



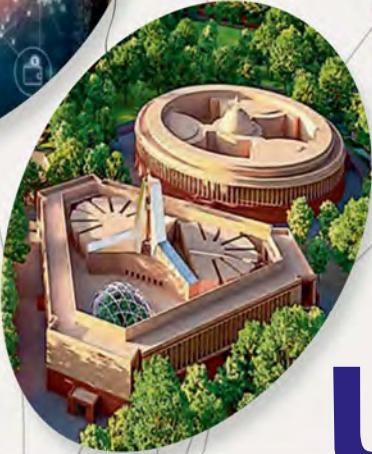
BRICS
2026



India-EU
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GST 2.0



Analysis of UNION BUDGET 2026-2027



Power = Productive Force × Institutional Quality × Strategic Concentration



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Mentor
Sanjay Jhanwar, Sr. Advocate

Editors

*CA Mukesh Soni, Advocate
CA Nikhil Totuka, Advocate
CA Varun Bansal, Advocate
CA Vikas Gupta, Advocate*

*Harsha Totuka, Advocate
Kundan Singh, Advocate
CA Rahul Lakhwani, Advocate
Rajat Sharma, Advocate*

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*CA Aditya Agarwal
CA Chitra Khandelwal
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Ankur Agarwal, B.Com
Arth Khandelwal, B.Com
