement, order or decree of any court or in section 151A or in any scheme framed thereunder, for the removal of doubts, it is hereby clarified that the Assessing Officer for the purposes of sections 14 always be deemed to have meant to be an Assessing Officer other than the National Faceless Assessment Centre or any assessment unit referred to in sub-section (3) of section 144B.”

- **Clause 62:** In section 279 of **the Income-tax Act, 2025** [Erstwhile Section 147 of **ITA, 1961**], after sub-section (2), the following sub-section shall be inserted **w.e.f. 1st day of April 2026**, namely:—

‘(3) The “Assessing Officer” for the purposes of sections 280 and 281 shall mean to be an Assessing Officer other than the National Faceless Assessment Centre or any assessment unit referred to in section 273(3).’

II. Clarification regarding jurisdiction to issue notice u/s 148 where income has escaped assessment and for carrying out pre-assessment procedure u/s 148A [Clause 8 & 62] Contd....

Brief Impact:

- The amendment clarifies that **pre-assessment enquiry and issuance of notices under sections 148 and 148A** shall be carried out **only by the jurisdictional Assessing Officer** and **not by NaFAC or its assessment units**. Faceless assessment under section 144B shall apply **only after issuance of notice under section 148**.
- Corresponding amendments are made in the **Income-tax Act, 1961** and the **Income-tax Act, 2025** to ensure consistent interpretation and minimise future litigation.
- **Effective dates:**
 - Amendment in the **Income-tax Act, 1961** applies **retrospectively from 1 April 2021**.
 - Amendment in the **Income-tax Act, 2025** applies **from 1 April 2026**.

III. Assessments not to be invalid on ground of any mistake, defect or omission on account of computer-generated DIN, if such assessment is referenced by computer generated DIN in any manner.

[Clause 26 & 106]

Section 292BA inserted in ITA, 1961 w.r.e.f. 1st October 2019

“292BA. Assessments not to be invalid on certain grounds.

Notwithstanding anything contained in any judgment, order or decree of any court, for the removal of doubts, it is hereby clarified for the purposes of section 292B that no assessment under any of the provisions of this Act shall be invalid or shall be deemed to have been invalid on the ground of any mistake, defect or omission in respect of quoting of a computer generated Document Identification Number, if the assessment order is referenced by such number in any manner.”

Section 522 of the ITA, 2025 [**Erstwhile Section 292B of ITA, 1961**], shall be numbered as sub-section (1) thereof and after sub-section (1) as so numbered, the following subsection shall be inserted, namely:—

“(2) No assessment under any of the provisions of this Act shall be invalid on the ground of any mistake, defect or omission in respect of quoting of a computer generated Document Identification Number, if the assessment order is referenced by such number in any manner.”

III. Assessments not to be invalid on ground of any mistake, defect or omission on account of computer-generated DIN, if such assessment is referenced by computer generated DIN in any manner.

[Clause 26 & 106]

Contd...

Brief Impact:

- The amendment clarifies that **assessment orders shall not be held invalid merely due to minor defects or omissions in quoting the Document Identification Number (DIN)**, provided the DIN is referenced in any manner. This overrides contrary judicial rulings, reinforces the intent of section 292B, and prevents annulment of valid assessments on technical grounds
- **Case Law(s) which has been nullified vide Clause No. 26 & 106**

Assessments not to be invalid on ground of any mistake, defect or omission on account of computer-generated DIN, if such assessment is referenced by computer generated DIN in any manner. **[THE COMMISSIONER OF INCOME TAX Versus BRANDIX MAURITIUS HOLDINGS LTD. (Delhi HC)]**

- **Effective dates:**

- Change in the **Income-tax Act, 1961** applies **retrospectively from 1 October 2019.**
- Amendment in the **Income-tax Act, 2025** applies **from 1 April 2026.**

IV. Clarifying time-limit for completion of assessment under section 144C [Clause 7, 9, 10, 61, 63]

Insertion of sub-section (4A) in Section 144C of ITA, 1961 (w.r.e.f. 1st April 2009) :-

(4A) Notwithstanding anything contained in any judgment, order or decree of any court, or section 153, for the removal of doubts, it is hereby clarified for the purposes of sub-section (4) that where a draft of the proposed order of assessment under subsection (1) is forwarded within the time period allowed under section 153, further time period available to the Assessing Officer to complete the assessment under sub-section (3) shall be governed and shall always be deemed to have been governed by the provisions of sub-section (4).;

Insertion of sub-section (4B) in Section 144C of ITA, 1961 (w.r.e.f. 1st April 2009) :-

(4B) Notwithstanding anything contained in any judgment, order or decree of any court, or section 153B, for the removal of doubts, it is hereby clarified for the purposes of sub-section (4) that where a draft of the proposed order of assessment under subsection (1) is forwarded within the time period allowed under section 153B, further time period available to the Assessing Officer to complete the assessment under sub-section (3) shall be governed and shall always be deemed to have been governed by the provisions of sub-section (4).;

Insertion of sub-section (13A) in Section 144C of ITA, 1961 (w.r.e.f. 1st April 2009) :-

(13A) Notwithstanding anything contained in any judgment, order or decree of any court, or section 153, for the removal of doubts, it is hereby clarified for the purposes of sub-section (13) that where a draft of the proposed order of assessment under subsection (1) is forwarded within the time period allowed under section 153, time period available for the Assessing Officer under sub-section (13) to pass the assessment order upon receipt of the direction issued under sub-section (5), shall be governed and shall always be deemed to have been governed by the provisions of subsections (12) and (13). 179

IV. Clarifying time-limit for completion of assessment under section 144C [Clause 7, 9, 10, 61, 63] Contd.....

Insertion of sub-section (13B) in Section 144C of ITA, 1961 (w.r.e.f. 1st April 2009) :-

