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Chartered Accountants



UNION BUDGET 2026-27

Transaction and Business Structuring | Audit and Assurance | Direct Tax | Corporate and Regulatory Laws |
Indirect Tax | FEMA and International Taxation | HNI Services | Estate and Succession Planning | Doing Business in India



FOREWORD

GBCA & Associates LLP, Chartered Accountants

The Hon'ble Finance Minister, Smt. Nirmala Sitharaman, has presented the first Union Budget from Kartavya Bhawan, characterizing it as a Yuva Shakti-driven Budget inspired by ideas emerging from the Viksit Bharat Young Leaders Dialogue 2026. The Budget articulates a philosophy of collective responsibility, aligning economic progress with the duties of all stakeholders in nation-building and reflects a strategic balance between growth, resilience and fiscal responsibility.

Anchored in three core Kartavyas; accelerating sustainable economic growth, fulfilling the aspirations of citizens through capacity building and ensuring equitable access to opportunities across regions and sectors in the spirit of Sabka Saath, Sabka Vikas, the Budget marks a strategic shift from rights-based entitlements to a framework of shared responsibilities, wherein economic progress is intrinsically linked to the collective duties of all stakeholder.

In a global environment characterised by uncertainty and rapid technological change, the Government has reinforced its focus on Atmanirbharta and structural reforms. The continued momentum of the "Reform Express," alongside targeted initiatives across manufacturing, energy security, employment, agriculture and household consumption, underlines a sustainable growth strategy. Strategic focus on sunrise sectors such as biopharma, semiconductors, and clean technologies, together with the Champion MSMEs initiative, aims to strengthen India's integration into global value chains.

On the fiscal front, the Government has reaffirmed its commitment to consolidation, with the fiscal deficit estimated at 4.3% of GDP for BE

2026–27, alongside a projected decline in the debt-to-GDP ratio to 55.6%, reinforcing macroeconomic stability.

The path to Viksit Bharat is paved with duties not just of the Government, but of every stakeholder in India's economic ecosystem. As John D. Rockefeller aptly stated, "every right implies a responsibility, every opportunity demands an obligation, and every possession entails a duty." This Budget echoes that very sentiment, calling upon each one of us to discharge our responsibilities with diligence, integrity, and unwavering commitment to national progress.

We trust that this booklet will serve as a valuable reference for business leaders, finance professionals, entrepreneurs and policymakers as you navigate the opportunities and obligations presented by Union Budget 2026-27.

By reinforcing infrastructure investment, modernizing the tax code and strengthening the financial sector, the Union Budget 2026-27 lays a resilient foundation for India's next phase of economic expansion.

Let us embrace our Kartavya with pride and purpose.



CA Haresh K. Chheda

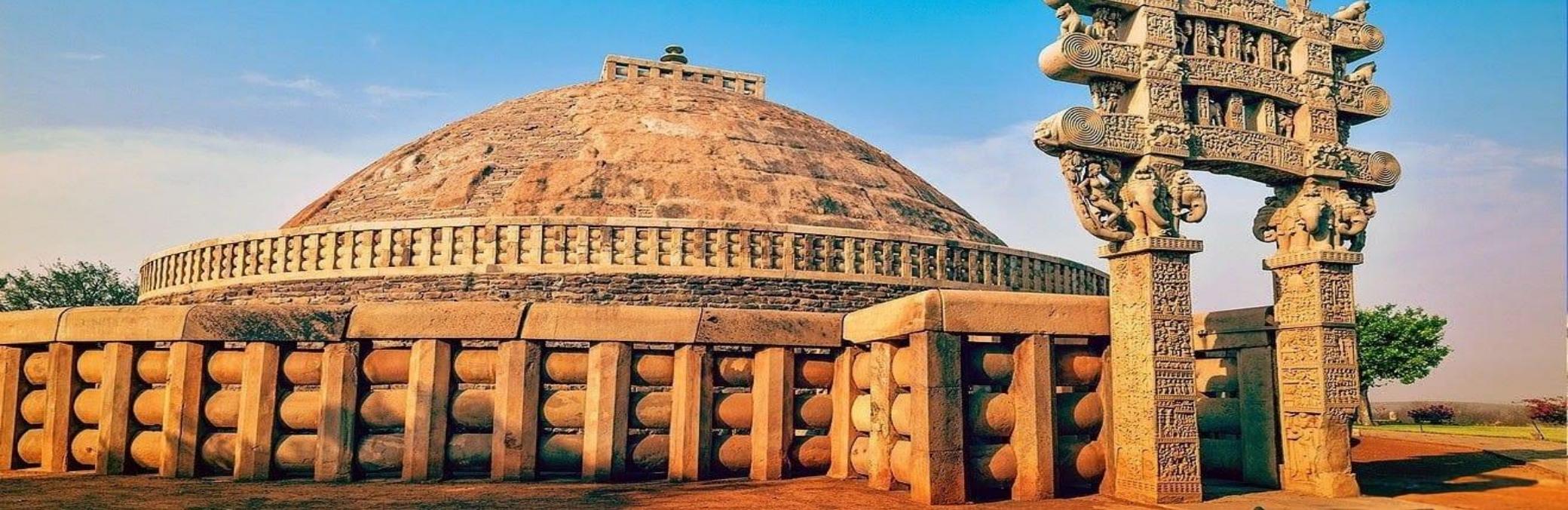


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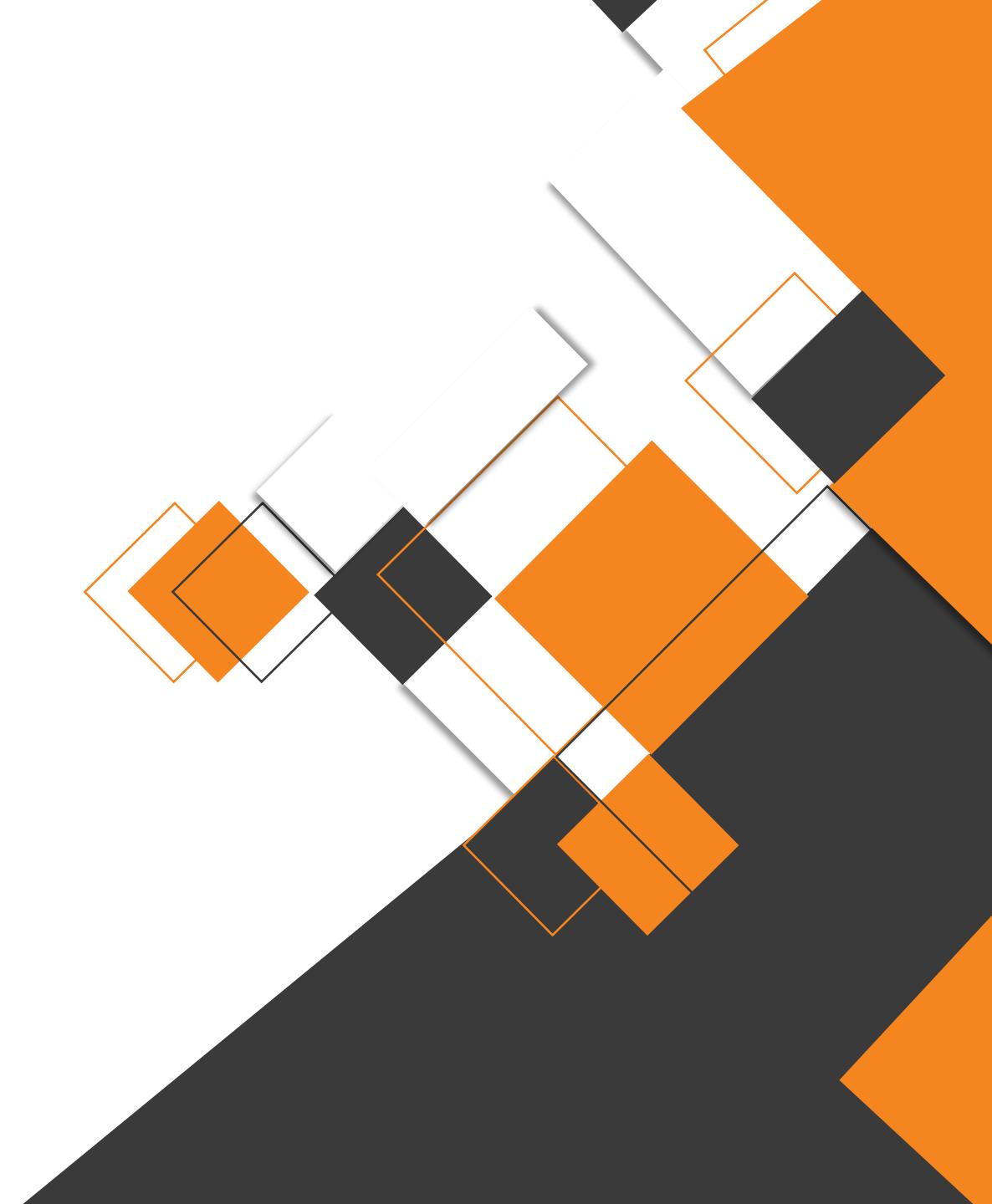
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All the amendments mentioned below are proposed in the Finance Bill, 2026 and will take effect from F.Y. 2026-27 (Tax year 2026-27), unless otherwise specifically stated, subject to passing by both the houses of the Parliament and assent by the President.

This document summarizes the Finance Bill 2026 and the recent policy changes. It has been prepared for the privileged use of our clients. We recommend you to seek professional advice before taking action on specific issues.

I

Key Highlights





DIRECT TAX PROPOSALS

- No changes in slab rates are proposed for Individual, Hindu Undivided Family (HUF), Association of Person AOP (other than co-operative), Body of Individual (BOI) and Artificial Jurisdiction Person (AJP) under new and old regime.
- No changes in base rate of tax for LLPs, Partnership firms and Companies are proposed. However, for the Companies, it is proposed to reduce Minimum Alternate Tax (MAT) from 15% to 14% of book profit for the old regime.
- Tax paid under MAT shall be final tax and no credit shall henceforth be allowed in respect of the same in the subsequent years.
- Set off of MAT credit as on 31-3-2026 shall be permitted to a Domestic company opting for the New Tax Regime(s), subject to limit of up to 25% of the total tax liability.
- Buyback of shares are proposed to be taxed as Capital Gain instead of Dividend. The rate of Capital Gain tax for Promoters, being Company shall be 22% and for non-Company Promoters shall be 30% along with applicable surcharge and cess. Normal rate of tax shall apply for others.
- Capital gains exemption on redemption of Sovereign Gold Bonds will apply only to individuals who subscribe at original issue and hold the bonds till maturity. Transfers by subsequent holders up to 31 March 2026 governed by existing provisions.

- Changes in TCS rates:

Particulars	Old rate	New Rate
Sale of scrap	1%	2%
Sale of minerals, being coal or lignite or iron ore	1%	2%
Remittances made under RBI's Liberalised Remittance Scheme (LRS) for education or medical treatment exceeding INR 10 lakhs	5%	2%
Sale of overseas tour programme package including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure	5% (upto INR 10 lakhs) / 20%	2%

- STT rates will increase to 0.15% on Options and to 0.05% on Futures.
- The tax holiday for IFSC units will be extended to 20 years, with post-holiday income taxed at 15%, and deductions for units commencing on or after 1 April 2026 allowed only if they are genuinely new businesses and not formed through restructuring of existing Indian businesses.



DIRECT TAX PROPOSALS

- In order to provide clarity with regard to the deduction of tax at source in case of supply of manpower, it is proposed to include it under the ambit of “work” (*TDS on contractors*) and therefore, TDS on such services will be at either 1% or 2%.
- TDS on the sale of immovable property by non-residents can now be deducted and deposited using the buyer’s PAN instead of requiring a separate TAN.
- Due date of filing returns is proposed to be amended as follows:
 - July 31: Salaried Individuals, ITR-1, ITR-2 filers and others not requiring an audit.
 - August 31: Businesses/Professionals and Trusts not requiring an audit.
- Due date for filing revised return is proposed to be extended till the end of the assessment year, instead of the existing deadline of 31st December of the assessment year on payment of applicable fees.
- It is proposed that an updated return may be filed even after the issuance of a notice under section 148, upon payment of an additional amount of 10% of the tax and interest payable on the updated return. It is also proposed that no penalty will be levied on such income declared in the updated return.
- Time allowed to pass the draft assessment order and not the final assessment order under section 144C of the IT Act, 1961 shall be till the time limit specified under section 153 or 153B of the IT Act, 1961 as the case may be.