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Phone : +91 141 4044500
e-mail: info@chiramritlaw.com
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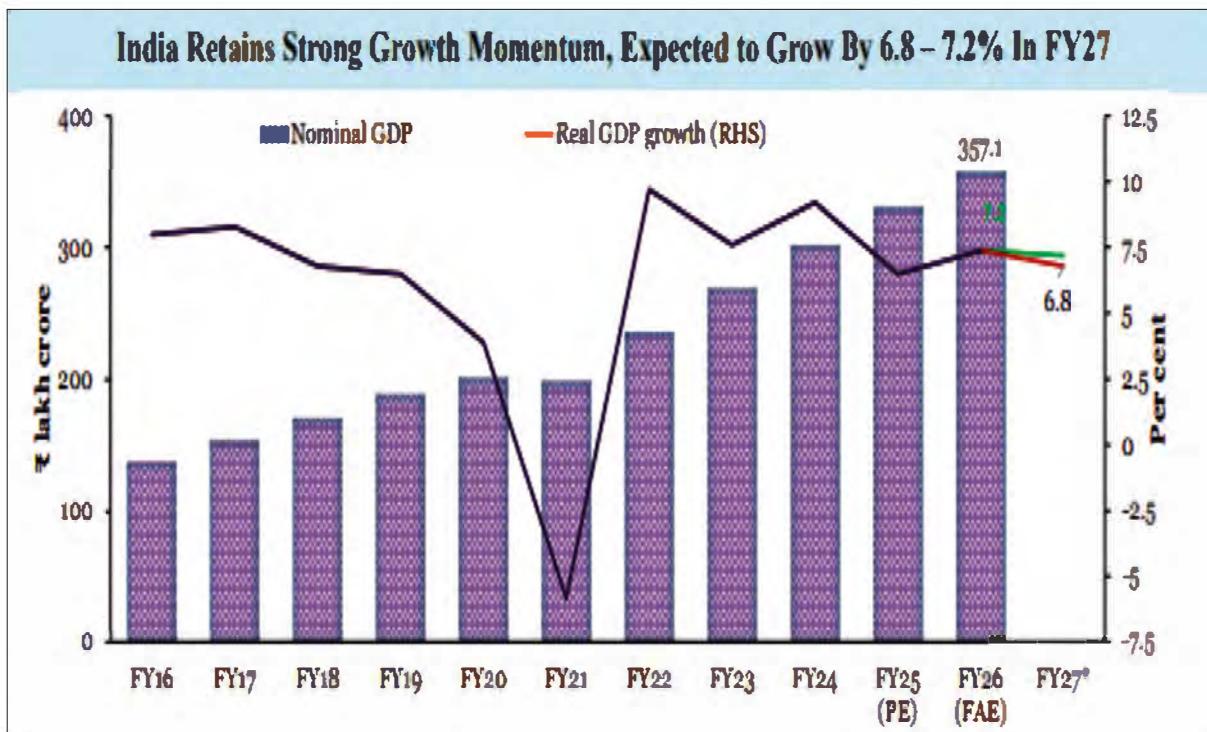
Analysis of Union Budget

2026-27

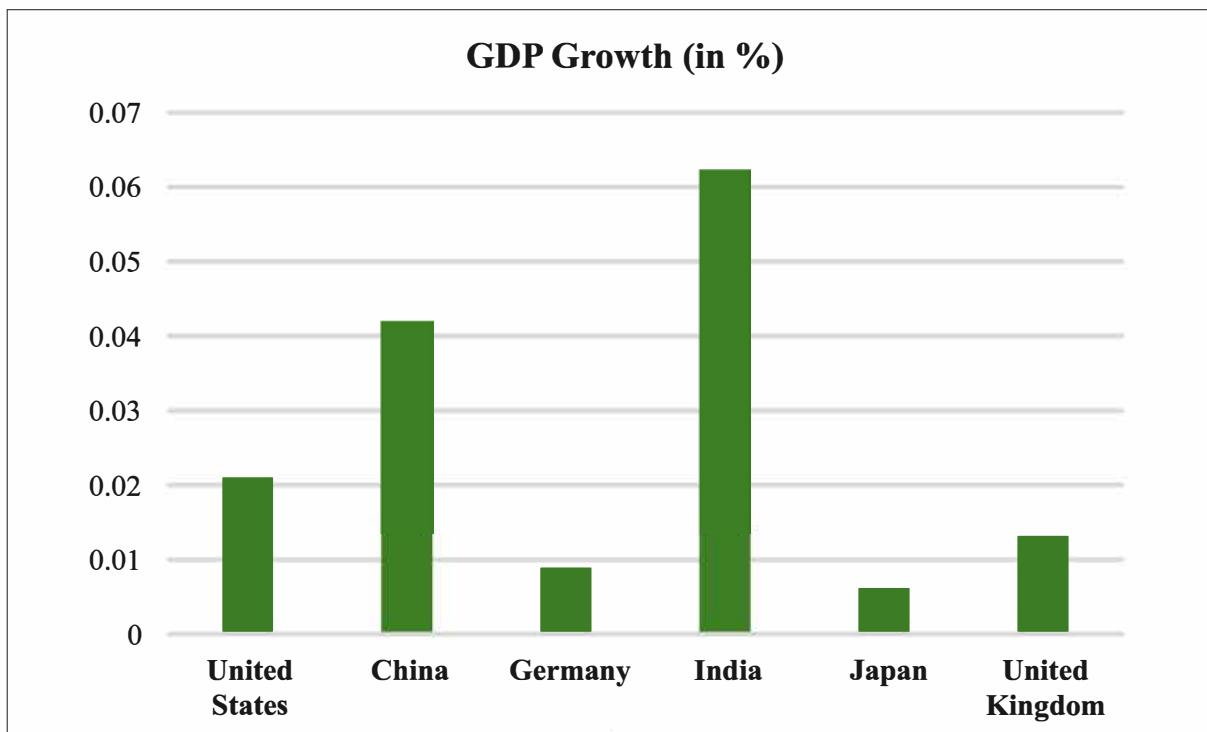