(13B) Notwithstanding anything contained in any judgment, order or decree of any court, or section 153B, for the removal of doubts, it is hereby clarified for the purposes of sub-section (13) that where a draft of the proposed order of assessment under sub-section (1) is forwarded within the time period allowed under section 153B, time period available for the Assessing Officer under sub-section (13) to pass the assessment order upon receipt of the direction issued under sub-section (5), shall be governed and shall always be deemed to have been governed by the provisions of sub-sections (12) and (13);

Brief Impact:

Clause 7 inserts sub-sections (4A), (4B), (13A) and (13B) in section 144C to retrospectively clarify that where a draft assessment order is issued within the time limits prescribed under section 153 or section 153B, the timelines for completion of assessment at the draft order stage and post-DRP directions stage shall be governed exclusively by section 144C(3) and section 144C(13), respectively, notwithstanding anything contained in sections 153 or 153B or any judicial interpretation. The amendment seeks to remove ambiguity arising from divergent court rulings, affirm legislative intent, and provide certainty by clearly segregating overall assessment timelines from the DRP-specific timelines, with retrospective effect from 1 April 2009 for section 153 cases and from 1 October 2009 for section 153B cases.

IV. Clarifying time-limit for completion of assessment under section 144C [Clause 7, 9, 10, 61, 63] Contd.....

Insertion of sub-section (10) in Section 153 of ITA, 1961 (w.r.e.f. 1st April 2009) :-

(10) Notwithstanding anything contained in any judgment, order or decree of any court, for the removal of doubts, it is hereby clarified that in terms of provisions of sub-sections (1) to (4), the draft of the proposed order of assessment referred to in sub-section (1) of section 144C shall be made, and shall always be deemed to have been made, at any time up to the time limit of assessment, reassessment or recomputation referred to in the said sub-sections.

Insertion of sub-section (1A) in Section 153B of ITA, 1961 (w.r.e.f. 1st October 2009) :-

(1A) Notwithstanding anything contained in any judgment, order or decree of any court, for the removal of doubts, it is hereby clarified that in terms of provisions of this section, the draft of the proposed order of assessment referred to in sub-section (1) of section 144C shall be made, and shall always be deemed to have been made, at any time up to the time limit of assessment, reassessment or recomputation referred to in this section.

Brief Impact:

Clause 9 amends section 153 to clarify, with retrospective effect from 1 April 2009, that in cases governed by the Dispute Resolution Panel mechanism under section 144C, the draft assessment order may be issued at any time up to the time limit prescribed for completion of assessment, reassessment or recomputation under section 153, notwithstanding any judicial interpretation to the contrary.

Clause 10 amends section 153B to provide a similar clarification, with retrospective effect from 1 October 2009, in respect of search and requisition cases, by expressly allowing issuance of the draft assessment order under section 144C up to the outer time limit specified under section 153B. These amendments collectively seek to remove ambiguity, resolve conflicting judicial views, and bring certainty to the timelines applicable at the draft order stage in DRP cases.

IV. Clarifying time-limit for completion of assessment under section 144C [Clause 7, 9, 10, 61, 63] Contd.....

Substitution to sub-section (4) of Section 275 of ITA 2025 [erstwhile section 144C of ITA, 1961] w.e.f. 1st April 2026:-

(4)(a) *The Assessing Officer shall, irrespective of anything contained in section 286, pass the assessment order under sub-section (3) within one month from the end of the month in which,—*

- (i) *the acceptance is received; or*
- (ii) *the period of filing of objections under sub-section (2) expires.*

(b) *Irrespective of anything contained in section 286, where a draft of the proposed order of assessment under sub-section (1) is forwarded within the time period allowed under the said section, further time period available to the Assessing Officer to complete the assessment under sub-section (3) shall be governed by the provisions of this sub-section.*

Substitution to sub-section (14) of Section 275 of ITA 2025 [erstwhile section 144C of ITA, 1961] w.e.f. 1st April 2026:-

(14)(a) *Upon receipt of the directions issued under sub-section (5), the Assessing Officer shall, in conformity with the directions, complete, irrespective of anything to the contrary contained in section 286, the assessment without providing any further opportunity of being heard to the assessee, within one month from the end of the month in which such direction is received.*

(b) *Irrespective of anything contained in section 286, where a draft of the proposed order of assessment under sub-section (1) is forwarded within the time period allowed under section 286, time period available for the Assessing Officer under this sub-section to pass the assessment order upon receipt of the direction issued under sub-section (5), shall be governed by the provisions of sub-section (13) and this sub-section.*

IV. Clarifying time-limit for completion of assessment under section 144C [Clause 7, 9, 10, 61, 63] Contd.....

Brief Impact:

Clause 61 amends section 275 of the Income-tax Act to align the time limits for passing assessment orders in cases covered by the Dispute Resolution Panel mechanism with the clarified legislative intent under section 144C. The amendment provides that where the assessee accepts the draft order or does not file objections, the assessment order shall be passed within one month from the end of the month of acceptance or expiry of the objection period, notwithstanding section 286.

Further, where objections are filed and directions are issued by the DRP, the Assessing Officer is required to pass the final assessment order within one month from the end of the month in which such directions are received, without granting any further opportunity of being heard. These changes seek to remove ambiguity created by judicial interpretations, ensure consistency across procedural provisions, and reinforce that DRP-specific timelines override general limitation provisions, thereby bringing certainty and reducing litigation.

IV. Clarifying time-limit for completion of assessment under section 144C [Clause 7, 9, 10, 61, 63] Contd.....

Substitution to sub-section (2) of Section 286 of ITA 2025 [erstwhile section 153 of ITA, 1961] w.e.f. 1st April 2026:-

- (2)(a) *Time limit for completion of any assessment or reassessment as provided in sub-section (1) [Table: S1 No. 1 to 4], in a case where reference is made to the Transfer Pricing Officer for determining the arm's length price under section 166(1), shall be extended by an additional period of twelve months.*
- (b) *In terms of provisions of sub-section (1) [Table: S1 No. 1 to 4] and this sub-section, the draft of the proposed order of assessment referred to in section 275 shall be made at any time up to the time limit of assessment, reassessment or recomputation referred to in the said Table and this sub-section.*

Brief Impact:

Clause 63 amends section 286 to clarify the time limits for completion of assessment, reassessment or recomputation in cases involving reference to the Transfer Pricing Officer and those covered under the Dispute Resolution Panel mechanism. The amendment provides for extension of the assessment timeline by an additional period of twelve months in cases involving transfer pricing reference, in line with the existing statutory framework.