- The Bombay High Court in Hexaware, along with several other High Courts, held that reassessment notices issued under section 148 were invalid if issued by the Jurisdictional Assessing Officer, since such notices were required to be issued by the NFAC/FAO under the faceless assessment scheme. This view is now proposed to be overruled by a retrospective amendment, clarifying that the term “Assessing Officer” means an Assessing Officer other than the NFAC/FAO.
- It is proposed that no interest shall be charged on any demand raised on account of penalty levied under section 270A where the quantum appeal is pending before the CIT(A) or, where directions have been issued by the DRP, the appeal is pending before the ITAT.
- Powers of the DRP are proposed to be extended with effect from the 1st day of March, 2026 to allow it to delete penalty already levied.
- Immunity from penalty and prosecution is proposed to be granted upon fulfilment of certain conditions only in the cases of under-reporting of income.
- It is proposed to integrate assessment and penalty proceedings into a single, common order to reduce litigation, meaning taxpayers will get one order covering both aspects instead of separate ones.
- Habitual offenders are proposed to be punished with simple imprisonment upto 3 years instead of 7 years.
- It is proposed that non quoting of DIN will not invalidate the Assessment Order.



DIRECT TAX PROPOSALS

- Punishments of rigorous imprisonment have been proposed to be substituted with simple imprisonment. For offences that still warrant prosecution, the maximum imprisonment term is reduced to two years. Courts will also have the power to convert imprisonment sentences into monetary fines. Additionally, penalties for technical lapses, like not providing transfer pricing audit reports, will become fees.
- It is proposed to allow deduction on dividends received by co-operative societies from other cooperative societies, to the extent such dividends are distributed to its members in the new tax regime.
- If assessee fails to report crypto assets within prescribed timelines, it is proposed to levy a penalty of INR 200 for every day for which such failure continues. If wrong details are reported or not corrected, penalty of INR 50,000 can be levied.
- It is proposed to provide tax holiday till 31st March, 2047 to foreign companies procuring data centre services from specified data centres.
- A joint MCA-CBCT committee will integrate ICDS requirements into Ind AS, eliminating the need for separate ICDS-based accounting from tax year 2027-28.
- All software development, IT-enabled services, KPO and contract R&D will be unified as “Information Technology Services” with a 15.5% safe harbour margin, a higher INR 2,000-crore threshold, fully automated approval, and an option to continue for five years

- The Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 is introduced to provide an opportunity
 - for disclosure of undisclosed assets located outside India or undisclosed foreign income on payment of tax at 30% plus an additional amount equal to tax (30%) provided the undisclosed foreign asset/income are upto INR 1 Crore.
 - For disclosure of assets upto INR 5 Crores, acquired outside India out of income which was not taxable in India or which has already been offered to tax in India, on payment of fee of INR 1 Lakh.
- Interest awarded by Motor Accident Claims Tribunal (MACT) to individuals will now be fully tax-exempt, and no TDS will apply on such interest (earlier TDS was not applicable for claim upto INR 50,000/-).

OTHER PROPOSALS

- Individual PROIs will be allowed to invest in listed Indian equities via Portfolio Investment Scheme, with the individual limit raised from 5% to 10% and the aggregate PROI limit increased from 10% to 24%.
- Amendment is proposed to be brought out in the Black Money Act to provide that the prosecution provisions for failure to disclose foreign income or foreign assets or information in that respect, in the return of income shall not apply to assets (other than immovable property) where the aggregate value does not exceed ₹20 lakh applicable from 01st October, 2024.



INDIRECT TAX PROPOSALS

- It is proposed to delink post-supply discounts from any specific pre-existing agreement or invoices and allow such discounts where a GST credit note is issued and proportionate ITC is reversed by recipient.
- Further amendment is also proposed to enable suppliers to issue such credit notes for post-supply discounts.
- To facilitate ease of refund claiming in case of inverted duty structure, it is proposed that provisional refund facility will now be provided even to refunds arising from such inverted duty structures.
- It is proposed to remove the minimum limit for application of refund where goods are exported with payment of tax (non-LUT) thereby allowing refund sanction for any amount.
- It is proposed to allow the Central Government (on Court recommendation) by notification, to empower an existing Authority for hearing such appeals till the National Appellate Authority is constituted.
- It is proposed to specify that the place of supply for intermediary services is determined under the default Section 13(2) of IGST Act (i.e., generally the location of the recipient).





Direct Tax Proposals

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I. Tax Regime Structure (by default) u/s 115BAC of ITA,1961 / u/s 202(1) of ITA,2025

Tax Rates for Individuals/ HUF/ AOP (Other than Co-Operative Society)/ BOI & AJP				
Slab (Applicable for A.Y.2026-27)	Tax Rates	Slabs (Applicable for Tax Year 2026-27)	Tax Rates	Notes
Net Taxable Income (INR)	Slab Rate	Net Taxable Income (INR)	Slab Rate	
Up to 4,00,000	NIL	Up to 4,00,000	NIL	
4,00,001 – 8,00,000	5%	4,00,001 – 8,00,000	5%	
8,00,001 – 12,00,000	10%	8,00,001 – 12,00,000	10%	
12,00,001 – 16,00,000	15%	12,00,001 – 16,00,000	15%	
16,00,001 – 20,00,000	20%	16,00,001 – 20,00,000	20%	
20,00,001 – 24,00,000	25%	20,00,001 – 24,00,000	25%	
Above 24,00,000	30%	Above 24,00,000	30%	

Note 1:

- In case of short term capital gains u/s 111A of ITA,1961 / u/s 196 of ITA,2025, long term capital gains u/s 112 & 112A of ITA,1961 / u/s 197 & 198 of ITA,2025 and dividend, the rate of surcharge shall be restricted to 15%, even if total income exceeds INR 2 Crores. The option of “old tax regime / optional tax regime” can be opted every year in case of person not having business income. In other case, once such option is exercised it can be withdrawn only once in subsequent year unless such person ceases to have Business Income.
- AMT will not be applicable if one opts for tax u/s 115BAC of ITA,1961 / u/s 201(1) of ITA,2025 [Default Tax Regime].



II. Tax Rates in Old Regime in ITA,1961 / u/s 202(4) of ITA, 2025

Tax Rates for Individuals, HUF, AOP (Other than Co-Operative Society) , BOI & AJP

Slab (Applicable for A.Y.2026-27 & Tax year)	Individual, HUF, AOP, BOI & AJP	Senior Citizen (60 years & above)	Very Senior Citizen (80 years & above)	Notes
Taxable Income (INR)	Slab Rate	Slab Rate	Slab Rate	
Upto – 2,50,000	NIL	NIL	NIL	
2,50,001 – 3,00,000	5%	NIL	NIL	
3,00,001 – 5,00,000	5%	5%	NIL	
5,00,001 –10,00,000	20%	20%	20%	<ul style="list-style-type: none"> ▪ Surcharge @ 10% if income exceeds INR 50 Lakhs but not exceeding INR 1 Crore. ▪ Surcharge @ 15% if income exceeds INR 1 Crore but not exceeding INR 2 Crores. ▪ Surcharge @ 25% if income exceeds INR 2 Crores but not exceeding INR 5 Crores. ▪ Surcharge @ 37% if income exceeds INR 5 Crores. ▪ In case of AOP consisting of only companies as its members, the rate of surcharge shall be restricted to 15%, even if total income exceeds INR 2 Crores. ▪ In case of STCG u/s 111A of ITA,1961 / u/s 196 of ITA,2025, LTCG u/s 112 & 112A of ITA,1961 / u/s 197 & 198 of ITA,2025 and dividend, the rate of surcharge shall be restricted to 15%, even if total income exceeds INR 2 Crores. ▪ Health and Education Cess @ 4% of Tax + Surcharge. ▪ Maximum rebate of INR 12,500 available to resident individuals with net taxable income up to INR 5,00,000. ▪ AMT shall be applicable in case of taxpayer claiming specified deduction. ▪ Rebate not available on Capital Gain (LTCG,STCG)
Above 10,00,000	30%	30%	30%	



- In order to opt for Old Regime/Optional Regime, individual, HUF & others shall have to opt for the same and file the return of income within the due date prescribed u/s 139(1) / u/s 263(1)*.
- In case of New Regime/Default Regime the individual, HUF & others will not be able to set-off any loss carried forward or additional depreciation attributable to exemptions/deductions; such loss and depreciation shall be deemed to have been given full effect to and no further deduction (including adjustment to WDV) shall be allowed for any subsequent year.

Note 2:

Under the Default Regime, the following exemptions and deductions cannot be claimed:

- Leave travel concession u/s 10(5) / Schedule III [Sl. No. 8]* - applicable for persons in employment
- House rent allowance u/s 10(13A) / Schedule III [Sl. No. 11]* - applicable for persons in employment
- Allowances u/s 10(14) / Schedule III [Sl. No. 12 & 13]* - applicable for persons in employment other than:
 - Transport allowance to divyang employee commuting between residence and office
 - Conveyance allowance to meet expenses during conveyance on duty
 - Allowance to meet cost of travel on tour or transfer
 - Daily allowance on account of absence from normal place of duty

- Deduction for tax on employment (Professional Tax) u/s 16*/ u/s 19(1) [Sl. No. 1] against salary income.
- Allowances to MPs/MLAs u/s 10(17) / Schedule III [Sl. No. 5, 6, 7]*
- Allowance for income of minor u/s 10(32) / Schedule III [Sl. No. 17]*
- Exemption for SEZ units u/s 10AA / u/s 144*.
- Interest on loan taken for self-occupied or vacant property u/s 24 / u/s 22*.
- Additional depreciation u/s 32(1)(iia) / u/s 33(8)*
- Donations or expenditure on scientific research u/s 35(1)(ii), 35(1)(iia), 35(1)(iii), 35(2AA) / u/s 45(3)*
- Deductions u/s 32AD, 33AB, 33ABA, 35AD, 35CCC / u/s 48, 49, 46, 47(1)(a)* applicable to business income
- Deductions under Chapter VIA / Chapter VIII*

Note 3:

Following deductions shall be available under both regimes.

- Deduction 80CCD / u/s 124(1)* (NPS contribution by employer), 80CCH/125(2) (Agniveer Corpus Contribution by CG), 80JJA/146 (New Employees) will continue to be available .
- Standard deduction u/s 16(i) / u/s 19(i)* of Rs. 50,000/- under optional regime and Rs. 75,000/- under Default regime for Income from Salary will be allowed as deduction.
- Family pension u/s 57(iia) / u/s 93(1)* will also be allowed as deduction.

“*In ‘(xx/xx)’, sections preceding ‘/’ relate to ITA 1961 and sections succeeding ‘/’ relate to ITA 2025.”



Rebate u/s 87A of ITA,1961 / u/s 156(2) of ITA,2025

- There is no change with regards to rebate provisions. The rebate continues to remain INR 60,000/12500 such that no income tax is payable by an individual whose total income does not exceed INR 12 lakhs /5 lakhs for assessee opting new regime /old regime respectively.
- Rebate provisions are not applicable on Capital Gains.



sections succeeding ‘/’ relate to ITA 2025.”



Tax Rates for Firms (including LLPs)

Particulars	Basic Tax	Surcharge	Cess	Total	Notes
Income upto INR 1 Crore	30%	-	4%	31.20%	
Income exceeding INR 1 Crore	30%	12%	4%	34.94%	Health and Education Cess @ 4% of Tax + Surcharge

Tax Rates for Domestic Companies

Particulars	Company opting for u/s 115BAA / 200	Company opting for u/s 115BAB / 201	Other Company
Business of the Company	Any Business	Manufacturing/Production	Any Business
Eligibility Criteria	No specific requirement	Set up and registered on or after 1 st October, 2019 (manufacturing / production to commence by 31 st March, 2024)	No specific requirement
Basic Tax Rate	22%	15%	25%/30% (Refer note 1)
Surcharge	10%	10%	0%/7%/12% (Refer note 2)
Cess	4%	4%	4%
Effective Tax Rate	25.17%	17.16%	26% to 34.94%
Minimum Alternate Tax	Not applicable	Not applicable	Basic Rate =14% of Book profits plus applicable surcharge and cess
Other Conditions	Prescribed exemptions /deductions are not allowed (Refer Note 7)		



Notes: Common in the both the acts

1. Basic rate of Tax is 25% if turnover in FY 2024-25 is not more than INR 400 Crores.

2. Surcharge Rates for Other Company

Total Income	Applicable Surcharge
Upto INR 1 Crore	0%
INR 1 Crore < To \leq INR 10 Crores	7%
More than INR 10 Crores	12%

3. The option of Section 115BAA/ 200 can be exercised in any year but before the due date specified u/s 139(1) for filing return of income for that year. This option once exercised cannot be withdrawn subsequently.

4. The option of section 115BAB/ 201 needs to be exercised before the due date specified u/s 139(1) for filing 1st Return of Income of the Company.