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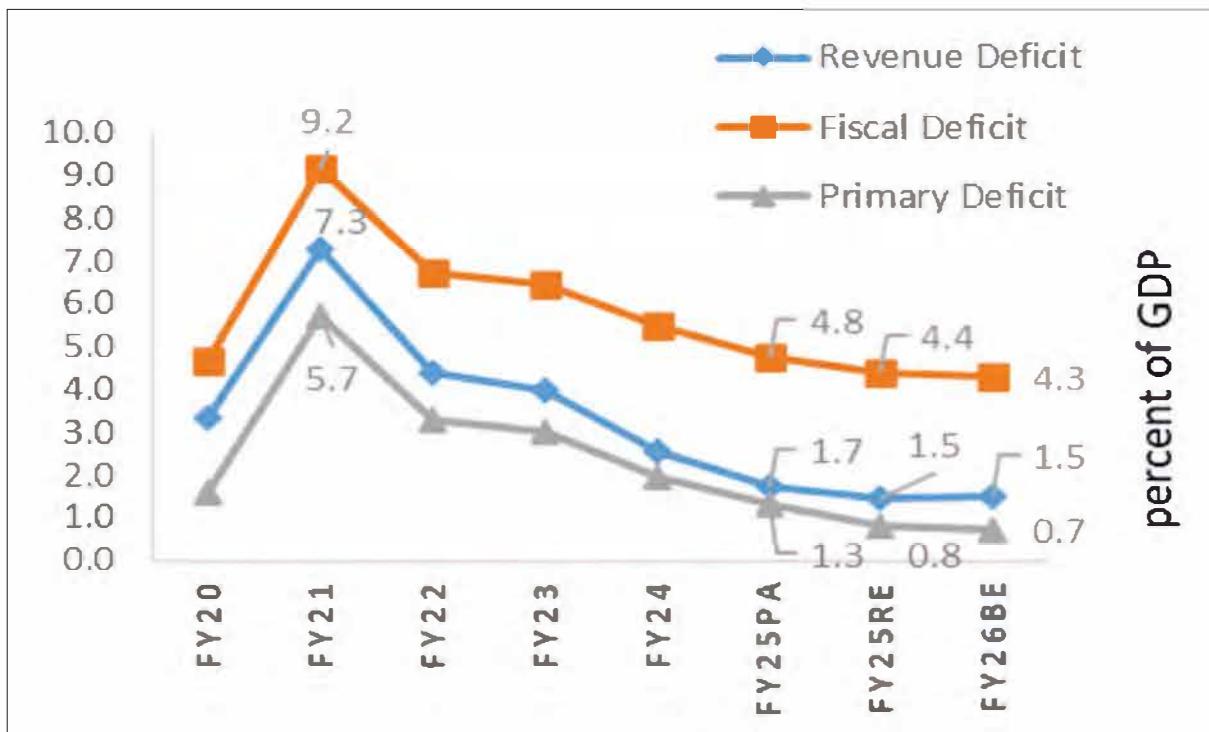
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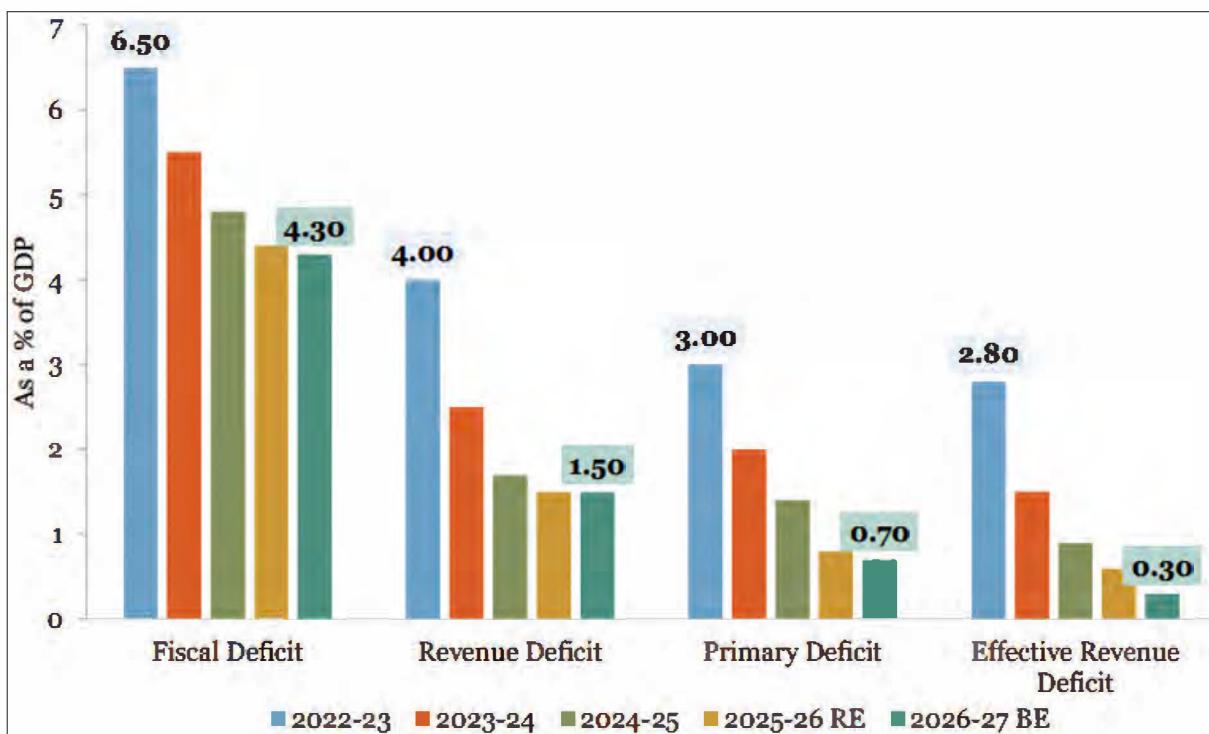
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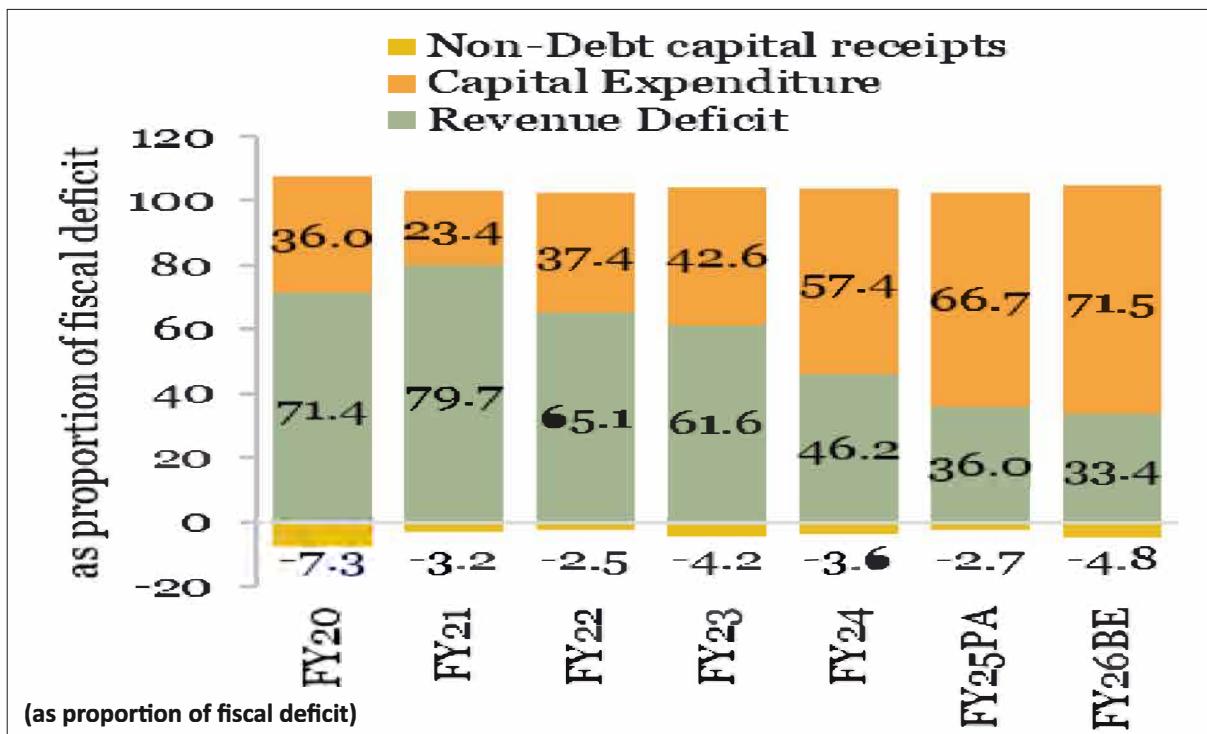