Further, the clause expressly clarifies that in DRP cases, the draft assessment order under section 144C may be issued at any time up to the outer time limit prescribed under section 286, notwithstanding any judicial interpretation to the contrary. The amendment seeks to remove ambiguity, align procedural timelines across interconnected provisions, and bring certainty by clearly demarcating the draft order stage and final assessment stage in DRP cases, thereby reducing litigation.

V. Clarifying the manner of computation of sixty days for passing the order by the Transfer Pricing Officer.

[Clause 4, 44]

Insertion of sub-section (3AA) of Section 92CA of ITA, 1961 w.r.e.f. 1st June 2007:-

92CA(3AA). Notwithstanding anything contained in any judgment, order or decree of any court, for the purposes of making order under sub-section (3), the calculation of sixty days shall be made and shall always be deemed to have been made in the following manner, namely:—

- (a) where the period of limitation expires on 31st of March of any year (not being a leap year), the order under sub-section (3) may be made up to the 30th of January of that year;
- (b) where the period of limitation expires on 31st of March of any year (being a leap year), the order under sub-section (3) may be made up to the 31st of January of that year;
- (c) where the period of limitation expires on 31st of December of any year, the order under sub-section (3) may be made up to the 1st of November of that year.

Substitution to of sub-section (7) of Section 166 of ITA 2025 [erstwhile section 92CA of ITA, 1961] w.e.f. 1st April 2026:-

166(7). Where a reference was made under sub-section (1), an order under sub-section (6) may be made at any time before one month prior to the month in which period of limitation referred to in section 286 or 296, for making the order of assessment or reassessment or re-computation or fresh assessment, expires and accordingly, where such period expires on —

V. Clarifying the manner of computation of sixty days for passing the order by the Transfer Pricing Officer. [Clause 4, 44]

Contd....

- (a) *the 31st March of any year, the order under sub-section (6) shall be made on or before the 31st January of that year;*
- (b) *the 31st December of any year, the order under sub-section (6) shall be made on or before the 31st October of that year.*

Brief Impact:

Clauses 4 and 44 collectively stabilize the transfer pricing regime by codifying definitive timelines for Transfer Pricing Officer (TPO) orders, thereby resolving long-standing judicial conflicts that previously threatened the legal validity of assessments. Clause 4 introduces a retrospective clarification into the Income-tax Act, 1961 (deemed effective from June 1, 2007) that explicitly defines the calculation of the 60-day limitation window, ensuring that the date of limitation is included to prevent the technical annulment of valid assessments. Simultaneously, Clause 44 establishes fixed calendar deadlines for the new Income-tax Act, 2025, mandating that TPO orders be finalized on or before specific dates such as January 31st for March 31st limitations to ensure the Assessing Officer has a clear one-month window to finalize the assessment. The integrated impact of these clauses is the removal of administrative and judicial uncertainty, shielding the tax process from time-barring litigation and providing both taxpayers and authorities with a transparent, predictable procedural framework.

VI. Amendments in Chapter XIII -G for giving effect to extension of Tonnage tax scheme to Inland Vessels

[Clause 52, 53, 54 & 55]

- **Clause 52:** In section 227 of the ITA 2025, [Erstwhile Section 115VG, 115VH, 115VX of ITA, 1961], —
 - (a) in sub-section (4), in clause (a), for the word “certificate”, the words “valid certificate” shall be substituted;
 - (b) in sub-section (9), in clause (b), in sub-clause (iii), for the word “certificate”, the words “certificate of registration” shall be substituted. Amendment of section 228.
- **Clause 53:** In section 228 of the ITA 2025, [Erstwhile Section 115V-I, 115VJ, 115V-O of ITA, 1961], in sub-section (3), in clause (b), in sub-clause (ii), in item (A), after the words “passenger ships”, the words “or inland vessels” shall be inserted.
- **Clause 54:** In section 232 of the ITA 2025, [Erstwhile Section 115VT, 115VU, 115VV, 115VW, 115VZA of ITA, 1961], —
 - (a) for sub-sections (12) and (13), the following sub-sections shall be substituted, namely:—

“(12) A tonnage tax company, after its option has been approved under section 231(4), shall comply with the minimum training requirement as per the guidelines issued by the Director-General of Shipping or the Inland Waterways Authority of India, as the case may be, and notified by the Central Government.

VI. Amendments in Chapter XIII -G for giving effect to extension of Tonnage tax scheme to Inland Vessels [Clause 52, 53, 54 & 55] Contd..

(13) The tonnage tax company shall be required to furnish a copy of the certificate issued by the Director-General of Shipping, or the designated authority, as appointed by the respective State Governments under the Inland Vessels Act, 2021, as the case may be, along with the return of income under section 263 to the effect that such company has complied with the minimum training requirement as per the guidelines referred to in sub-section (12) for the tax year.”;

(b) in sub-section (17), after the words “Director-General of Shipping”, the words “or Inland Waterways Authority of India, as the case may be” shall be inserted.

- **Clause 55:** In section 235 of the ITA 2025, **[Erstwhile Section 115V, 115VC, 115VD of the ITA, 1961]**, after clause (f), the following clause shall be inserted, namely:—

‘(fa) “Inland Waterways Authority of India” shall have the same meaning as assigned to it in section 3 of the Inland Waterways Authority of India Act, 1985;’.

VI. Amendments in Chapter XIII -G for giving effect to extension of Tonnage tax scheme to Inland Vessels [Clause 52, 53, 54 & 55]

Contd..