5. The option u/s 115BAB/ 201, once exercised, cannot be withdrawn subsequently. However, if the company fails to satisfy the conditions of Section 115BAB/201 it can opt for Section 115BAA/200. However, if the violation is discovered subsequently after the due date u/s 139(1), it may be doubtful to opt for such an option.

6. Companies formed by restructuring or splitting up of existing business or using old plant & machinery more than 20% of total

7. plant and machinery or using building used previously as hotel or convention centre are not eligible for opting for u/s 115BAB/201

8. No deduction to be claimed in respect of:

- Section 10AA / 144 : Units in Special Economic Zone
- Section 32(1)(iia) / 33(8) : Additional depreciation allowance
- Section 32AD / - : Deduction for investment in new plant and machinery in notified backward States.
- Section 33AB / Schedule 9 : Tea/ coffee/ rubber development allowance
- Section 33ABA / Schedule 10 : Site restoration fund.
- Section 35(1)(ii), (iia), (iii) and 35(2AA)/ Section 45: certain scientific research expenditure.
- Section 35AD / Section 46: Deduction in respect of expenditure on specified business.
- Section 35CCC / 47: Expenditure on agricultural extension project.
- All the deductions under Chapter VIA except section 80JAA / 146 (deduction in respect of new employees) and section 80LA / 147 (income from IFSC Unit).



8. Set-off of any loss carried forward from earlier years to the extent that such loss is attributable to any of the deduction mentioned above. Though set off of loss on account of unabsorbed additional depreciation is not allowed, corresponding adjustment in WDV of such block of assets shall be allowed





Tax Rates for Foreign Companies

Particulars	Tax	Surcharge	Cess	Total	Notes:
Income upto INR 1 Crore	35%	-	4%	36.40%	Health and Education Cess @ 4% of Tax + Surcharge
Income exceeding INR 1 Crore but not exceeding than INR 10 Crores	35%	2%	4%	37.13%	
Income exceeding INR 10 Crores	35%	5%	4%	38.22%	





Tax Rates for Cooperative Societies

Particulars	Resident Co-operatives opting for Sec 115BAD/203	Resident Co-operatives opting for Sec 115BAE/204	Other Cooperatives
Business of Cooperative Society	Any Business	Manufacturing / Production	Any Business
Eligibility Criteria	No specific requirement	Set up and registered on or after 1 st April, 2023, and has commenced manufacturing or production of an article or thing on or before the 31 st day of March, 2024	No specific requirement
Basic Tax Rate	22%	15%	10% / 20% / 30% (Note – 1)
Surcharge	10%	10%	0% / 7% / 12% (Note - 2)
Cess	4%	4%	4%
Effective Tax Rate	25.17%	17.16%	10.4% to 34.94%
Alternate Minimum Tax	Not applicable	Not applicable	Basic Rate =15% of Book profits plus applicable surcharge and cess
Other Conditions	Note - 3	Note – 4	N.A.

Note 1

Basic Rate Total Income	Applicable Tax Rates
Upto INR 10,000	10%
INR 10,000 < To \leq INR 20,000	20%
Exceeding INR 20,000	30%

Note 2

Surcharge Rates Total Income	Applicable Surcharge
Upto INR 1 Crore	0%
INR 1 Crore < To \leq INR 10 Crores	7%
More than INR 10 Crores	12%



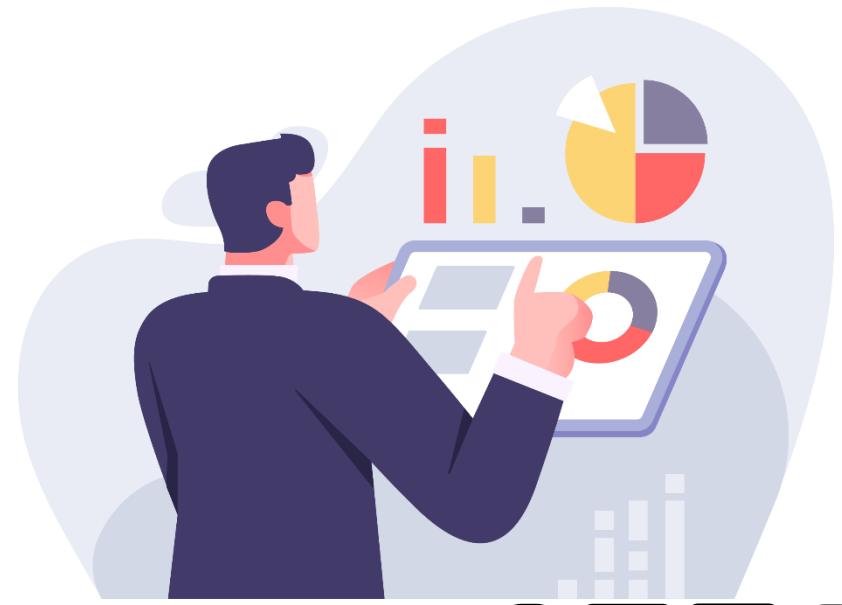
Note 3 - Concessional rate of tax for Co-operative society u/s 115BAD of ITA,1961 / u/s 203 of ITA, 2025

■ In line with provisions related to domestic companies, co-operative society, resident in India, shall have the option to pay tax at effective rate of @ 25.17% (inclusive of surcharge and cess), subject to fulfilment of following conditions:

- No deduction to be claimed in respect of:
 - Section 10AA / 144 : Units in Special Economic Zone
 - Section 32(1)(iia) / 33(8) : Additional depreciation allowance
 - Section 32AD / - : Deduction for investment in new plant and machinery in notified backward States.
 - Section 33AB / Schedule 9 : Tea/ coffee/ rubber development allowance
 - Section 33ABA / Schedule 10 : Site restoration fund.
 - Section 35(1)(ii), (iia), (iii) and 35(2AA)/ Section 45: certain scientific research expenditure.
 - Section 35AD / Section 46: Deduction in respect of expenditure on specified business.
 - Section 35CCC / 47: Expenditure on agricultural extension project.
 - All deductions under Chapter VIA except section 80JJAA / 146 (deduction in respect of new employees) and section 80LA /

147 (income from IFSC Unit).

- Set-off of any loss carried forward from an earlier year to the extent that such loss is attributable to any of the deduction mentioned above shall not be allowed. Though set off of loss on account of unabsorbed depreciation is not allowed, corresponding adjustment in WDV of such block of assets shall be allowed.
- AMT will not be applicable if one opts for Section 115BAD / 203
- Rest of the provisions are in line with the condition applicable to companies as per section 115BAA / 200





Note 4 - 15% concessional tax to promote new manufacturing co-operative society (u/s 115BAE of ITA,1961 / u/s 204 ITA,2025)

- Newly set-up domestic manufacturing companies can opt for concessional tax rate of 15% without availing specified incentives/ deductions.
- In line with provisions related to domestic companies, co-operative societies which are resident in India, shall have the option to pay tax at the rate of 15% applicable for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2024 without availing certain deductions.
- Conditions for claiming the benefit:
 - the cooperative society has been set-up & registered on or after the 1st day of April, 2023, & has commenced manufacturing or production of an article or thing on or before the 31st day of March, 2024 and the business is not formed by splitting up, or the reconstruction, of a business already in existence;
 - The co-operative society shall not be engaged in any business other than the business of manufacture or production which shall include the business of generation of electricity, but not include certain specified businesses.
 - Remaining all the conditions are similar to the conditions provided u/s 115BAB / 201 of the Income Tax Act.





Rate Charts – Tax Deducted At Source (TDS) – Payments to Residents

Nature of Payments	Payer	Threshold	Rate	Note
Salary	Any person	NA		1 & 2
Payment of Accumulated Balance due to Employee under Employees Provident Fund and Miscellaneous Provisions Act, 1952	Any person	50,000	10%	
Commission / Brokerage				
Commission /Brokerage – Insurance	Any person	20,000	Rate in Force (Rate - 2%)	
Commission/Brokerage – Others	Specified Person	20,000	2%	3
Rent				
Payment of Rent by Individuals/HUF (other than specified person)	Person other than specified person	50,000 pm or part of month	2%	3, 4 & 21
Rent of machinery, plant or equipment	Specified Person	50,000 pm or part of month	2%	3
Rent of land, building or Furniture			10%	



Rate Charts – Tax Deducted At Source (TDS) – Payments to Residents

Nature of Payments	Payer	Threshold	Rate	Note
Payment on transfer of certain immovable property other than agricultural land				
Any Consideration for transfer of any immovable property (other than agricultural land)	Any person	50,00,000	1%	5 & 21
Any consideration, not being consideration in kind under the agreement for Joint Development	Any person	NIL	10%	
Compensation or Consideration for Compulsory Acquisition of Immovable Property (other than agricultural land)	Any person	5,00,000	10%	6
Income from Capital Market				
Income in respect of units of Mutual fund or Administrator of Specified Undertaking or Specified Company	Any person	10,000	10%	15
Distributed Income from units of Business Trust.	Any Business Trust	NIL	10%	17
Any taxable income other than PGBP in respect of units of an investment fund	Any Investment Fund	NIL	10%	7
Any Income from Securitization Trust	Any securitization trust	NIL	10%	18



Rate Charts – Tax Deducted At Source (TDS) – Payments to Residents

Nature of Payments	Payer	Threshold	Rate	Note
Interest Income				
Interest on Securities	Any person	10,000	Rates in Force (Rate - 10%)	
Any income by way of interest other than Interest on Securities	A bank/co-operative bank/post office	Senior Citizen 1,00,000 Others - 50,000	Rates in Force (Rate - 10%)	8
Any income being interest Other than Interest on Securities	Specified Person	10,000	Rates in Force (Rate - 10%)	3 & 8
Payments to Contractors, fees for professional and technical services				
Payment to Contractors / Sub-Contractors	Any designated person	Single Transaction ≥ 30,000 & Aggregate 1,00,000	Individual/HUF - 1% Others - 2%	9 & 10
Payment for contract /professional services / commission other than by individual/ HUF.	Individual/ HUF (other than designated person & specified person)	50,00,000	2%	3, 9 & 21
Professional Fees/ FTS/ Royalty for cinematographic films/ Remuneration to Director/ payee in call center business	Specified Person	50,000	2%/10%	3 & 11



Rate Charts – Tax Deducted At Source (TDS) – Payments to Residents

Nature of Payments	Payer	Threshold	Rate	Note
Dividend				
Dividends	Any Domestic company	Nil	10%	
Others Cases				
Any Sum in respect of Life Insurance Policy	Any person	1,00,000	2%	16
Purchase of goods	Any person	50,00,000	0.10%	13 & 23
TDS by specified bank to specified senior citizen	Specified Bank	As applicable	Rate in force	19 & 20
TDS on benefit of perquisite in respect of Business or Profession	Specified Person	20,000	10%	3
Payment made by E-commerce operator to E-commerce Participant	Any E-commerce operator	Nil	0.10%	14 & 23
Payment on transfer of Virtual Digital Asset	Any person	Nil	1%	22



Rate Charts – Tax Deducted At Source (TDS) – Payments to Non-residents

Nature of Payments	Payer	Threshold	Rate	Note
Income arising to a Non-Resident foreign citizen Entertainer or Sportsmen/ non resident sports association	Any person	NIL	20%	
Interest on foreign currency borrowing paid to Non-Residents/Foreign Company by Indian company or Business Trust	Any Indian company or business trust	Nil	5%	17 & 25
Interest income paid to Non-Residents/Foreign Company on rupee denominated bond before 1st July, 2023	Any Indian company or business trust	Nil	5%	17
Interest from borrowing from outside India by way of issue of any long term bond or rupee denominated bond listed in IFSC	Any Indian company or business trust	Nil	4%/9%	17 & 26
Interest to non resident/ foreign company	Any infrastructure debt fund	Nil	5%	27
Interest/ Dividend distributed to a non resident/ foreign company by a business trust	Any Business Trust	Nil	Interest - 5% Dividend - 10%	17
Rental income on real estate asset distributed by a business trust to a non resident/ foreign company	Any Business Trust	Nil	Rate in force	17
Income payable to a non resident/Foreign Company in respect of units of an investment fund - chargeable under the head PGBP	Any investment fund	Nil	Rate in force	7



Rate Charts – Tax Deducted At Source (TDS) – Payments to Non-residents

Nature of Payments	Payer	Threshold	Rate	Note
Income to a non resident/ foreign company in respect of investment in a securitisation trust	Any securitisation trust	Nil	Rate in force	18
Income to a non resident/ foreign company in respect of units of a mutual fund / specified company	Any person	Nil	20% or lower rate under DTAA	28
Income in respect of units to an offshore fund	Any person	Nil	10%	
LTCG arising from transfer of units to an offshore fund	Any person	Nil	12.50%	
Interest/ dividend to an non resident in respect of bonds or GDRs	Any person	Nil	10%	
LTCG arising to a non resident from a transfer of bonds or GDRs	Any person	Nil	12.5%	
Income in respect of securities arising to FII	Any person	Nil	20% or lower rate under DTAA	
Income in respect of securities arising to specified fund	Any person	Nil	10%	29
Any interest or other chargeable sum payable to a non resident/ foreign company	Any person	Nil	Rate in force	