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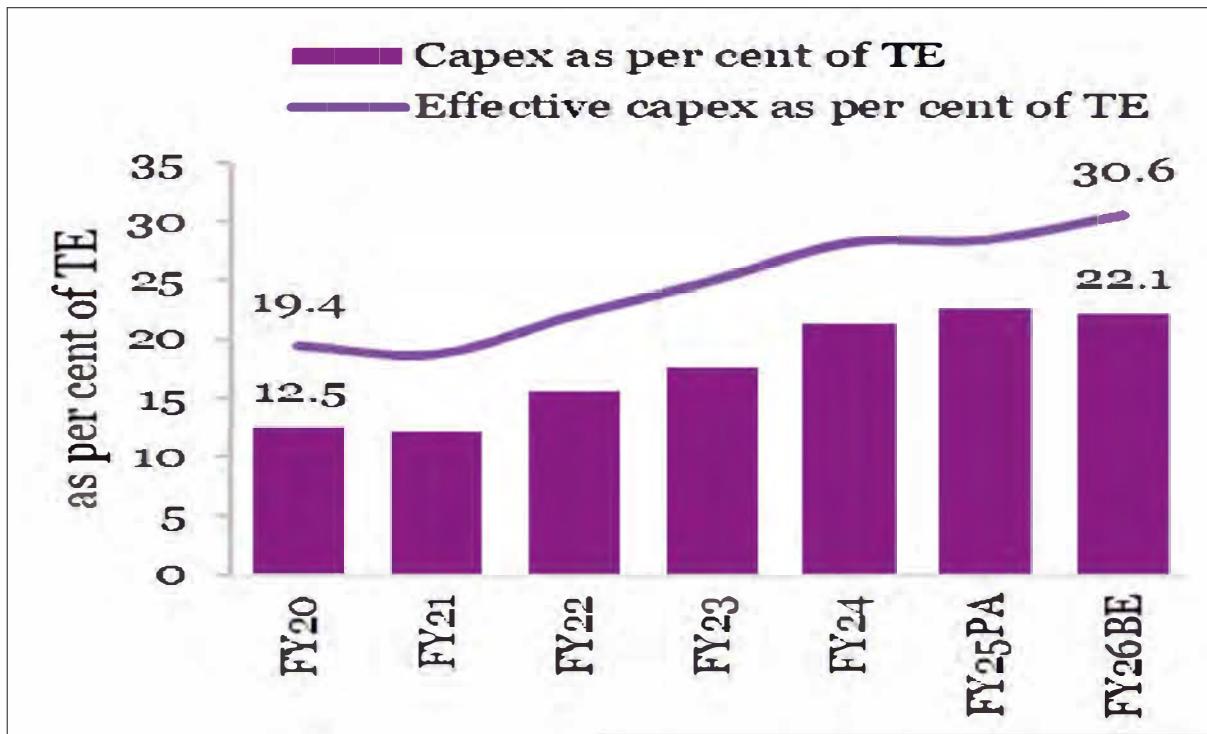
Deficit Trends



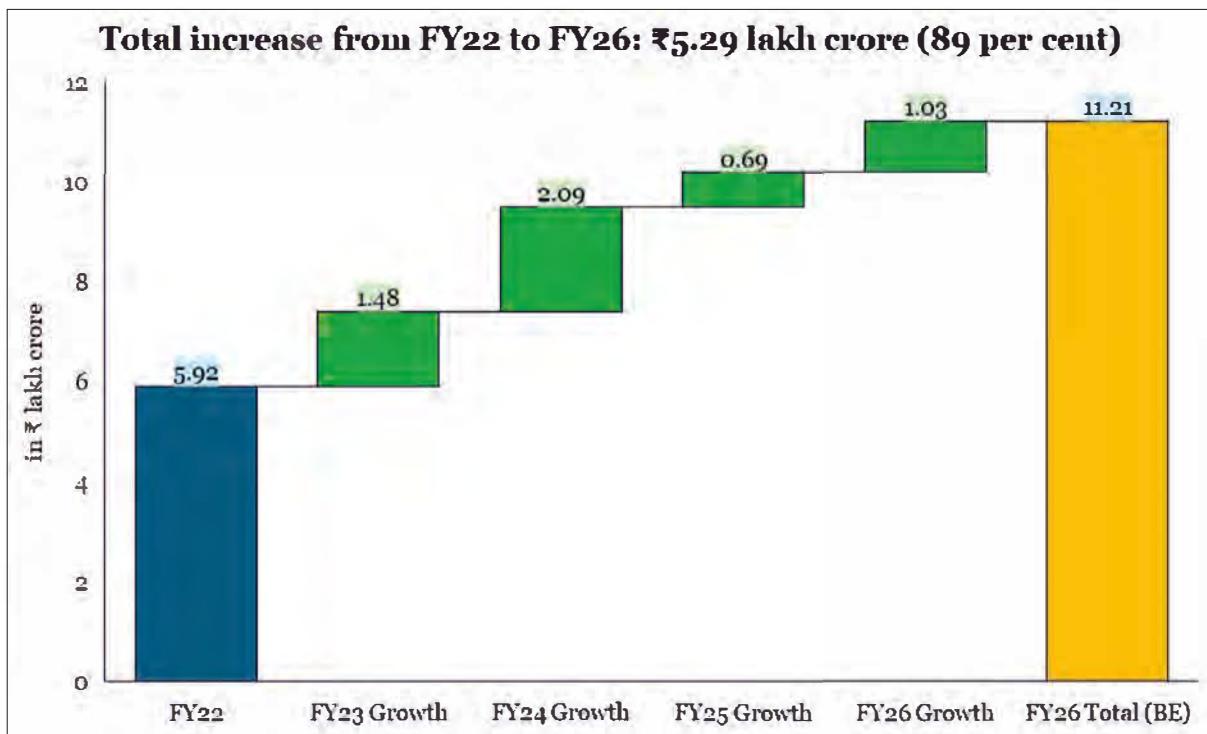
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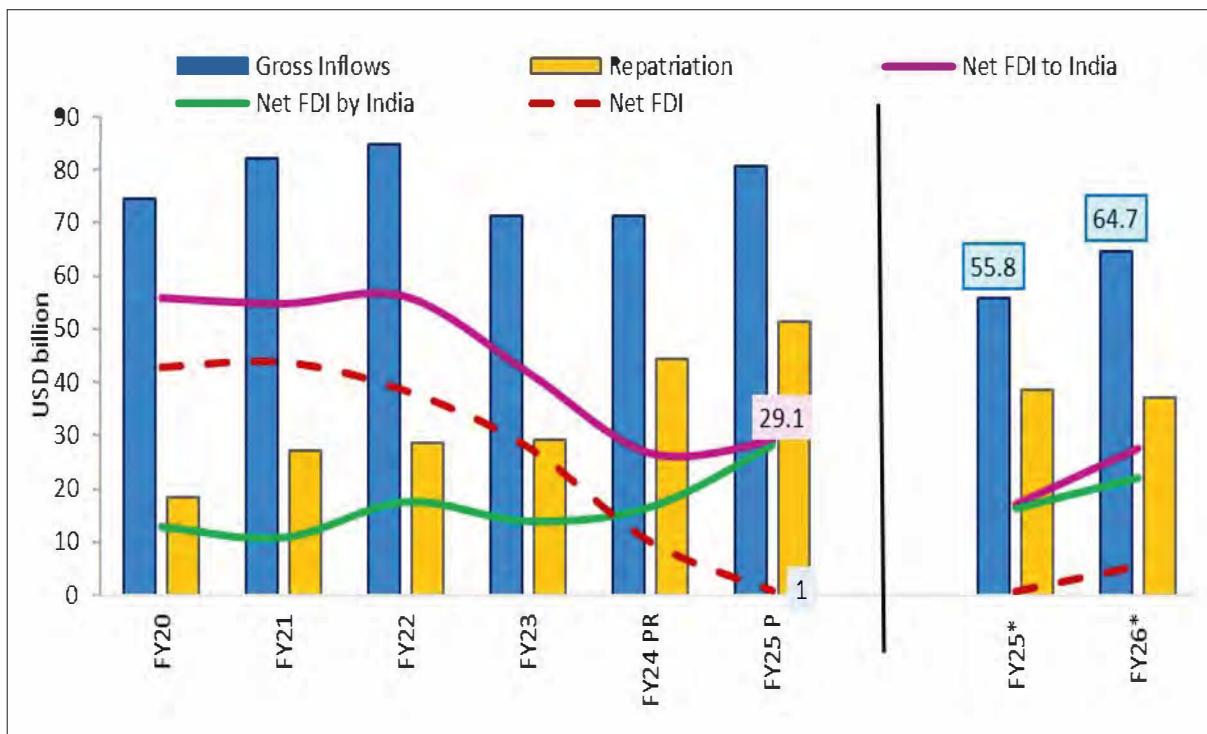