Brief Impact:

- These amendments are proposed to ensure **effective implementation of tonnage tax scheme** for inland vessels and alignment with the Inland Vessels Act, 2021.
- **Section 227:** Clarifies computation of tonnage by replacing “certificate” with “**valid certificate**” and recognising **certificate of registration** issued under the Inland Vessels Act, 2021.
- **Section 228:** Expands scope of **core shipping activities** to include **on-board and on-shore activities of inland passenger vessels**.
- **Section 232:** Aligns **training requirements, certification, designated authority, and tonnage computation** for inland vessels by referencing the **Inland Waterways Authority of India (IWAI)**.
- **Section 235:** Introduces definition of “**Inland Waterways Authority of India (IWAI)**” for Chapter XIII-G.
- **Effective from: 1 April 2026** (Tax Year 2026-27 onwards)

VII. Penalty provision for non-furnishing of statement or furnishing inaccurate information in a statement on transaction of crypto-assets [Clause 87]

Amendment in Section 446 of ITA, 2025 [Erstwhile Section 271B of ITA, 1961] w.e.f. 1st day of April 2026:-

For section 446 of the Income-tax Act, the following section shall be substituted, namely:—

“Penalty for failure to furnish information or for furnishing inaccurate information on transaction of crypto-asset. 446. (1) If any person who is required to furnish a statement in respect of a transaction of a crypto-asset under section 509(1), fails to furnish such statement within the time prescribed under the said section, the prescribed income-tax authority under that section may impose on him, a penalty of ₹ 200 for every day for which such failure continues.”

Brief Impact:

- Section 509 mandates specified reporting entities to furnish statements of crypto-asset transactions. To strengthen compliance and deter non-reporting or misreporting, section 446 is amended to introduce penalty provisions, providing for a penalty of ₹200 per day for non-furnishing of the statement and a penalty of ₹50,000 for furnishing inaccurate particulars and failure to rectify such inaccuracy.
- The amendment shall take effect from **1 April 2026**.

VIII. Providing definition of Commodity Derivatives [Clause 33]

Amendment in Sub section 4 of Section 66 of ITA 2025 [Erstwhile section 28 to 44DA of ITA 1961] w.e.f. 1st April 2026:-

66. (4) “*Commodities Transactions Tax*” and “commodity derivative” shall have the same meanings as respectively assigned to them in Chapter VII of the Finance Act, 2013’.

Brief Impact:

Section 66(33) of the Income-tax Act, 2025 defines the term “specified derivative transaction”. The said definition uses the term “commodity derivative”. The term commodity derivative is defined in section 43(5) (Explanation 2) of the Income-tax Act, 1961 in the context of determining whether a transaction is speculative or non-speculative.

Therefore, as per the amended provisions, the expressions “commodities transaction tax” and “commodity derivative” shall carry the same meaning as assigned to them under Chapter VII of the Finance Act, 2013, and the definitions contained therein shall apply for the purposes of this Act.

IX. Providing Definition of Authorised person

[Clause 78]

Amendment in Section 402 of ITA 2025 [Erstwhile section 192 to 206CB of ITA 1961] w.e.f. 1st April 2026:-

402(27)(c) *In the case of any sum payable to a non-resident Indian, being any sum representing consideration for the transfer by him of any foreign exchange asset, which is not a short-term capital asset, the ~~authorised person~~ Responsible authorised person, referred in clause (c) of section 2 of the Foreign Exchange Management Act, 1999, responsible—*

- (i) *for remitting such sum to the non-resident Indian; or*
- (ii) *for crediting such sum to his Non-resident (External) Account maintained as per the provisions of the Foreign Exchange Management Act, 1999, and any rules made thereunder;*

Brief Impact:

Section 402(27) of the Income-tax Act, 2025 defines the “person responsible for paying” and, in cases involving payment to a non-resident for transfer of a foreign exchange asset, treats the “authorised person” as the responsible payer. The proposed amendment seeks to insert the same definition of “authorised person” from the 1961 Act into the 2025 Act to ensure consistency and legal clarity. This change will apply from 1 April 2026.

X. Correction of referencing error

[Clause 37]

Amendment in Section 99 of ITA 2025 [Erstwhile section 64 of ITA 1961] w.e.f 1st

April 2026:-

99. (2) If the asset transferred under sub-section (1)(a)~~(i)~~ **(ii)** or (b) is invested by the spouse or son's wife, in any business or in the nature of capital contributed as a partner in a firm, or, as the case may be, for being admitted to the benefits of partnership in a firm.....

Brief Impact:

Section 99(2) of the Income-tax Act relates to the proportion of income that is to be included in the hands of an individual when an asset has been transferred, but due to a drafting error it presently refers to section 99(1)(a)(i) instead of the correct provision, section 99(1)(a)(ii). The proposed amendment seeks to substitute the erroneous reference with the correct one, namely section 99(1)(a)(ii), thereby aligning the subsection with the legislative intent and ensuring accurate application of the income inclusion rule.

XI. Correction of referencing error

[Clause 72]

Amendment in Section 393 of ITA 2025 [Erstwhile section 193 to 197A of ITA 1961]

w.e.f 1st April 2026:-

393 (1) Note 3.—For the purposes of serial number 3~~(iii)~~**(i)**, the income-tax shall be deducted where consideration for transfer of any immovable property or the stamp duty value of such property, is equal to or greater than fifty lakh rupees.

Brief Impact:

Section 393(1) [Table: Sl. No. 3(i)] provides for deduction of tax at source on the sale of immovable property. Note 3 to the said section states that TDS is required to be deducted where the sale consideration or stamp duty value is equal to or exceeds fifty lakh rupees. However, Note 3 has inadvertently referred to [Table Sr. No. 3(iii)], which relates to compulsory acquisition, instead of the correct reference [Table Sr. No. 3(i)] which has been proposed to amend.

XII. Correction in provisions relating to income from House Property and Permanent Account Number [Clause 29, 30 & 56] Contd.....