Rate Charts – Tax Deducted At Source (TDS) – Payments to Others

Nature of Payments	Payer	Threshold	Rate	Note
Winning from Lotteries, crossword puzzle, card games, betting, gambling etc.	Any person	10,000 in respect of single transaction	Rate in force (Rate - 30%)	
Winnings from online games	Any person	NA	Rate in force (Rate - 30%)	24
Winnings from Horse races	Any person being a bookmaker or horse racing licensee	10,000 in respect of single transaction	Rate in force (Rate - 30%)	
Commission etc. on the sale of lottery tickets	Any person	20,000	2%	
Cash Withdrawn from bank, co-operative bank and post office	A bank/co-operative bank/post office	Co-operative Bank - 3,00,00,000 Others - 1,00,00,000	2%	
Payment in respect of deposits under NSS	Any person	2,500	10%	
Payment of salary, remuneration, interest, bonus or commission by firm to partners	Partnership Firm	20,000	10%	



Notes

1. At the rates applicable to particular slab of income including applicable Surcharge and Health & Education Cess.
2. TDS provisions applies when withdrawal of accumulated balance in RPF is to be included in the total income. In case PAN is not available, TDS shall be at 20% instead of MMR.
3. specified person means—
 - (a) any person, not being an individual or Hindu undivided family; or
 - (b) an individual or a Hindu undivided family, whose total sales, gross receipts or turnover from the business or profession carried on by him exceed INR 1 Crore in case of business or INR 50 lakhs in case of profession during the tax year immediately preceding the tax year in which such income or sum is credited or paid;
4. Tax shall be deducted at the time of credit or payment of rent whichever is earlier, for the last month of the Tax year/ tenancy.
5. TDS on consideration on transfer of immovable property or stamp duty value of such property whichever is higher.
6. Tax shall be deducted where consideration for transfer of any immovable property or stamp duty rate is atleast INR 50 lakhs.
7. Investment fund means CAT I/ CAT II AIF or a fund regulated under The IFSC Authority (Fund Management) Regulation, 2022
8. The threshold limit shall be considered with reference to each branch if core banking solution is not adopted.
9. designated person means:
 - the Central Government or any State Government; or
 - any local authority; or
 - any corporation established by or under a Central Act or State Act or Provincial Act; or
 - any company; or
 - any co-operative society; or
 - any authority, constituted in India by or under any law, engaged either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both; or
 - any society registered under the Societies Registration Act, 1860 or under any law corresponding to that Act in force in any part of India; or
 - any trust; or
 - any University established or incorporated by or under a Central Act or State Act or Provincial Act and an institution declared to be a university under section 3 of the University Grants Commission Act, 1956; or



Notes

- any Government of a foreign State or a foreign enterprise or any association or body established outside India; or
- any firm; or
- any person, being an individual or a Hindu undivided family or an association of persons or a body of individuals, if such person,—
 - (i) does not fall under any of the preceding sub-clauses; and
 - (ii) has total sales, gross receipts or turnover from business or profession carried on by him exceeding one crore rupees in case of business or fifty lakh rupees in case of profession during the tax year immediately preceding the tax year in which such sum is credited or paid to the account of the contractor

10. Tax shall be deducted at source on the invoice value excluding the value of material if such value is specified separately in the invoice.

11. FTS/ Royalty for cinematographic films/ payee in call center business - 2% | Other than Above - 10% | Threshold - Nil for remuneration or fees or commission to a director of a company.

12. Rates in force are as follows:

Particulars	Commission /brokerage - Insurance	Interest on securities	Interest other than interest on securities	income being interest other than interest on securities
a. Person Resident in India - other than domestic company	2%	10%	10%	10%
b. Domestic company	10%	10%	10%	10%

13. TDS shall not apply on which tax is deductible or collectible under any of the provisions of the Act. TDS shall be deducted on the amount exceeding INR 50 lakhs.

14. Any payment made by a purchaser of goods or recipient of services directly to an e-commerce participant for the sale of goods or provision of services or both, facilitated by an e-commerce operator, shall be deemed to be the amount credited or paid by the e-commerce operator to the e-commerce participant and this amount shall be included in the gross amount of such sale or services for the purposes of deduction of income-tax under this serial number; (c)e-commerce operator shall be deemed to be the person responsible for paying to e-commerce participant;



Notes

irrespective of anything contained in this Chapter, if— (i) tax has been deducted on a transaction under this serial number; or (ii) a transaction is not liable for tax deduction as provided in section 393(4)(Table: Sl. No. 11), then tax shall not be deducted on such transaction under any other provision of this Chapter; (e) clause (d) shall not apply to any amount or aggregate of amounts received or receivable by an e-commerce operator for— (i) hosting advertisements; or (ii) providing any other services, which are not in connection with the sale or services referred to in this serial number.

15. Units of Mutual Fund have been specified under Sch VII(20) of Income Tax Act, 2025. “Administrator”, “specified company” and “specified undertaking” are specified u/s 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002.
16. Any sum under the Life Insurance Policy includes Bonus but does not include amounts not includable under Sch II (2).
17. Business trust means a trust registered as— (a) an Infrastructure Investment Trust under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 made under the Securities and Exchange Board of India Act, 1992; or (b) a Real Estate Investment Trust under the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, made under the Securities and Exchange Board of India Act, 1992;

18. Securitisation trust means a trust, being a 15 of 1992. (i) “special purpose distinct entity” as defined in regulation 2(1)(u) of the Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008 made under the Securities and Exchange Board of India Act, 1992 and the Securities Contracts (Regulation) Act, 1956 and regulated under the said regulations.
19. Total income of a specified senior citizen after giving effect to deduction allowable under Chapter VIII and rebate allowable under section 156.
20. Specified Bank means a banking company as the Central Government may, by notification, specify.
21. No TAN is required.
22. Where value or aggregate value of such consideration during the tax year does not exceed— (a) INR 50,000, when payable by an individual or a Hindu undivided family,— (i) whose total sales, gross receipts or turnover from the business carried on by him or profession exercised by him does not exceed INR 1 Crore in case of business or fifty lakh rupees in case of profession, during the tax year immediately preceding the tax year in which such virtual digital asset is transferred; (ii) not having any income under the head “Profits and gains of business or profession”.



Notes

23. TDS Rate shall be highest of the rate as per relevant provision or Rates in Force or 5%, whichever is higher.
24. TDS is deducted on net winnings in the user account of the payee at the end of the tax year in specified manner.
25. (a) Under a loan agreement or issue of long term infrastructure bond on or after the 1st July, 2012 but before the 1st July, 2023; or (b)by way of issue of any long-term bond on or after the 1st October, 2014 but before the 1st July, 2023, which is approved by the Central Government in this behalf.
26. 4% - Bonds issued from 01st April, 2020 but before 01st July, 2023 and 9% - bonds issued on or after 01st July 2023.
27. Such fund is set up as per the guidelines issued by the Central Government, by notification.
28. Specified company means a Company as referred to in section 2(h) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002
29. Specified fund means a fund referred to in note 1 of schedule VI of ITA 2025





Rate Charts – Tax Collected At Source (TCS)

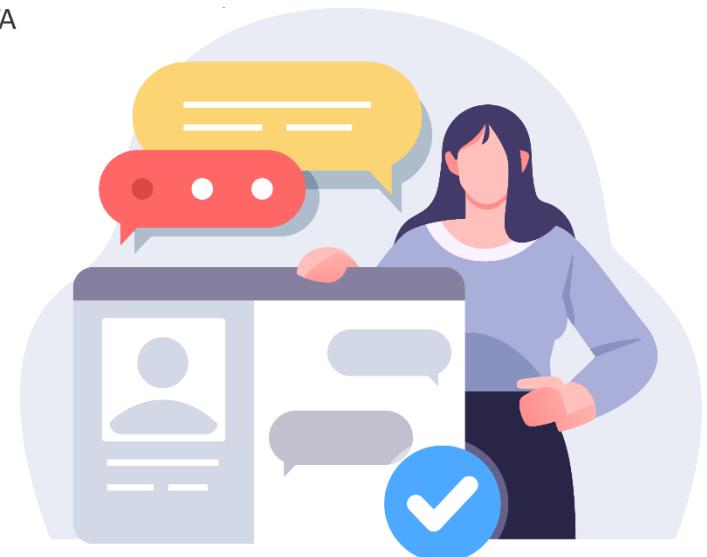
Nature of Receipt by seller	Threshold Limits		Rate	
	Existing (INR)	Proposed (INR)	Existing	Proposed
Alcoholic Liquor for human consumption	N.A.	N.A.	1%	2%
Timber obtained under a forest lease				
Timber obtained by any other mode	N.A.	N.A.	2%	2%
Any other forest produce not being a timber or tendu leave (Refer Note 3)				
Scrap	N.A.	N.A.	1%	2%
Grant of license, lease, etc. of parking lot	N.A.	N.A.	2%	2%
Grant of license, lease, etc. of toll plaza				
Grant of Mining and quarrying	N.A.	N.A.	2%	2%
Tendu leaves	N.A.	N.A.	5%	2%
Minerals being coal or lignite or iron one	N.A.	N.A.	1%	2%
TCS on Purchase of Motor Vehicle and Luxury Goods (Refer Note - 4)	10,00,000	10,00,000	1%	1%
TCS on remittance under LRS for purchase of overseas tour program package	Upto 10,00,000	-	5%	2%
	In excess of 10,00,000	-	20%	2%
TCS on remittance under LRS for purpose other than educational loan or medical treatment	In excess of 10,00,000	In excess of 10,00,000	20%	20%
TCS on remittance under LRS for educational loan taken from financial institutions	NA	NA	NIL	Nil



Nature of Receipt by seller	Threshold Limits		Rates	
	Existing (INR)	Proposed (INR)	Existing (%)	Proposed (%)
TCS on remittance under LRS for the purpose of education (other than financed by loan) or for the purpose of medical treatment	In excess of 10,00,000	In excess of 10,00,000	5%	2%
TCS on sale of goods	No TCS	No TCS	NO TCS	No TCS

Notes:

1. Seller means any company or firm or co-operative society, central Government, State Government or any local authority and includes an individual and HUF whose total sales or gross receipt/turnover exceeds 1 crore in case of business or 50 Lakhs in case of profession during the FY immediately preceding the FY in which the goods are sold.
2. In case buyer does not furnish PAN then TCS shall be collected at higher of the following rates
 - o Twice the rate specified in relevant provisions of the Act, or
 - o 5%.
3. The above provision are not applicable for non-resident who does have permanent establishment in India.
4. This specified goods has been notified to include certain luxury goods under ITA 1961. However similar notification of ITA





Electronic Verification & Issuance of Certificate for Lower/NIL TDS Certificate

- Currently, the process of obtaining lower/NIL TDS certificate is physical.
- In order to ease the compliance burden, it is proposed that small taxpayers may opt to file the application electronically as maybe prescribed to the prescribed authority for a lower/NIL TDS certificate.
- The Lower/NIL TDS Certificate will be issued upon fulfillment of the prescribed conditions or the application may be rejected if incomplete.

Enabling filing of declaration for no deduction to a depository

- Currently, an assessee is required to file a written declaration to claim no TDS on income such as dividends, interest on securities, and income from mutual fund units to each person responsible for paying income.
- In order to ease compliance, it is proposed that investors holding securities or units in a depository, where such securities are listed on a recognised stock exchange in India, may submit a single declaration to the depository. The depository shall, in turn, make

this declaration available to the relevant person responsible for paying such income, thereby eliminating the need for multiple submissions to different entities.

- Further, the timeline for the person responsible for paying the income to furnish declarations to the prescribed Income-tax authority has been proposed from a monthly basis to a quarterly basis.
- These amendments are proposed to take effect from 1st April, 2027.





TAN Relaxation for Resident Individual/HUF buying immovable property from Non-Resident

- Currently, a Resident Individual/HUF is required to obtain TAN registration to deduct TDS on the purchase of immovable property from a Non-Resident Seller.
- In order to reduce compliance burden of Resident Buyer, it is proposed that buyers will no longer be required to obtain TAN for such transactions. Instead, TDS will be deducted under PAN of the payer.
- The proposed amendment will be effective from 1st October 2026.