Capex as a share of total expenditure



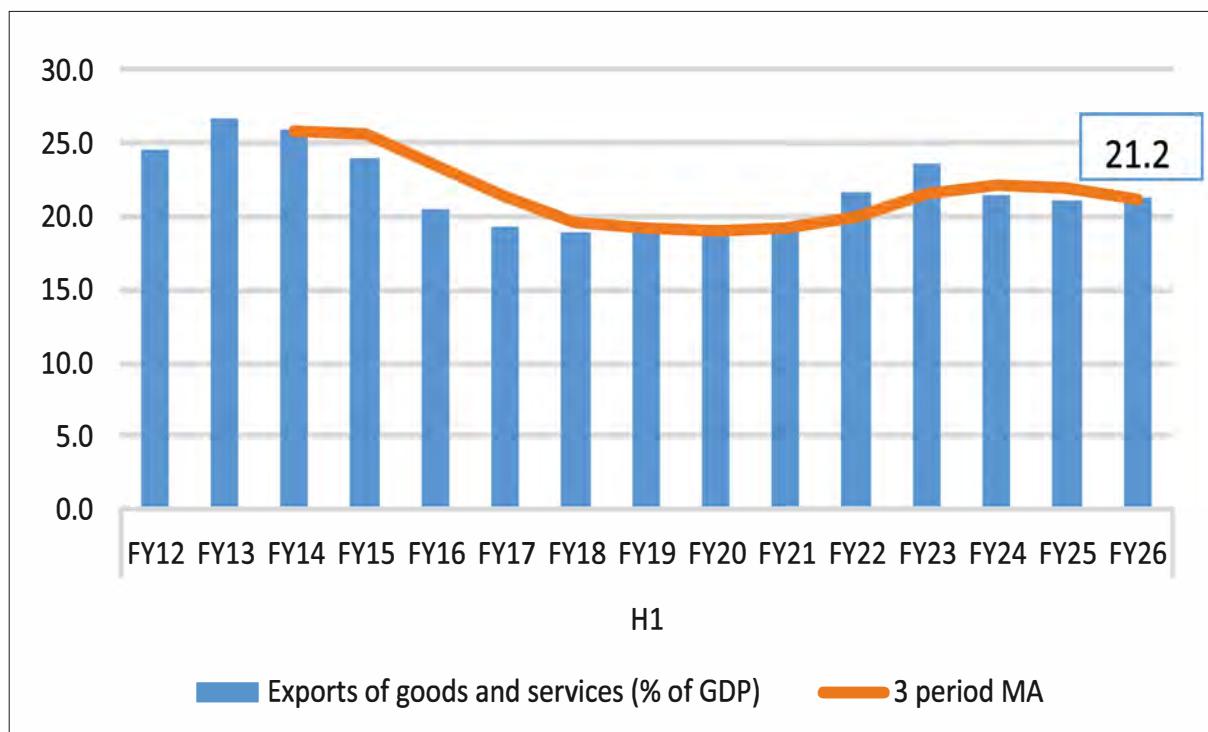
Government Capex has continued to rise steadily since FY22



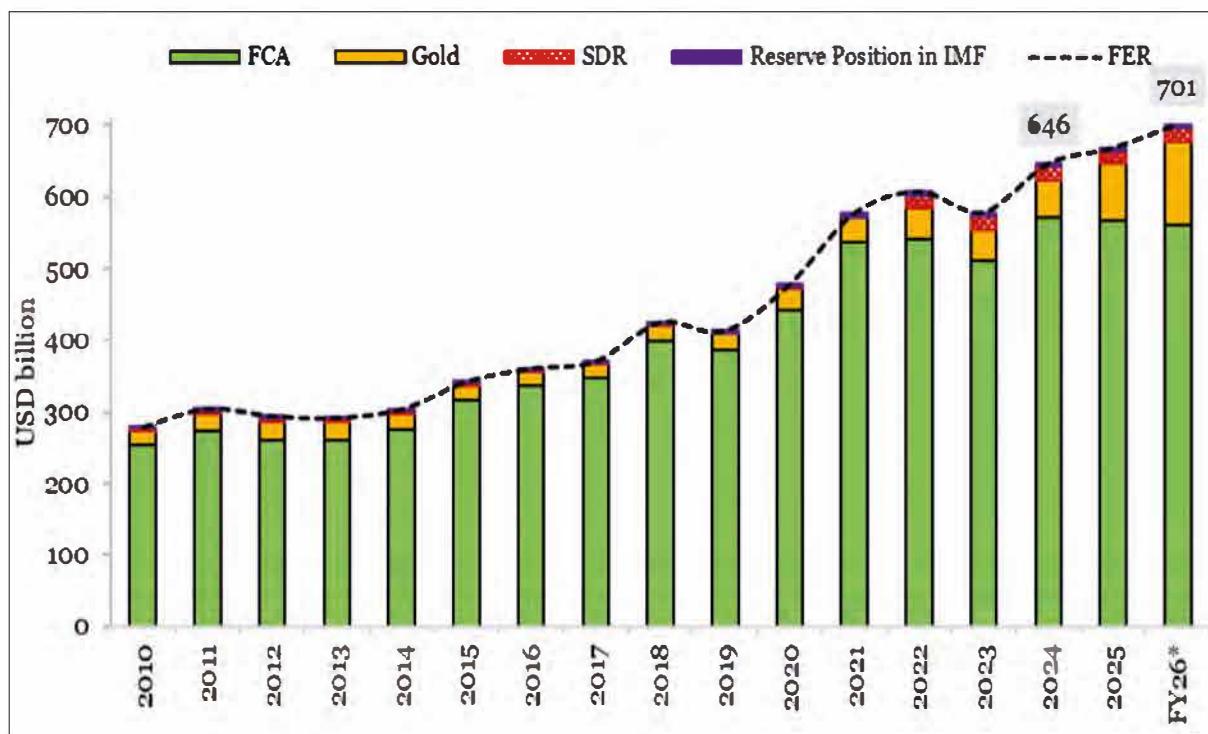
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