Amendment in Section 21 of ITA 2025 [Erstwhile section 23 & 27 of ITA 1961] w.e.f 1st April 2026:-

21. (5) *Where a property is held as stock-in-trade and is not let wholly or partly at any time during the tax year, the annual value of such property or part thereof shall be nil for upto two years from the end of the financial year in which the certificate for completion of construction is obtained from the competent authority.* (Substitution of word in sub section (5) of section 21)

Brief Impact:

It is proposed to amend section 21(5) of the Income-tax Act, 2025 to bring it in line with the provisions of the Income-tax Act, 1961. The amendment clarifies that where a property is held as stock-in-trade, its annual value will be considered as nil for a period of up to two years from the end of the financial year in which the completion certificate is received from the competent authority.

XII. Correction in provisions relating to income from House Property and Permanent Account Number [Clause 29, 30 & 56] Contd.....

Amendment in Section 22 of ITA 2025 [Erstwhile section 24 & 25 of ITA 1961] w.e.f 1st April 2026:-

22. (1) The income under the head “Income from house property” shall be computed after making the following deductions.....
- (2) In case of property or properties referred to in section 21(6), the aggregate amount of deduction under sub-section (1)(b) **and (c)** shall not exceed —

Brief Impact:

Section 22(2) of the Income-tax Act, 2025 presently allows a maximum deduction of ₹2 lakh for interest on borrowed capital in the case of a self-occupied property, but this limit does not clearly include interest relating to earlier years (prior-period interest) payable for acquisition or construction of the property. Under the corresponding provision of section 24 of the Income-tax Act, 1961, the overall ceiling of ₹2 lakh already covers both current year interest and prior-period interest. To bring the 2025 Act in line with the earlier law and remove ambiguity, it is proposed to amend section 22(2) to expressly provide that the aggregate deduction of ₹2 lakh will be inclusive of prior-period interest payable.

XII. Correction in provisions relating to income from House Property and Permanent Account Number [Clause 29, 30 & 56] Contd.....

Amendment in Section 262 of ITA 2025 [Erstwhile section 139 & 139AA of ITA 1961] w.e.f 1st April 2026:-

262(10)(c) Categories of documents ~~pertaining to business or profession~~ pertaining to business or profession or other transactions in which Permanent Account Number shall be quoted by every person.

Brief Impact:

Substitution of word in clause (c) of sub section 10 of section 262: Section 262(10)(c) of the Income-tax Act, 2025 presently empowers the CBDT to frame rules requiring quoting of PAN only in documents connected with business or profession, but it does not cover other financial or non-business transactions. The corresponding provision in the Income-tax Act, 1961—section 139A(5)(c)—allows the Board to prescribe PAN quoting in any documents relating to specified transactions in the interest of revenue, whether or not they relate to business. To remove this gap and widen the scope, it is proposed to amend section 262(10)(c) so that the CBDT can also require PAN to be quoted in documents relating to non-business transactions, ensuring better tracking of high-value dealings and strengthening tax compliance.

XIII. Guidelines to be binding on income-tax authorities and person liable to deduct or collect income-tax [Clause 77]

Substitution of Section 400(2) of I. T. Act, 2025 [Various TDS Provision between Section 192 to 206C of I. T. Act, 1961] w.e.f. 1st day of April, 2026:-

(2) The Board may issue guidelines with the previous approval of the Central Government, to remove any difficulty arising in giving effect to the provisions of this Chapter and these guidelines shall be laid before each House of Parliament.

(2) The Board may, with the previous approval of the Central Government, issue guidelines to remove any difficulty arising in giving effect to the provisions of this Chapter and such guidelines shall be—

- (a) binding on the income-tax authorities and on the person liable to deduct or, as the case may be, collect income-tax; and**
- (b) laid before each House of Parliament.**

Brief Impact:

To bring provisions of ITA, 2025 at parity with ITA, 1961, said clarificatory provisions has been substituted to ensure that that the Board with the previous approval of Central Government, may issue guidelines to remove any difficulties arising in giving effect to provisions of TDS/TCS chapter and such guidelines shall be laid before each House of Parliament and such guidelines shall be binding on income-tax authorities and on the person liable to deduct or collect income-tax.

XIV. Clarifying repeal and savings clause where amount allowed as deduction earlier is to be treated as income in a later year [Clause 107]

Substitution of Clause (h) of Section 536(2) of I. T. Act, 2025 [Erstwhile Section 297 of I. T. Act, 1961] w.e.f. 1st day of April, 2026:-

(h) where any deduction has been allowed or any amount has not been included in the total income of any person, subject to fulfilment of certain conditions for any tax year beginning before the 1st April, 2026, and in case of violation of such conditions in any tax year beginning on or after 1st April, 2026, any sum (on account of deduction earlier allowed or amount not included) was required to be included in the total income of such subsequent tax year under the repealed Income-tax Act if it had not been so repealed, then such sum shall be—

(i) deemed to be the income of the tax year in which the violation takes place; and

(ii) included in the total income of the said person under the same head of income as it would have been included under the repealed Income-tax Act;

“(h) where any sum has been allowed as a deduction or has not been included in the total income of any person, either on account of fulfillment of certain conditions or for any other reason, for any tax year beginning before the 1st April, 2026, and such sum was required to be included in the total income of any subsequent tax year including beginning on or after the 1st April, 2026 under the repealed Income-tax Act, if it had not been so repealed, on account of violation of such conditions or for any other reason, then such sum shall be—

(i) deemed to be the income of such subsequent tax year; and

(ii) included in the total income of the said person under the same head of income as it would have been included under the repealed Income-tax Act;

Brief Impact:

U/s 536(2)(h) of ITA, 2025, only those events have been included, where due to any violations of provisions of ITA, 1961, any income allowed to be exempted or any expense / deduction has been allowed were to be added back to the income of the assessee in the year of such violation. However, to make way for any even, where, irrespective of non-violation, certain amounts are to be included as income under subsequent years. Thereby, said provisions has been amended to make way for said corrections as well.