Exemption on interest income under the Motor Vehicles Act, 1988

- Under the Motor Vehicles Act, 1988 the Motor Vehicles Claims Tribunal awards compensation & interest on compensation to an individual or legal heirs in cases of death, permanent disability, or bodily injury. It is proposed to make the interest on compensation exempt from tax & amendment is proposed to Schedule III of the ITA 2025.
- Corresponding amendment is proposed to TDS provision to provide that no TDS will be deductible on interest on compensation paid to the individual irrespective of the amount of interest paid. For interest paid to others, tax is to be deducted if the interest income exceeds INR 50,000 in the tax year.

Guidelines to be binding on Income Tax authorities and person liable to deduct or collect Income Tax

- Section 400(2) of the ITA 2025 empowers the CBDT, with prior approval of the Central Government, to issue guidelines to remove difficulties in implementation of TDS/TCS provisions.
- Under the ITA 1961 such guidelines were expressly binding on income-tax authorities as well as on persons responsible for deduction or collection. Section 400(2) of the ITA 2025 did not explicitly provide for the binding nature of these guidelines.
- To align with the legislative intent of the ITA 1961, it is proposed that all guidelines issued under section 400(2) of the ITA 2025 shall be binding on income-tax authorities and on deductors/collectors.





Rationalization of Minimum Alternate Tax

- Under the existing provisions, the MAT on book profits for companies was at the rate of 15% which has been reduced to 14% with the provision that no credit shall henceforth be allowed in respect of the same in the subsequent years.
- Set off of MAT credit as on 31st March 2026 shall be permitted to a Domestic company opting for the New Tax Regime(s), subject to limit of up to 25% of the total tax liability.
- In case of Foreign Companies MAT provision remains unchanged and set-off shall be allowed to the extent of the difference between normal tax liability and MAT, in cases where normal tax exceeds MAT.
- MAT credit, if eligible to be carried forward, is allowed to be carried forward for a period of 15 years.

Rationalising the due date to credit employee contribution by the employer to claim such contribution as deduction

- Earlier, deduction for employee contributions such as PF and ESI was allowed only if the employer deposited the amount within the due dates prescribed under the respective laws. Even a minor delay resulted in disallowance of the deduction, even if the payment was made before the due date for filing the income-tax return.

- Under the proposed change, employers will be allowed to claim the deduction if the employee contribution is deposited on or before the due date for filing the income-tax return of the employer.

Non-life Insurance Business: Deduction of expenditure which is subject to TDS

- While computing profits of non-life insurance businesses, certain expenses are added back if they are not allowable, including expenses where required tax was not deducted or was deducted but not paid on time.
- Although such expenses are generally allowed as a deduction in a later year once the required tax is deducted and paid, the current provisions do not clearly state this for non-life insurance businesses, leading to inconsistency.
- To remove this ambiguity, it is proposed to amend the law to clearly allow these expenses as a deduction in the year in which the required tax is deducted and paid.



Clarifying repeal and savings clause where amount allowed as deduction earlier is to be treated as income in a later year

- Under the existing provisions of the ITA 2025, an amount earlier allowed as a deduction is brought to tax in the relevant year only upon violation of the prescribed conditions. Accordingly, violation of the condition is the sole reason for such amount to be deemed as income under existing provision.
- In Finance Bill, 2026, it is proposed to expand the scope of the existing provision by including “other reasons”, in addition to violation of conditions, as circumstances under which the previously allowed deduction shall be deemed as income.



Deduction of expenses for prospecting of minerals – List of minerals expanded

- Residents engaged in prospecting, extracting, or producing specified minerals are allowed a deduction equal to 1/10th of the eligible expenses incurred wholly and exclusively for prospecting or for developing a mine or natural mineral deposit.
- Deduction is allowed on a deferred basis over 10 years, starting from the year of commercial production, for expenses incurred in the year of commercial production and any one or more of the 4 years immediately preceding the year of commercial production.
- To encourage prospecting and the exploration of critical minerals, it is proposed to expand the list of specified minerals to include additional minerals as outlined in Schedule VII of the ITA 2025.



Taxation on Buy back of Shares

- Presently, receipt on buyback of shares is treated as dividend in the hands of the shareholders and tax is payable at the applicable rates under the Act.
- Buyback of shares will now be chargeable to tax as capital gain and the rate of tax will vary depending whether it is a promoter shareholder or a non-promoter shareholder.

Scenarios	STCG (Listed shares) (%)			LTCG (%)		
	Tax	Addnl tax	Total	Tax	Addnl tax	Total
Non promoter shareholder	20	-	20	12.5	-	12.5
Promoter shareholder is domestic company	20	2	22	12.5	9.5	22
Promoter shareholder is other than domestic company	20	10	30	12.5	17.5	30
<i>The above rates are exclusive of applicable Surcharge and cess</i>						

Notes :

- Promoter in case of a listed company means a promoter as per the SEBI regulations for Buy Back of shares.
- For other companies promoter means –
 - A promoter as defined under S. 2(69) of the Companies Act, 2013 or;

- A person who holds directly or indirectly, more than 10% of the share holding in the company.
- In case of non-resident shareholder, buyback of shares was treated as dividend which was eligible for beneficial rate of tax of dividend under DTAA which is now taxable as capital gain as per rates prescribed in ITA.
- This additional tax does not apply to short term capital gain of unlisted shares, for which no specific rate of additional tax is prescribed and which is subject to tax at normal slab rates.





Exemption for Sovereign Gold Bond

- Presently, income arising on redemption of Sovereign Gold Bonds issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015 that are subscribed to by an individual at the time of original issue as well as the subsequent holder is exempted from capital gain tax.
- It is now proposed that the exemption will be applicable only to those Sovereign Gold Bonds issued by the Reserve Bank of India that are subscribed to by an individual at the time of original issue and are held continuously by such individual until redemption upon maturity.
- Any maturity of existing Sovereign Gold Bonds by a subsequent holder on or before 31st March 2026 shall be governed by the existing provisions.

Land under the RFCTLARR Act

- Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act)) Act provides that the income tax is not levied on any awards/agreement made under the said act.
- Relying on RFCTLARR Act, CBDT clarified that any compensation received on account of compulsory acquisition of any land remains tax-free even though the Income-tax Act does not expressly provide for such exemption.
- In order to align the provision of the Act with the RFCTLARR Act, it is proposed to provide exemption for any income in respect of award/ agreement made under RFCTLARR Act on account of compulsory acquisition of land.





Non allowability of commission/ remuneration or interest expense as a deduction against dividend income and income from mutual fund

- Current provision provides for deduction of
 - commission/ remuneration paid to banker or any other person for realizing the dividend as deduction and
 - interest expenditure incurred subject to ceiling of 20% for earning dividend income and income from units of mutual funds.
- It is proposed to expressly provide that no deduction shall be allowable in respect of any commission/ remuneration paid against dividend income and any interest expenditure incurred for earning dividend income and income from units of mutual funds.





Safe Harbour and APA for IT Sector

- Presently, Safe Harbour Rules prescribe operating profit margins ranging from 17% to 24%, for the following international transactions:
 - Software Development Services
 - IT Enabled Services (ITES)
 - Knowledge Process Outsourcing (KPO)
 - Contract R&D services relating to software development.
- To streamline the framework , the Hon'ble Finance Minister, in her budget speech has proposed the following:
 - Above services shall be clubbed under a single category of Information Technology Services with a common safe harbour margin of 15.5%.
 - The threshold for availing safe harbour for IT services is proposed to be increased from INR 300 crores to INR 2,000 crores.
 - Safe harbour for IT services shall be approved by an automated rule-driven process without any need for tax officer to examine & accept the application. Once applied by an IT Services company, the same safe harbour can be continued for a period of 5 consecutive years as compared to current 3 years at the discretion of IT Service company.
 - Fast-track Unilateral APA is proposed for IT services companies, with completion targeted within 2 years, extendable by 6 months on taxpayer's request.

Component Warehousing by Non Resident

- The Hon'ble Finance Minister, in her budget speech has proposed to extend safe harbour rules to non-residents undertaking component warehousing activities in bonded warehouses in India to harness efficiency of logistics for electronic manufacturing. Such activities shall be subject to a deemed profit margin of 2% of the invoice value, resulting in an effective tax rate of approximately 0.7% as mentioned in the speech.





Exemption to a foreign company on any income arising in India by way of procuring data centre services from a specified data centre

- It is proposed to provide an exemption to foreign company on any income in India by way of procuring data centre services from a specified data centre subject to the fulfilment of the following conditions, namely:
 - Foreign company should be notified by the Central Government on this behalf.
 - Foreign company should not own or operate any of the physical infrastructure or resources of the specified data centre.
 - The service provided by foreign company to the Indian users should be through an Indian reseller company.
 - The information maintained by foreign company should be in such form and manner as be specified.
 - “Specified data centre” means data centre which is owned and operated by an Indian company and notified by the Central Government on this behalf.
- The exemption shall be available up to FY 2046–47.
- The Hon’ble Finance Minister in her Budget Speech has proposed a safe harbour margin of 15% on cost is proposed in case the company providing data centre services from India is a related entity of such foreign company.

Income from Supply of Capital Equipment to an Electronic Goods Contract Manufacturer in a Customs Bonded Area

- It is proposed to provide an exemption for any income arising from the supply of capital goods, equipment, or tooling by a foreign company to a contract manufacturer, being a company resident in India. The exemption shall be subject to the following conditions:
 - Ownership of such capital goods, equipment, or tooling shall at all times remain with the foreign company.
 - Such capital goods, equipment, or tooling shall be under the control and direction of the contract manufacturer.
 - Contract manufacturer shall be located in a customs bonded area i.e. warehouse as referred to in Customs Act, 1962.
 - Contract manufacturer shall manufacture electronic goods on behalf of the foreign company for a consideration.
 - The exemption shall be available up to F.Y. 2030–31.



Clarifying the manner of computation of 60 days for passing the order by TPO

- Transfer Pricing Officer (TPO) needs to pass order 60 days before limitation period expires.
- The amendment prescribes specific calendar dates up to which the transfer pricing order may be passed, to avoid interpretational issues based on the date on which the overall limitation for completion of assessment expires.

Year	Assessment Limitation Period	Time limit for TPO to pass the order (ITA 1961)	Time limit for TPO to pass the order (ITA 2025)
Non Leap Year	31 st March	30 th January	31 st January
Leap Year	31 st March	31 st January	
Any	31 st December	1 st November	31 st October

- The amendment operates notwithstanding any judgment, order or decree of any court, and has been given retrospective effect from 1 June 2007 as per ITA 1961.

Facility for Associated Enterprises to file Modified return pursuant to APA

- Presently, any person entering into an Advance Pricing Agreement (APA) is permitted to file a modified return. It is now proposed to extend this facility to any associated enterprise even if not entered into APA, whose income is

correspondingly modified pursuant to the APA.

- Associated enterprise can furnish a return or modified return in accordance with and limited to the agreement entered on or after 1st April 2026.
- This will enable associated enterprises to give effect to the changes in their income and claim refunds.
- The return must be filed within 3 months from the end of the month in which the APA is entered, for the tax years covered by the agreement.

Tonnage Tax Scheme clarification for Inland Vessels

- Benefits of Tonnage Tax Scheme was extended to inland vessels vide Finance Act, 2025 w.e.f. FY 2025-26.
- Certain modifications are proposed to align provisions of ITA 2025 with Inland Vessels Act, 2021 to give effect to Tonnage Tax Scheme to inland vessels.
- Further, it is proposed that “Core Activities” eligible for Tonnage Tax Scheme shall include on-board or on-shore activities of inland vessels comprising of fares and food and beverages consumed on-board.
- This is a kind of clarification or enabling amendment which ought to have been applicable for F.Y. 2025-2026 as well. However, no corresponding changes are proposed for ITA 1961.



Uniformity in Exclusion of Specified Presumptive Income of Foreign Company from Minimum Alternate Tax

- Presently, the income of foreign company arising from certain specified businesses, who have opted for taxation on a presumptive basis is excluded from the applicability of MAT.
- In order to ensure uniformity in tax treatment across all specified businesses of foreign company opting for presumptive taxation, it is proposed to extend the exemption from MAT to additional categories of businesses, namely:
 - Operation of cruise ships
 - Providing services or technology for setting up an electronics manufacturing facility in India to a resident company.

Tax Exemption on Foreign Income for Non-Resident Individuals under Notified Government Schemes

- It is proposed to provide exemption to Individual who is a Non-Resident for the immediately preceding 5 consecutive years, visiting India for the first time to render services under a Central government notified Scheme.
- The exemption will apply to foreign income not deemed to accrue in India for 5 consecutive tax years from the first tax year of visit in India.





Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026)

- Vide Automatic Exchange of Information framework of Government, non-disclosure of foreign income and assets is widely observed, especially among small taxpayers, often due to legacy or inadvertent omissions such as foreign employment benefits, dormant foreign bank accounts, or assets held during overseas employment.
- The Finance Bill proposes a scheme which provides a one-time opportunity to eligible taxpayers to voluntarily disclose undisclosed foreign assets and/or foreign income and regularize past non-compliance under the Income-tax Act and the Black Money laws. The Scheme shall exclude cases involving prosecution or proceeds of crime.
- The Scheme proposes a time-bound declaration mechanism for foreign assets and foreign-sourced income, with payment of tax or fee based on the nature and source of acquisition, along with grant of immunity from penalty and prosecution under the Black Money Act for matters covered by the declaration.
- The taxability of the amount payable under the Scheme is summarized in the table below

Case	Coverage	Amount Payable
I	Undisclosed foreign assets and/or foreign income aggregating amount Up to INR 1 crore	<ul style="list-style-type: none"> a) Tax at 30% on the Fair Market Value of the asset as of 31st March,2026; b) Tax @ 30% on undisclosed foreign Income c) In addition, an amount equal to 100% of the tax calculated under a) and b) shall be payable.
II	Foreign assets acquired from taxed income or during non-resident period but not reported aggregating amount Up to INR 5 crore	One-time fee of INR 1 lakh

- The timeline and procedure for filing declarations is proposed under the FAST-DS 2026 Scheme.
- The Scheme will be open for six months from the date of notification in the Official Gazette, as announced in the Budget Speech



Allowing the filing of updated return after issuance of notice of reassessment

- Under the existing provisions of the ITA 2025, once the Income Tax Department issues a notice for any proceedings for assessment or reassessment or recomputation or revision of Income then, taxpayer was not allowed to file an updated return.
- In order to reduce Litigation, it is proposed that;
- The taxpayer will be allowed to file an updated return within the time specified in the notice.
- Subject to, additional tax liability of 10% of the aggregate of tax and interest payable on account of furnishing the Updated Return.
- Consequent to filing such return, no penalty shall be imposed in respect of income reported in such updated ITR.

Scope of Filing Updated Return Where Losses Are Reduced

- Presently, filing of an updated return is not permitted where such return is a Return of Loss or results in a reduction of a loss.
- In view of suggestions received from stakeholders, the Finance Bill, 2026, permits filing of an updated return with reduced loss as compared to the loss claimed in the original Return of Key Highlights | **Direct Tax Proposals** | Indirect Tax Proposals | Glossary

Loss

Extending the period of filing Revised Return

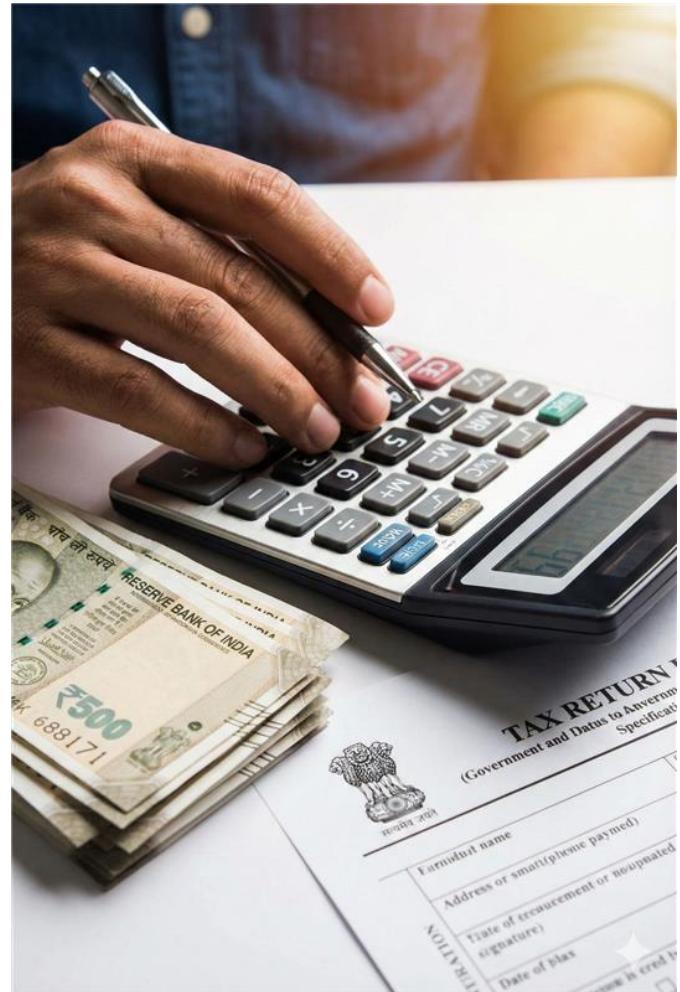
- Under the existing provisions of the ITA 2025, both belated return and revised return can be filed only up to 9 months from the end of the relevant tax year, i.e. on or before tax year or before completion of assessment, whichever is earlier.
- Since the due date for belated return and revised return coincides, a taxpayer filing a belated return at or near the end of the permitted period is unable to revise the return thereafter, even in cases of genuine errors or omissions.
- It is proposed to extend the time limit for filing a revised return from existing time limit of 9 months to 12 months from the end of the relevant tax year, thereby allowing revised returns to be furnished up to 12 months, while the due date for belated return continues to remain upto 9 months from the end of the relevant tax year.



Due dates for filing of Revised, Updated and Belated return

Due date of	Date / Fees	FY 2025-26 / AY 2026-27	FY 2026-27 / AY 2027-28	FY 2027-28 / AY 2028-29
Belated return	Date	31-12-2026	31-12-2027	31-12-2028
	Fees	INR 1000/5000	INR 1000/5000	INR 1000/5000
Revised return	Date	31-12-2026	31-03-2028	31-03-2029
	Fees*	INR 1000/5000	INR 1000/5000	INR 1000/5000
Updated return can be filed for these years	Date	AY 2022-23 to AY 2025-26	AY 2023-24 to AY 2026-27	AY 2024-25 to AY 2027-28

- *Note 1 : It is to be noted that if the revised return is filed on or before 9 month from the end of financial year, then such fees is not payable. However, if the return is filed post 9 months but within 12 months from the end of financial year, then the said fees is payable.
- Note 2 : There is no fees payable for updated return, however there is additional tax payable as per the provisions.





Due dates for filing return of income

Sr. No.	Category	Audit applicable under Income tax Act or any other statute	Transfer Pricing Audit applicable	Due date for filing Return of Income
1	All Assessee	Yes / No	Yes	30 th November
2	All Assessee	Yes	No	31 st October
3	Partner of a firm (Firm subject to audit)	No	No	31 st October
4	Partner of a firm (Firm not subject to audit)	No	No	31 st August
5	Assessee having Income from Business or Profession (not subject to audit)	No	No	31 st August
6	Assessee (other than mentioned above)	No	No	31 st July



Rationalizing the period of block in case of other persons

- Under the existing provisions, if the assessing officer during the search is satisfied that any undisclosed income belongs to other person, the assessment was initiated for whole block even though undisclosed income pertained to single tax year.
- It is proposed that where undisclosed income for such other person pertains to a single tax year, it is not required to undergo the full block assessment procedure resulting in an increased compliance burden on a person against whom no search or requisition was initiated.

Referencing the time limit to complete block assessment to the initiation of search or requisition

- Under the existing provisions, a block assessment or reassessment must be completed within 12 months from the end of the quarter in which the last search authorization was executed or requisition was made. This results in different date of limitation in case of group being searched.
- In order to bring uniformity it is proposed that for block assessments, the time limit will now start from the date the search begins, and the period to complete the assessment will be extended from 12 months to 18 months.

Clarification regarding jurisdiction to issue notice u/s 148 where income has escaped assessment and for carrying out pre-assessment procedure u/s 148A

- Existing Legal Position u/s 148 of the ITA 1961
 - Pre-assessment enquiry u/s 148A –AO to conduct enquiry and pass a reasoned order u/s 148A(d) before issuing notice u/s 148.
 - Post-issuance of notice u/s 148 – Case transferred to NFAC for faceless reassessment u/s 144B
- However, law did not expressly clarify whether NaFAC/Assessment Units could exercise powers under sections 148/148A. Therefore, there were multiple Court rulings on whether NaFAC could issue notice u/s 148 or conduct proceedings u/s 148A of which some were in favour of the revenue and some in assessee's favour.
- It is now proposed to clarify that for the purposes of sections 148 and 148A of ITA 1961, the term "Assessing Officer" shall always mean an Assessing Officer other than the National Faceless Assessment Centre or any of its assessment units.
- The above clarification shall come into force with retrospective effect from 01st April 2021 in ITA 1961.



Validity of Assessments Despite DIN-Related Technical Defects

- Presently, assessment or related proceeding shall not be invalid merely due to any mistake, defect, or omission, if it substantially complies with the intent and purpose of the Act.
- Thereafter, CBDT Circular No. 19/2019 provided a mandate to quote a computer-generated DIN on assessment orders. However, certain High Courts have invalidated the assessments on the grounds like non-quoting of DIN on every page of order or non quoting DIN on the body of the order even where DIN was lawfully generated and quoted in communication accompanying the said orders.
- It is now proposed that an assessment shall not be treated as invalid merely due to any mistake, defect, or omission in quoting the computer-generated DIN, provided the assessment order contains a reference to such DIN in any manner.
- These amendments in ITA 1961 will take effect retrospectively from 1st day of October, 2019.

Time Limit for Computation of assessment under section 144C

- Existing provisions of Section 144C prescribe a special assessment procedure for an eligible assessee, such as a non-resident or a person affected by a Transfer Pricing Officer's order.
- Different Courts have read the time limits in different ways.

Some said that even when section 144C applies, the whole process must still be finished within the usual time limits for assessments (under sections 153/153B). Others treated section 144C as having its own separate timelines. The amendment is meant to make the rule clear, so everyone follows one fixed method and unnecessary disputes are avoided.

- It is clarified that sections 153/153B apply only up to issuing the draft assessment order; once the draft is issued in time, the rest of the process will follow only section 144C's timelines, even if the general time limit would otherwise have expired.
- The proposed amendment shall apply retrospectively from 1 April 2009 for normal assessments and from 1 October 2009 for search assessments.

Lower upfront payment for stay of disputed tax demand (20% to 10%)

- The Hon'ble Finance Minister in her Budget 2026–27 speech, announced relief for taxpayers who challenge an income-tax demand and seek a “stay” (temporary suspension of recovery) while the appeal is pending.
- It was stated that the upfront “pre-payment” required for getting a stay will be reduced from 20% to 10%, and that it will continue to be calculated only on the “core tax demand.”



Rationalization of prosecution proceedings

Particulars	Existing provisions	Proposed provisions
Contravention of order made during search action	Upto 2 years of rigorous imprisonment and fine	Upto 2 years of simple imprisonment and fine
Failure to afford facility for inspection of books of accounts during search	Upto 2 years of rigorous imprisonment and fine	Upto 6 months of simple imprisonment and/or fine
Removal, concealment or transfer of property to evade tax recovery	Upto 2 years of rigorous imprisonment and fine	Upto 2 years of simple imprisonment and fine
Failure to deposit TDS on winning from lottery, benefit or perquisite, etc.	3 months to 7 years of rigorous imprisonment and fine	Decriminalized
Failure to deposit TDS on winnings from online games and consideration from VDA – In kind	3 months to 7 years of rigorous imprisonment and fine	Decriminalized
Failure to deposit TDS on winnings from online games and consideration from VDA – other cases	3 months to 7 years of rigorous imprisonment and fine	If amount of non payment of TDS: a. > INR 50L - Upto 2 years simple imprisonment and/or fine b. > INR 10L upto INR 50L - Upto 6 months simple imprisonment and/or fine c. <INR 10L – Fine
Failure to deposit TCS	3 months to 7 years of rigorous imprisonment and fine	If amount of non payment of TCS: a. > INR 50L - Upto 2 years simple imprisonment and/or fine b. > INR 10L upto INR 50L - Upto 6 months simple imprisonment and/or fine c. <10L – Fine



Rationalization of prosecution proceedings

Particulars	Existing provisions	Proposed provisions
Failure to comply with a direction of special audit or valuation	3 months to 7 years of rigorous imprisonment and fine	If amount of tax evaded: a. >INR 50L - Upto 2 years simple imprisonment and/ or fine b. >INR 10L upto INR 50L - Upto 6 months simple imprisonment and/or fine c. <INR 10L – Fine
Failure to furnish Return of Income	3 months to 7 years of rigorous imprisonment and fine	If amount of tax evaded: a. >INR 50L - Upto 2 years simple imprisonment and/ or fine b. >INR 10L upto INR 50L - Upto 6 months simple imprisonment and/or fine c. <INR 10L – Fine
Failure to furnish return in search cases	3 months to 7 years of rigorous imprisonment and fine	If amount of tax evaded: a. >INR 50L - Upto 2 years simple imprisonment and/ or fine b. >INR 10L upto INR 50L - Upto 6 months simple imprisonment and/or fine c. <INR 10L – Fine
Non-production of books of accounts	Upto 1 year of rigorous imprisonment and fine	Decriminalized
Non-compliance with AO directions	Upto 1 year of rigorous imprisonment and fine	Upto 6 months of simple imprisonment and/or fine