Amendment in Clause (g) to Note 1 to Schedule VI to I. T. Act, 2025 [Erstwhile Section 10(4D) of I. T. Act, 1961] w.e.f. 1st day of April, 2026:-

(g) "specified fund" means—

(i) a fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate and located in International Financial Services Centres,—

(A) which has been granted a certificate of registration as a Category III Alternative Investment Fund and is regulated—

(I) under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 made under the Securities and Exchange Board of India Act, 1992(15 of 1992);

(II) regulated under the International Financial Services Centres Authority (Fund Management) Regulations, 2022 made under the International Financial Services Centres Authority Act, 2019 (50 of 2019); or

(B) which has been granted a certificate as a retail scheme or an Exchange Traded Fund, and satisfies the conditions laid down for such schemes or funds under the International Financial Services Centres Authority (Fund Management) Regulations, 2022 made under the International Financial Services Centres Authority Act, 2019 (50 of 2019);

~~of which all the units are held by non-residents except—~~

~~(I) the unit held by a sponsor or manager;~~

~~(II) where any unit holder or holders, being non-resident during the tax year when such unit or units were issued, becomes resident under section 6(2) or (3) or (4) or (5) or (6) or (7) in any tax year subsequent to that year;~~

~~(III) in case of sub-item (II), aggregate value and the number of units held by such resident unit holder or holders do not exceed 5% of the total units issued and shall fulfil such other conditions as may be prescribed; or~~

(C) of which all the units other than the unit held by a sponsor or manager are held by non-residents except,—

(I) where such non-resident becomes resident under section 6(2) or (3) or (4) or (5) or (6) or (7) in any tax year subsequent to that tax year; and

(II) the number of units held by such resident unit holder or holders do not exceed 5% of the total units issued and shall fulfil such other conditions as may be prescribed; or

Brief Impact:

Definition of term 'Specified Fund' has been amended to bring it at parity with provisions of section 10(14D) of ITA, 1961.

XVI. Amendment in the provision relating to merger of non-profit organisations (NPOs) [Clause 69 & 70]

Amendment to SI. No. 8 in Table to Section 352(4) of I. T. Act, 2025 [erstwhile section 12AC of ITA, 1961] w.e.f. 1st day of April, 2026:-

SI. No.	Case	Specified Date	Due Date for the payment of tax on accredited income
8	<p>The specified person has merged with any other entity other than a registered non-profit organisation having the same or similar objects and the said merger does not fulfil such conditions, as may be prescribed.</p> <p>The specified person has merged with any other—</p> <ul style="list-style-type: none">(a) entity other than a registered non-profit organisation; or(b) registered non-profit organisation having objects same or similar to it but the said merger does not fulfil such conditions, as may be prescribed; or(c) registered non-profit organisation that does not have same or similar objects.	The date of merger	The date of merger

Introduction of Section 354A of I. T. Act, 2025 [erstwhile section 12AC of ITA, 1961]
w.e.f. 1st day of April, 2026:-

354A. Where any registered non-profit organisation merges with any other registered non-profit organisation, the provisions of section 352 shall not apply if,—
(a) the other registered non-profit organisation has same or similar objects; and
(b) the said merger fulfils such conditions as may be prescribed.

Brief Impact:

In order to align with existing provisions of section 12AC of ITA, 1961 related to merger of registered NPO with another registered NPO having common objects, these amendments has been proposed to state that in such cases, no tax on accredited income shall be payable in such cases, subject to satisfaction of conditions to be notified by way of rules.

XVII. Amendment in the provisions relating to the violations by a registered NPO [Clause 68]

Amendment in Section 351 I. T. Act, 2025 [Erstwhile Section 12AB/12AC/13/115BBI/115TD to 115TF of I.T. Act, 1961] w.e.f. 1st day of April, 2026:-

351. (1) The following shall constitute specified violation by a registered non-profit organisation:—

- (a) where any income of the registered non-profit organisation has been applied, other than for its objects; or
 - (b) it carries out any commercial activity in contravention of the provisions of section 345 ~~or~~ 346; or
 - (c) where it has applied any part of its total income for private religious purposes, which does not **ensure “enure”** for the benefit of the public; or
-

Brief Impact:

In line with existing provisions of ITA, 1961, amendment has been proposed to allow registered non-profit organization to conduct commercial activities for carrying out advancement of any other object of general public utility as said activities has been included in ‘Specified Violations’ prescribed under ITA, 2025 unintentionally by the legislature.

XVIII. Amendment of section 332(1)(f) of the Income-tax Act, 2025 to remove certain funds from the requirement of registration [Clause 66]

Amendment in Section 332 I. T. Act, 2025 [Erstwhile Section 11 / 12A / 12AB / 80G of I. T. Act, 1961] w.e.f. 1st day of April, 2026:-

In section 332 of the Income-tax Act, in sub-section (1), in clause (f), for the words, figures, brackets and letters “Schedule VII (Table: Sl. No. 10) to (Table: Sl. No. 19)”, the words, figures, brackets and letters “Schedule VII [Table: Sl. Nos. 17 to 19]” shall be substituted.

Brief Impact:

In line with existing provisions of ITA, 1961, persons referred under Sl. No. 10 to 16 of Schedule VII to ITA, 2025 has been removed from the list of funds requiring registration.

XIX. Amendment in the provisions relating to the violations by a registered NPO [Clause 67]

Amendment in Section 349 of ITA, 2025 [Erstwhile Section 139(4C) read with Section 139(4) of ITA, 1961] w.e.f. 1st April 2026:

Where the total income of a registered non-profit organisation, without giving effect to the provisions of this Part, exceeds the maximum amount which is not chargeable to income-tax in any tax year, it shall furnish the return of income for that tax year as per the provisions of section 263(1)(a)(iii) and (2), within the time limit allowed under section 263(1)(c) or 263(4).

Brief Impact:

Registered non-profit organisations are expressly enabled to file belated returns under the ITA, 2025. The amendment restores the position that existed under the ITA, 1961 and provides procedural relief to NPOs for compliance in case of delay.

XX. Non-allowability of Interest as a deduction against Dividend Income [Clause 36]

Amendment in Section 93 of ITA, 2025 [Erstwhile Section 57(1) of ITA, 1961] w.e.f. 1st day of April 2026:

93. (2) ~~In respect of~~

~~(a) dividend income of the nature referred to in section 2(40)(f), no deduction shall be allowed;~~
~~(b) any other dividend income [other than in clause (a)], or income from units of a Mutual Fund specified under Schedule VII (Table: Sl. No. 20 or 21) or income from units of a specified company as referred to in section 2(h) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002, only deduction allowed shall be interest expense which, for any tax year, shall be limited to 20% of such income (included in the total income for that year, without deduction under this section).~~

Irrespective of anything contained in sub-section (1), in respect of any dividend income or income from units of a Mutual Fund specified under Schedule VII (Table: Sl. No. 20 or 21) or income from units of a specified company as referred to in section 2(h) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002, no deduction shall be allowed.

Brief Impact:

Interest expenditure incurred for earning dividend income or income from units of mutual funds becomes fully non-deductible. Passive investment income will be taxable on a gross basis without any interest set-off from tax year 2025–26 onwards.

XXI. Rationalisation of Schedule XI relating to Recognised Provident Funds [Clause III]

Amendment in Schedule XI of ITA, 2025 [Erstwhile Schedule IV of ITA, 1961] w.e.f. 1st April 2026:

Schedule XI, Part A, Paragraph 4

~~Clause (c)- the employer's contributions to the employee's account in any year shall not exceed the employee's contribution in that year, and shall be credited to the employee's account at intervals not exceeding one year;~~

~~Clause (f)- the fund shall be the fund of an establishment—~~

~~(i) to which the provisions of section 1(3) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952) apply, or~~

~~(ii) notified by the Central Provident Fund Commissioner under section 1(4) of the said Act, and such establishment shall be exempted from the operation of all or any of the provisions of any scheme mentioned in section 17 of the said Act;~~

~~the fund shall be a fund—~~

~~(i) of an establishment to which the provisions of section 1(3) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 apply; or~~

~~(ii) of an establishment notified by the Central Provident Fund Commissioner under section 1(4) of the said Act,~~

XXI. Rationalisation of Schedule XI relating to Recognised Provident Funds [Clause III] Contd...

and such establishment shall obtain exemption under section 17 of the said Act from the operation of all or any of the provisions of any scheme as referred to in that section;

Schedule XI, Part A, Paragraph 5, sub-paragraph 4- Subject to any rules made by the Board, the approving authority may relax the provisions of paragraph 4(c) for any particular fund,—

- (a) to permit the payment of larger contributions by an employer to the employee's individual account whose salary does not exceed five hundred rupees per month; and*
- (b) to permit the employers to credit the employees' individual accounts with periodical bonuses or contributions of a contingent nature, when the calculation and payment of such bonuses or contributions is provided for on definite principles by the regulations of the fund.*

Schedule XI, Part A, Paragraph 6- Employer's annual contributions, when deemed to be income received by employee. The portion of the annual accretion in the tax year to the employee's balance in a recognised provident fund consisting of—

- (a) contributions made by the employer exceeding 12% of the employee's salary; and*
- (b) interest credited on the balance to the credit of an employee in so far as it is allowed at a rate exceeding such rate as fixed by the Central Government by notification;*

XXI. Rationalisation of Schedule XI relating to Recognised Provident Funds [Clause III]

Contd...

~~shall be deemed to have been received by the employee and included in his total income for that tax year and shall be liable to income tax.~~

6. Employer's annual contributions, when deemed to be income received by employee.—The portion of the annual accretion in the tax year to the balance of an employee in a recognized provident fund consisting of interest credited on the balance to the credit of an employee in so far as it is allowed at a rate exceeding such rate as fixed by the Central Government by notification, shall be deemed to have been received by the employee and included in his total income for that tax year and shall be liable to income-tax.

Schedule XI, Part C, Paragraph 1

~~Clause d- to limit the contributions to a recognised provident fund by employees who are shareholders in the company;~~

~~Clause e- to regulate investment or deposit of the moneys of a recognised or an approved fund, subject to the condition that no rule shall require more than 50% of the fund's money to be invested in Government securities as defined in section 2(f) of the Government Securities Act, 2006 (38 of 2006); to regulate investment or deposit of the moneys of a recognised or an approved fund;~~

XXI. Rationalisation of Schedule XI relating to Recognised Provident Funds [Clause III]

Contd...

Brief Impact:

Legacy concepts and percentage-based & parity-linked conditions governing recognised provident funds are removed. Employer contributions are governed solely by the unified monetary cap of ₹7.5 lakh under section 17(1)(h) of ITA 2025, eliminating multiple overlapping limits. Recognition of provident funds is restricted to those granted exemption under section 17 of the EPF Act, ensuring alignment with the EPF regulatory framework. Differential treatment for shareholder-employees is withdrawn, and investment restrictions in Government securities are liberalised to align with prevailing EPF investment norms. Overall, the amendments simplify compliance, reduce interpretational disputes, and harmonise income-tax provisions with the modern EPF regime from tax year 2026-27 onwards.

XXII. Exemption for Sovereign Gold Bond

[Clause 35]

Amendment in Section 70(1)(x) of ITA, 2025 [Erstwhile Section 47(viic) of ITA, 1961] w.e.f. 1st April 2026:

Sec. 70 (1) (x) of Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015, by way of redemption, by an individual; by way of redemption, of Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015 or any subsequent Sovereign Gold Bond Scheme, if held by an individual from the date of original issue till maturity;

Brief Impact:

Capital gains exemption on redemption of Sovereign Gold Bonds is proposed to be confined to original subscribers holding the bonds till maturity. Secondary market purchasers will no longer be eligible for exemption on redemption, ensuring uniform application of the exemption across all bond issuances from tax year 2026–27 onwards.