Rationalization of prosecution proceedings

Particulars	Existing provisions	Proposed provisions
False statements made or false account submitted	3 months to 7 years of rigorous imprisonment and fine	If amount of tax evaded: a. >INR 50L - Upto 2 years simple imprisonment and/ or fine b. >INR 10L upto INR 50L - Upto 6 months simple imprisonment and/or fine c. <INR 10L – Fine
Falsification of books of account	3 months to 2 years of rigorous imprisonment and fine	Upto 2 years of simple imprisonment and fine
Abetment of false return	3 months to 2 years of rigorous imprisonment and fine	If amount of tax evaded: a. >INR 50L - Upto 2 years simple imprisonment and/ or fine b. >INR 10L upto INR 50L - Upto 6 months simple imprisonment and/or fine c. <INR 10L – Fine
Second and subsequent offences	6 months to 7 years of rigorous imprisonment and fine	6 months to 3 years of simple imprisonment and fine
Disclosure of confidential information by public servant	1 year of imprisonment and fine	Upto 1 month of simple imprisonment and/or fine

Note: These amendments will take effect from 1st March 2026 in Income Tax Act, 1961 & 1st April 2026 in Income Tax Act 2025



Rationalization of Penalties into Fee

- Presently, ITA 1961 imposes penalties for technical or procedural lapses. These penalties often lead to disputes and litigation, even though the defaults are mostly technical or procedural in nature.
- To reduce unnecessary litigation and make compliance easier, it is proposed that such penalties be converted into fixed “fees”, similar to late fees. A fee is automatic and predictable, unlike a penalty which involves discretion and litigation.
 - Presently, penalty for failure to get accounts audited is prescribed up to INR 1,50,000/- depending upon the turnover. It is proposed to replace this penalty with a fixed fee of INR 75,000/- for delay upto one month and INR 1,50,000/- thereafter.
 - Presently, penalty for failure to submit audit report for international or specified domestic transactions is prescribed upto INR 1,00,000/. The Finance Bill 2026 proposes this penalty to be replaced with a fee of INR 50,000/- for delay upto one month and INR 1,00,000/- thereafter.
 - Presently the daily penalty for delay in filing Statement of Financial Transactions (SFT) is prescribed at INR 500/- per day. The Finance Bill 2026 proposes this penalty to be replaced with a fee of INR 200/- per day, making the cost of delay certain and reducing disputes. Cap on penalty for continued default an upper limit of INR 1,00,000/- is proposed for penalties related to continued failure to file SFT after notice.





The Finance Bill, 2026 replaces several penalties with mandatory fees, acknowledging that technical delays should be treated as mere compliance lapses thereby reducing unnecessary litigation. It therefore becomes important to understand the difference between the two concepts:

Particulars	Penalty	Fee
Nature	Penalty is penal and punitive because it is imposed as a consequence of a wrongful act, default or non-compliance and is intended not merely to recover money, but to punish the defaulter and deter similar conduct in the future.	A fee is compensatory or regulatory in nature because it is levied not as a punishment for wrongdoing, but to recover the cost of regulation or to compensate the authority for a service rendered or a procedural default, and it is generally fixed, mechanical, and triggered by objective conditions without requiring proof of intent or culpability.
Purpose	The purpose of a penalty is punishment and deterrence, as it is imposed to penalise non-compliance or wrongful conduct and to discourage the taxpayer and others from committing similar violations in the future.	A fee is charged as compensation for a service rendered or to regularise a procedural default, and not as a measure of punishment.
Mens rea	Mens rea is often relevant in the case of a penalty and, therefore, its levy is subject to judicial review and requires examination of the intention or culpability of the assessee.	In the case of a fee, mens rea is not relevant and, therefore, the levy is generally fixed and mechanical in nature.
Discretion	A penalty is generally discretionary, as its levy depends on the facts and circumstances of each case and requires the authority to apply judgment before imposing it.	In the case of a fee, discretion is not relevant, as its levy is usually automatic upon the occurrence of the specified event or default.



Expanding the scope of immunity from penalty or prosecution (under ITA 2025)

- Presently, immunity from penalty and prosecution is granted in case of under-reporting of income to the taxpayer when tax and interest as computed under assessment order are paid within the prescribed time and no appeal is filed. However, no such immunity is granted in cases of penalty initiated due to mis-reporting of income.
- Further, in cases involving unexplained cash credits, unexplained investments, unexplained money or assets, the existing provision provides for a separate penalty, in addition to tax payable at the applicable rates. In such cases also, no immunity is available under the existing provisions, and taxpayers are mandatorily subjected to penalty of 10% of tax payable.
- The proposed amendment subsumes the unexplained income in case of misreporting income and extending the benefit of immunity even to cases involving misreporting and unexplained income.
- Under the revised framework, taxpayers in misreporting cases may obtain immunity by paying an additional income-tax equal to 100% of the tax payable.
- In respect of unexplained income, such as unexplained cash credits, unexplained investments, unexplained money or

- assets, immunity will be available on payment of additional income-tax equal to 120% of the tax payable on such income, in lieu of penalty.
- This amendment introduces a settlement-based approach for even misreporting and unexplained income cases thereby encouraging early resolution of tax disputes.

Expanding the scope of immunity from imposition of penalty or prosecution under section 270AA (under ITA 1961)

- Under existing provision, immunity from penalty and prosecution is granted in case of under-reporting of income to a taxpayer when tax and interest as computed under assessment order are paid within the prescribed time and no appeal is filed. However, no immunity is granted in cases of penalty initiated due to misreporting of income.
- It is proposed that the benefit of immunity should also be extended to cases involving misreporting of income. However, in order to avail such immunity, the taxpayer is required to pay additional income-tax equal to 100% of the tax payable besides condition of payment of tax and interest as computed under assessment order and non-filing of appeal.
- This amendment will be applicable to A.Y. 2026–27 and earlier assessment years.



Relaxation of conditions for prosecution under the Black Money Act

- Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 provide for prosecution where a resident, other than not ordinarily resident in India, holding foreign assets or income willfully fails to furnish the return of income or fails to disclose such information in their return of income.
- It is proposed to provide that the provisions of the said sections 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 INR 20 lakhs, to make it harmonious with the threshold specified in sections 42 and 43 of the said Act in respect of penalties on the said violations.
- These amendments will take effect retrospectively from 1st October, 2024.

Imposition of penalty for under-reporting or misreporting of income within Assessment Order

- Presently, the assessment proceedings and penalty proceedings operate as two separate proceedings. The separate penalty proceedings were carried out by issuance of a show-cause notice to the assessee, followed by passing of an independent penalty order after providing due opportunity of

being heard.

- Further, Section 220 of the 1961 Act deals with payment and recovery of tax demand, mandating payment within 30 days of notice, failing which interest u/s 220(2) and recovery proceedings apply, subject to relief in genuine cases.
- Thus, the existing scheme leads to multiplicity of proceedings as penalty proceedings are directly dependent on assessment findings and the outcome of appellate proceedings
- It is proposed to:-
 - Rationalize the penalty framework by introducing a common order for assessment and penalty in cases of under-reporting and misreporting of income.
 - Charge interest u/s 220(2) only after passing of order by CIT(A) or ITAT (for appeals against DRP orders)
 - Fewer parallel proceedings, faster closure, however, increases stakes of assessment order which itself means penalty crystallizes earlier.
- These amendments shall come into force from 1st April 2026 as regards ITA 2025 and from 1st March 2026 as regards ITA 1961 but effective operationally from 1st April 2027 for orders made on or after that date.



Rationalization of tax rate and penalty in case of unexplained income

- Presently, if a taxpayer's total income includes unexplained amounts, the law taxes such portion of unexplained income at 60%. In addition to this high tax, there is also a separate penalty, calculated as 10% of the tax payable on such income.
- In order to rationalize the rate closer to normal rates, it is proposed to reduce the tax rate applicable to such unexplained income from the existing 60% to 30%. This change is intended to bring the tax rate closer to normal income-tax rates and ensure a fairer treatment to taxpayers.
- Further, it is proposed to omit the provision of penalty in case of unexplained amounts and include the same within cases of misreporting of income. This will result in increase in penalty in case of unexplained income.

Enhancement of Maximum Penalty Limit under Section 466 of the Act

- Presently, Section 254 of the ITA 1961 empowers income tax authorities to collect information from business premises. However, failure to furnish such information attracts a penalty, with a maximum amount of INR 1,000/- leviable by the specified income tax authorities.
-

- It is proposed to enhance the maximum penalty for non-compliance with section 254 from INR 1,000/- to INR 25,000/- with a view to ensure adequate deterrence and improving voluntary compliance.

Penalty Provisions for Non-Furnishing of statement or furnishing in accurate information in a statement on transaction of Crypto Assets

- Under the existing provision, there was no specific penalty provision for non-furnishing of the statement or for furnishing inaccurate particulars relating to crypto-asset transactions.
- In order to ensure compliance, it is proposed to introduce penalty provisions for failure to furnish the statement and for furnishing inaccurate particulars in the statement.
 - A penalty of INR 200 per day for non-furnishing of the statement.
 - A penalty of INR 50,000 for furnishing inaccurate particulars and for failure to rectify such inaccuracies.



Extension of Tax holiday period for units in IFSC and rationalization of tax rate

Assessee	Existing Deduction	Proposed Deduction
Units of International Financial Services Centre (IFSC)	10 consecutive years out of 15 years beginning from the relevant year	20 consecutive years out of 25 years beginning from the relevant tax year
Offshore Banking Units (OBUs)	10 consecutive years beginning from the relevant year	20 consecutive years beginning from the relevant tax year

- Eligible business income of these units after the expiry of period of deduction will be taxed at the rate of 15%.
- Deduction for units commencing business operations on or after 1st April, 2026, 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.

Rationalization of certain terms for Treasury Centres in IFSC

- Presently, definition of dividend excludes any advance or loan between two group entities, where:

- One of the group entities is a “Finance Company” or a “Finance Unit”; and
- the parent entity or principal entity of such group is listed on stock exchange in a country or territory outside India other than the country or territory outside India as specified by the Board in this behalf
- Thus, group entities from above group can be from any country or territory.
- It is proposed to rationalize the provisions by specifying that the group entities as well as listed parent or principal entity shall be from any country or territory as notified by the Central Government.
- Further, it is proposed to define the following terms:
- “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);
- “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:
- 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
- Controls the composition of the Board of Directors



Amendments in provisions related to NPO

- Following persons are not required to take registration under section 332 of the ITA 2025 to claim benefit of exemptions related to NPOs:
 - Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND)
 - The PM's Fund (Promotion of Folk Art)
 - PM's Aid to Student Fund
 - National Foundation for Communal Harmony
 - The Swachh Bharat Kosh, set up by the CG
 - The Clean Ganga Fund, set up by the CG
 - The CM's Relief Fund or Lieutenant Governor's Relief Fund in respect of any State or UT.
- It is proposed that registered NPOs will now be allowed to file a belated return of Income.
- Registration of NPOs can be cancelled by the Commissioner if there are any specified violations as listed out in Section 351 of the act.
- Out of the Specified Violation, 'Restriction on commercial activities by registered non-profit organization, carrying out advancement of any other object of general public utility', is proposed to be removed from the list of Specified Violation.





Correction in provisions relating to Income from House Property

- It is proposed to amend the ITA 2025 to align it with the corresponding provision of the ITA 1961. The amendment provides that the annual value of property held as stock-in-trade shall be taken as NIL upto period of 2 years from the end of the financial year in which the completion certificate is obtained from the competent authority.
- It is proposed to clarify that the overall deduction for interest on borrowed capital in respect of a self-occupied house property shall include interest relating to prior periods. This amendment seeks to align the ITA 2025 Act with the ITA 1961, under which the deduction for interest on borrowed capital already covers prior-period interest within the prescribed limit. At present, ITA 2025 limits the deduction to INR 2 lakhs but does not expressly provide for inclusion of prior-period interest.

Correction in provisions relating to Permanent Account Number

- CBDT prescribes rules for quoting PAN only in documents relating to business or profession. It is proposed to amend this provision to empower the CBDT to mandate quoting of PAN in documents relating to other transactions, even where such transactions are not connected with business or profession.
- Widening scope of deduction by including ancillary activities of cattle feed and cotton seeds
- Earlier, whole of the amount of profit was allowed as deduction to primary co-operative society on its business income when it supplies milk, oilseeds, fruits, or vegetables grown by its members to another co-operative society engaged in same business, the Government, a local authority, or a Government-controlled entity engaged in the same business.
- It is proposed to include supply of cattle feed and cotton seeds for the purpose of deduction.
- Also, the definition of co-operative society is proposed to include the Co-operative societies which are registered under the “Multi-State Cooperative Societies Act, 2002.”