XXIII. Increase in tax rates of Securities Transaction Tax [Clause 143]

Amendments to Finance (No. 2) Act, 2004 w.e.f. 1st April 2026:

Proposed to be amended by way of revision of rates of Securities Transaction Tax (STT) applicable to transactions in options and futures in securities, so as to increase the existing rates as under:

- **On sale of an option in securities** – rate increased from 0.10% to 0.15% of the option premium.
- **On sale of an option where the option is exercised** – rate increased from 0.125% to 0.15% of the intrinsic price.
- **On sale of a future in securities** – rate increased from 0.02% to 0.05% of the traded price.

Brief Impact:

Transaction costs in the futures and options segment increase from tax year 2026–27 onwards. The higher STT rates are intended to curb excessive speculative trading in derivatives while continuing to promote transparent, exchange-traded transactions.

XXIV. Taxation of Buy-back of Shares

[Clauses 27 and 34]

Amendment in Section 2 of ITA 2025 [Erstwhile Section 2 of ITA 1961] and S. 69 of ITA 2025 [Erstwhile S. 47A of ITA 1961] w.e.f. 1st day of April 2026:

Sec. 2(40) "dividend" includes –

(f)- any payment by a company on purchase of its own shares from a shareholder as per section 68 of the Companies Act, 2013,

Sec. 69 (2)- If the shareholder receives any consideration of the nature referred to in section 2(40)(f), from any company in respect of buy-back of shares, then for the purposes of this section, the value of such consideration shall be deemed to be nil. In respect of capital gains referred to in sub-section (1), where the shareholder or holder of other specified securities is a promoter, the aggregate income-tax payable on such capital gains shall be—

(a) the income-tax payable on such capital gains in accordance with the provisions of this Act; and

(b) an additional income tax in respect of capital gains specified in column B of the Table below, computed at the rate specified in column C or column D of the said Table.

XXIV. Taxation of Buy-back of Shares [Clauses 27 and 34]

Contd...

Sl. No.	Income	Rate, where the promoter is a domestic Company	Rate, where the promoter is other than a domestic Company
A	B	C	D
1.	Short-term capital gains referred to in section 196 arising from the transfer of such securities.	2%	10%
2.	Long-term capital gains referred to in section 197 or section 198 arising from the transfer of such securities.	9.5%	17.5%

Brief Impact:

Buy-back taxation shifts from dividend-based taxation to a capital gains regime. Shareholders will be taxed on net gains after considering cost of acquisition. Promoters are subjected to a higher effective tax rate on buy-back gains, reflecting their influence in such transactions. The amendment simplifies structure while altering tax incidence from tax year 2026–27 onwards.

XXV. No tax to be deducted at source in respect of interest income credited or paid to any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank) [Clause 72]

Amendment in section 393(4) of ITA 2025 [Erstwhile Section 194A(3) of ITA 1961]
w.e.f. 1st day of April 2026:

S. 393(4) in the Table, against serial number 7, in column C,—

Clause (a) (i)- any banking company or any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank); or

Brief Impact:

Interest payments to co-operative banks, including co-operative land mortgage banks, will not attract TDS. The amendment restores parity with the Income-tax Act, 1961 and reduces withholding and compliance burden on payers from tax year 2026–27 onwards.

Rationalization of reference provisions for transactions under Chapter VIII [Clause 41]

Substitution to clause (c) of sub-section (2) of Section 162 of ITA 2025 [erstwhile section 92A of ITA, 1961] w.e.f. 1st April 2026:-

162(2)(c). Other units, undertakings, enterprises or business of such assessee, or other person referred to in section 140(13) in respect of transactions referred to in Chapter VIII, to which the provisions of section 140(9) or (13) of this Act or section 80-IA(8) or (10) of the Income-tax Act, 1961 are applicable.

Brief Impact:

The primary impact of this amendment is the removal of the specific reference to Section 144 the provision governing tax benefits for new units in Special Economic Zones (SEZs) from the criteria used to identify associated relationships. This change is a technical rationalization intended to eliminate redundancy in the law; since Section 144 is already a constituent part of Chapter VIII, the separate mention of both was considered a duplicate reference. By relying on the overarching reference to Chapter VIII, the amendment ensures the statutory language is more concise and lucid without narrowing the actual scope of transfer pricing regulations, which continue to apply to Section 144 parties through the broader chapter reference

Amendments relating to specified transactions under Chapter VIII [Clause 42 & 43]

Omission in clause (d) of Section 164 of ITA 2025 [erstwhile section 92BA of ITA, 1961] w.e.f. 1st April 2026:-

164. (d) Any transaction, referred to in any other section under Chapter VIII ~~or section 144~~, to which provisions of section 140(9) or (13) of this Act or section 80-IA(8) or (10) of the Income-tax Act, 1961 (43 of 1961) are applicable;

Omission in Sub-section (7) of Section 165 of ITA 2025 [erstwhile section 92C of ITA, 1961] w.e.f. 1st April 2026:-

165. (7) No deduction shall be allowed ~~under section 144 or~~ under Chapter VIII in respect of income by which the total income of the assessee is enhanced after computation of income under sub-section (6).

Brief Impact:

These clauses perform a technical rationalization of the transfer pricing framework within the ITA, 2025, by omitting redundant references to Section 144. Specifically, Clause 42 amends the definition of specified domestic transactions, while Clause 43 removes the reference in Section 165(7) regarding the determination of arm's length prices. The primary impact is the elimination of duplicate references where both Section 144 (governing Special Economic Zone units) and Chapter VIII were mentioned together. Since Section 144 is already a constituent part of Chapter VIII, the individual mention was determined to be repetitive.



Thank You...!!!

Prepared by: Team 'Voice of CA'