Deductions in respect of dividends received and distributed by certain cooperative societies

- Presently, deduction to a co-operative society in respect of interest or dividend received from another co-operative society was allowed under the old tax regime only.
- It is proposed to allow deduction under the new tax regime for dividends received from another co-operative society, to the extent such dividends are distributed to its members at least one month before the date of filing return.
- It is further proposed to allow deduction to notified federal co-operative societies for dividends received from companies for 3 years up to tax year 2028-29, under both old and new tax regimes. This deduction shall be available only for dividends arising from investments made on or before 31st January 2026 and only if such dividends are distributed to members at least one month before the date of filing return.

Exemption for Disability Pension to Armed Force Personnel

- Presently, disability pension granted to Armed Forces personnel, comprising service and disability elements, is exempt from tax.
- It is proposed that exemption shall be available only where the individual is invalidated out of Armed Forces service due to a bodily disability that is attributable to or aggravated by such service, and shall not apply where the individual has retired on Superannuation or otherwise; the same exemption is also proposed to be extended to paramilitary personnel.





Increase in tax rates of Securities Transaction Tax

- The rates of Securities Transaction Tax (STT) have been revised from time to time to align with changes in market structure and trading patterns. Considering the significant growth and maturity of the derivatives market, it is considered appropriate to make a revision in the applicable STT rates on options and futures transactions.
- Below is the tabular presentation of the proposed changes in Securities Transaction Tax.

Nature of Transaction	Existing STT Rate	Proposed STT Rate	Basis of Levy
Sale of option in securities	0.10%	0.15%	Option premium
Sale of option in securities (on exercise)	0.125%	0.15%	Intrinsic price
Sale of future in securities	0.02%	0.05%	Traded price

Rationalization of PROI Investment Limits

- The Hon'ble Finance Minister in her Budget Speech mentioned that, Individual Persons Resident Outside India (PROI) will be permitted to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme. It is also proposed to increase the investment limit for an individual PROI under this scheme from 5% to 10%, with an overall investment limit for all individual PROIs to 24%, from the current 10%.

Review of FEMA NDI Framework

- The Hon'ble Finance Minister in her Budget Speech mentioned that, a comprehensive review of the Foreign Exchange Management (Non-debt Instruments) Rules is proposed to create a more contemporary, user-friendly framework for foreign investments, consistent with India's evolving economic priorities.

III

Indirect Tax Proposals

- Goods and Service Tax 65



Post Sales Discounts

Amendment to Section 15(3):

- Sub-section (3) of section 15 of the Central Goods and Services Tax Act, 2017 is proposed to be amended to do away with the requirement of linking the post-sale discount to an agreement and to refer to issuance of credit note under section 34 where the input tax credit is reversed by the recipient.

Our Comments:

- Earlier, post-supply discounts could be reduced from the taxable value only if there was a pre-existing agreement specifying such discount and the recipient reversed the corresponding input tax credit (ITC).
- Pursuant to the proposed amendment to clause (b) of sub-section (3) of section 15, post-supply discounts may now be excluded from the taxable value even in the absence of a pre-existing agreement, provided that:
 - a credit note is issued by the supplier in accordance with section 34, and
 - the recipient reverses the ITC attributable to such discount.
- Accordingly, the condition of a pre-existing agreement shall no longer be mandatory; however, issuance of a credit note and ITC reversal are now expressly prescribed as cumulative statutory conditions for exclusion of such discounts from the value of supply.

Amendment to Section 34 of the CGST Act – Credit Notes:

- Section 34 of the Central Goods and Services Tax Act, 2017 is proposed to be amended so as to include the corresponding reference of section 15 in the said section.

Our Comments –

- This section is proposed to be amended to incorporate the changes made in the Section 15(3) of the CGST Act, 2017.

Note:

Unless a specific effective date is prescribed, the amendments proposed under the Finance Bill, 2026 shall be brought into force on such date as may be notified. Endeavours shall be made to align the implementation of these amendments, as far as practicable, with the coming into effect of corresponding changes in the respective State GST Acts and the GST Acts of Union Territories having a legislature.



Amendment to Refund Provisions

Amendment to Section 54(6)

- Sub-section (6) of Section 54 of the Central Goods and Services Tax Act, 2017 is proposed to be amended to extend the provisions of provisional refund to refunds arising out of inverted duty structure.

Our Comments –

- The provisional refund of 90% under Section 54(6) of the CGST Act was confined to zero-rated supplies. The scope of provisional refunds is proposed to be widened, and refunds pertaining to inverted duty structure are now being brought within the ambit of provisional refund, in accordance with the applicable provisions.

Amendment to Section 54(14)

- Sub-section (14) of Section 54 of the Central Goods and Services Tax Act, 2017 is proposed to be amended to remove the threshold limit for sanction of refund claims in case of goods exported out of India with payment of tax.

Our Comments –

- Initially, no refund was admissible where the amount claimed was less than INR 1,000, as per the general threshold prescribed under Section 54. This restriction applied to both final refunds under Section 54(5) and provisional refunds under Section 54(6).
- Under the proposed amendment, an exception has been carved out by insertion of a proviso in sub-section (14) of Section 54,

whereby the said monetary threshold shall not apply in cases of export of goods or services made on payment of integrated tax. Consequently, refunds of amounts below INR 1,000 shall also be permissible in such export cases.

- However, the restriction under Section 54(14) continues to apply unchanged to all other refund categories, including refunds arising from Inverted Duty Structure, excess balance in the electronic cash ledger, and excess payment of tax. Accordingly, only export refunds made on payment of tax stand excluded from the monetary bar, while all other refunds remain subject to the threshold. This amendment removes the statutory bar on small-value export refunds, thereby streamlining the refund mechanism for exporters and eliminating ambiguity that could otherwise result in denial of legitimate export refunds on purely procedural grounds.

Interim Appellate for Advance Rulings

Insertion of Sub – Section (1A)

- Sub-section (1A) is being inserted in Section 101A of the Central Goods and Services Tax Act, 2017 to provide that the Central Government may, pending the constitution of the National Appellate Authority, appeals under section 101B of the CGST Act, 2017 by notification empower an existing Authority, for hearing; a Tribunal has been so empowered under sub-section (1A).



- An explanation to sub - section (1A) is also being inserted to clarify that the existing Authority also includes a tribunal.

Our Comments –

- Pending constitution of the National Appellate Authority for Advance Ruling, the amendment empowers a Tribunal to hear appeals under section 101B, thereby effectively converting the Tribunal into an Appellate Advance Ruling Authority; however, this raises serious legal and conceptual concerns since the statutory framework governing the Tribunal does not contemplate adjudication of advance ruling matters, which are inherently pre-dispute and prospective in nature. Advance rulings function as an executive certainty mechanism—akin to a binding arrangement between the tax administration and the taxpayer—binding on field officers precisely because the executive is a party to the process. Introducing a judicial body into this scheme fundamentally alters the character of advance rulings from an executive determination to judicial adjudication without an underlying list. Further, while High Courts have examined advance rulings only in exercise of their extraordinary writ jurisdiction, there is no precedent for statutory appellate review of an advance ruling by an arm of the judiciary, rendering this arrangement institutionally unprecedented and potentially vulnerable to constitutional challenge.

Intermediary Services

Change in Place of Supply rules for Intermediaries Services

- Clause (b) of sub-section (8) of section 13 of the Integrated Goods and Services Tax Act, 2017 is proposed to be omitted so as to provide that place of supply for "intermediary services" will be determined as per the default provision under section 13(2) of the IGST Act.

Our Comments –

- Omission of section 13(8)(b) results in place of supply for intermediary services being determined as per general principle under section 13(2), i.e., location of the recipient. Consequently, such services provided to overseas recipients can qualify as export of services and become zero-rated (subject to fulfilment of other conditions). This eliminates unwarranted GST liability in India & enables refund of unutilized ITC or IGST paid on exports.
- The proposed amendment substantially reduces litigation and aligns with the destination-based principle of taxation bringing major relief to litigation surrounding classification of certain services which field officers often sought to tax "export of services" under "intermediary" such as Market Research, Back office Support, IT / ITES support services, Feasibility and Management, Shipping agents.
- Correspondingly, intermediary services received from foreign service providers would now qualify as import of services, and GST would be required to be discharged by the Indian recipient under the reverse charge mechanism.



Glossary

IV



GLOSSARY

Abbreviations	Full Forms
Act	Income Tax Act
AE	Associated Enterprises
AIF	Alternate Investment Funds
AJP	Artificial Juridical Person
ALP	Arm's Length Price
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of Persons
AIDC	Agricultural Infrastructure and Development Cess
AY	Assessment Year
BE	Budget Estimate
BOI	Body of Individuals
BMA	Black Money Act
c/f	Carried Forward
CBDT	Central Board of Direct Taxes
CIT	Commissioner of Income Tax
CG	Central Government
CGST	Central Goods and Services Tax
COFEPSA	Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974
DIN	Document Identification Number
DRP	Dispute Resolution Panel

Abbreviations	Full Forms
DTAA	Double Tax Avoidance Agreement with foreign countries or specified territories / associations
EBITDA	Earnings before Interest, Taxation, Depreciation & Amortisation
EPF	Employee Provident Fund
FAO	Faceless Assessing Officer
FAR	Functions, Assets, Risk
FDI	Foreign Direct Investment
FEMA	Foreign Exchange and Management Act
FII	Foreign Institutional Investor
FMV	Fair Market Value
FPI	Foreign Portfolio Investors
FY	Financial Year
GDP	Gross Domestic Product
GOI	Government of India
GST	Goods and Services Tax
HUF	Hindu Undivided Family
IBU	IFSC Banking Unit
ICDS	Income Computation and Disclosure Standards
IFOS	Income from Other Sources
IFSC	International Financial Services Centre
INR	Indian National Rupee



GLOSSARY

Abbreviations	Full Forms
InvIT	Infrastructure Investment Trust
ITA 1961	Income Tax Act, 1961
ITA 2025	Income Tax Act, 2025
ITA	Income-Tax Authority
ITAT	Income-Tax Appellate Tribunal
ITR	Income Tax Return
JCIT	Joint Commissioner of Income Tax
LRS	Liberalised Remittance Scheme
LTC	Leave Travel Concession
LTCG	Long-Term Capital Gains
MACT	Motor Accidents Claims Tribunal
MAT	Minimum Alternate Tax
MMR	Maximum Marginal Rate
MRP	Maximum Retail Price
NFAC	National Faceless Assessment Centre
NBFC	Non-Banking Financial Company
NCLT	National Company Law Tribunal
NPS	National Pension Scheme
OBU	Offshore Banking Unit
OIDAR	Online Information Database Access and Retrieval Services
PAN	Permanent Account Number

Abbreviations	Full Forms
PCIT	Principal Commissioner of Income Tax
PMLA	Prevention and Money Laundering Act, 2002
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
RNOR	Resident but not Ordinarily Resident
RPF	Recognised Provident Fund
SAD	Special Additional Duty
SEBI	Securities and Exchange Board of India
SHEC	Secondary & Higher Education Cess
SPV	Special Purpose Vehicle
STCA	Short-Term Capital Asset
STCG	Short-Term Capital Gains
STT	Securities Transaction Tax
TAN	Tax Deduction Account Number
TCS	Tax Collection at Source
TDS	Tax Deducted at Source
TP	Transfer Pricing
TPO	Transfer Pricing Officer
UAD	Unabsorbed Depreciation
ULIP	Unit Linked Insurance Plan
VDA	Virtual Digital Asset

‘न चोर हार्य न च राज हार्य न भात्रू
भाज्यं न च भारकारि
व्ययं कृते वर्धत एव नित्यं
विद्याधनं सर्वधनप्रधानम्’

Knowledge is the Wealth that:

The Thief cannot Steal,
The King cannot Acquire,
The Brothers cannot Share,
Does not Weigh on You,
Grows Forever as you share ,
Truly, Knowledge is the Greatest Wealth.

Benefice Business House, 3rd Level,
126, Mathuradas Mills Compound,
N. M. Joshi Marg, Lower Parel (W),
Mumbai – 400013, India.

📞 : +91 22 3321 3737
✉️ : reachus@gbcaindia.com
🌐 : www.gbcaindia.com
LinkedIn : [gbc-associates](https://www.linkedin.com/company/gbca-associates)

GBCA
& ASSOCIATES LLP
Chartered Accountants