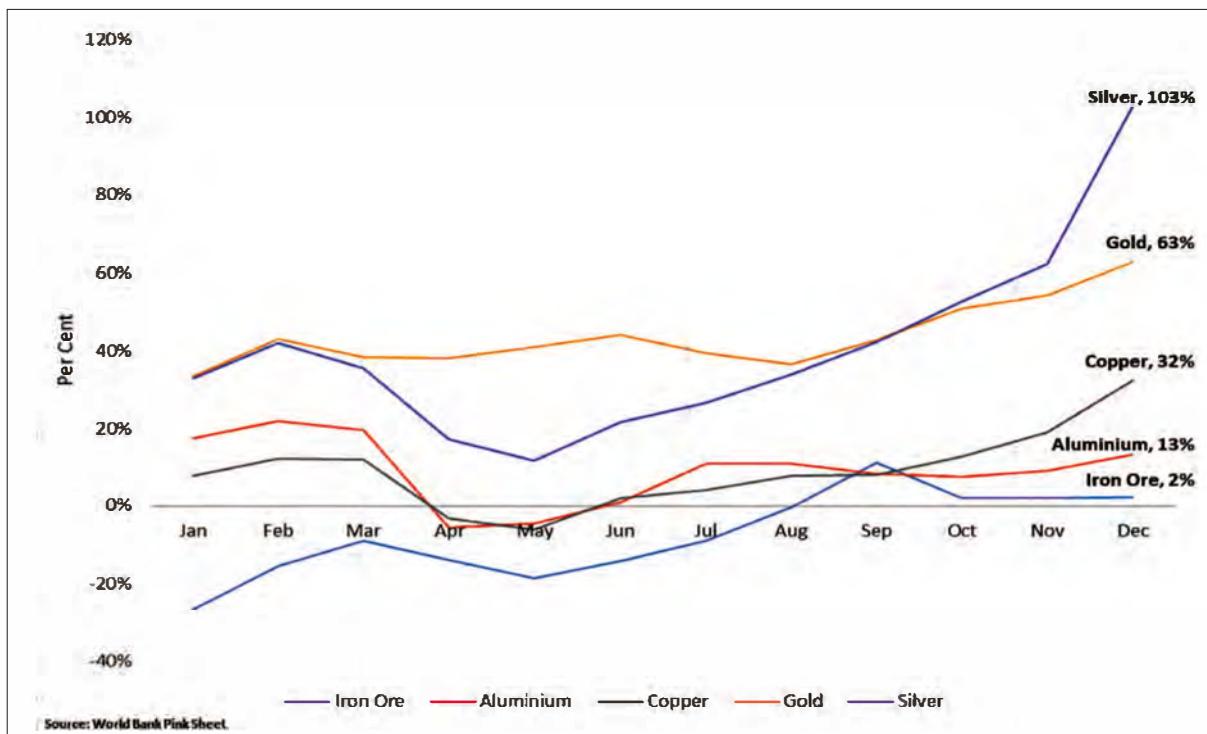
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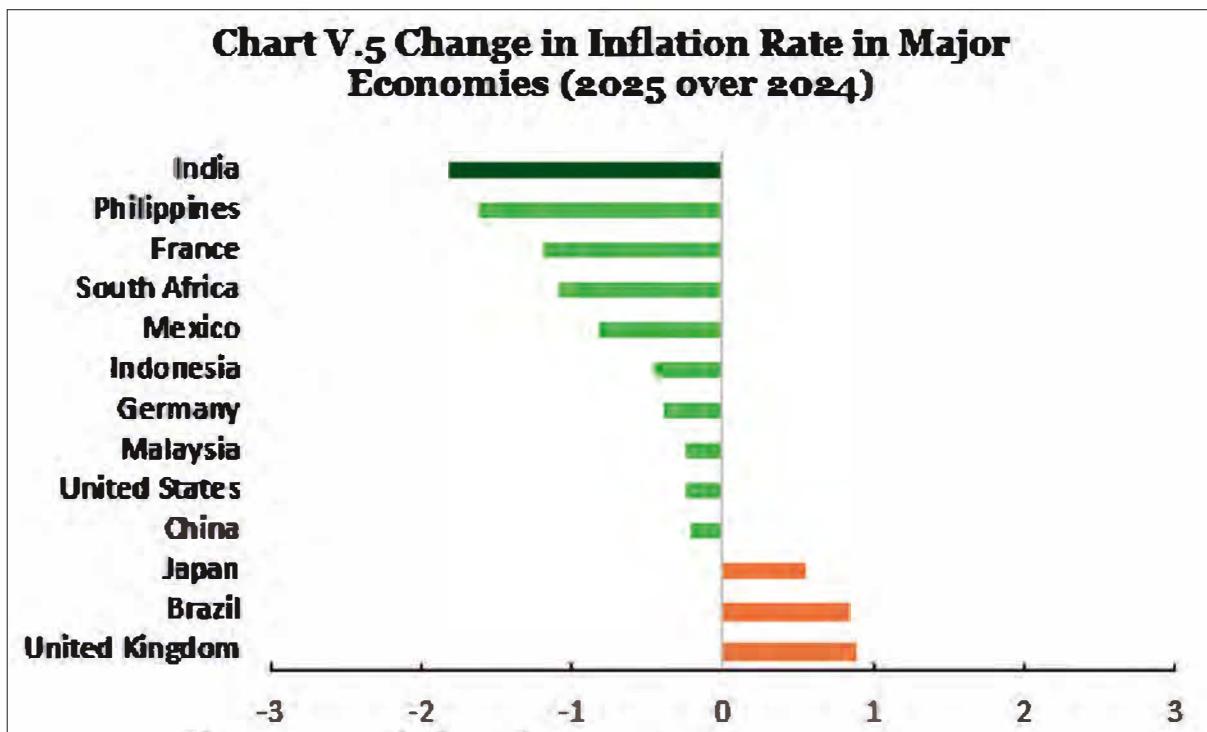
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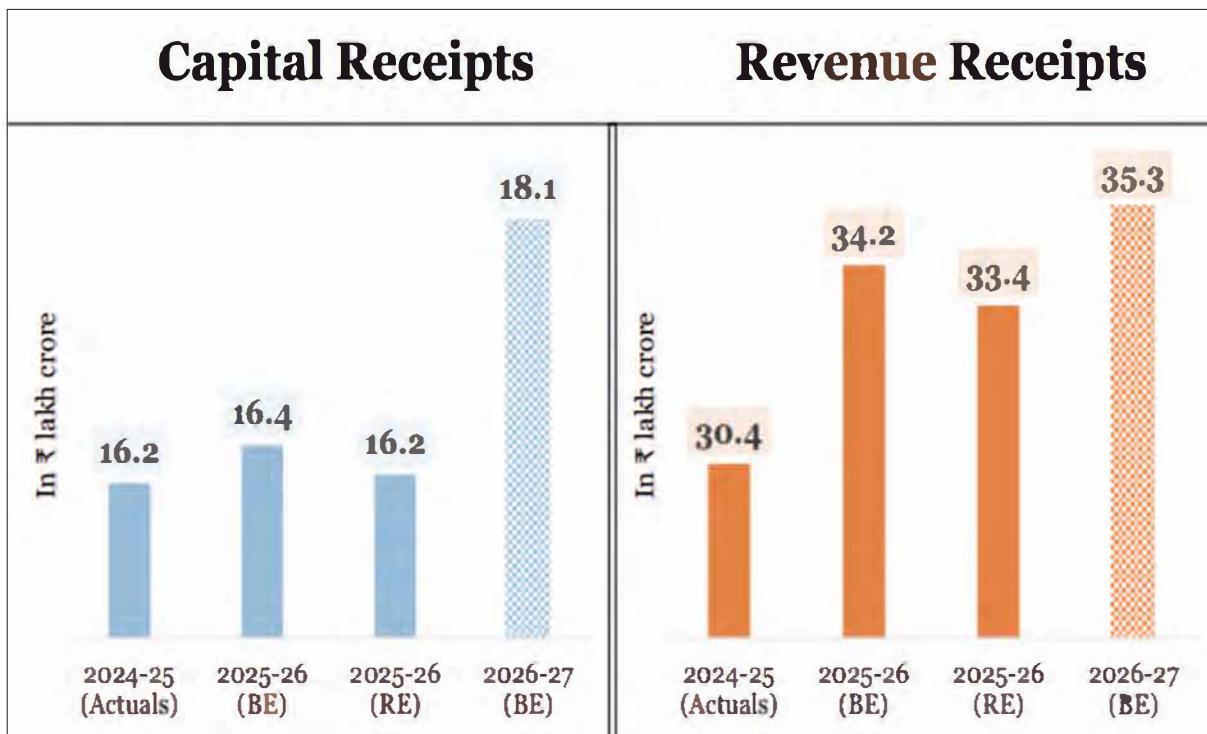
Key Metals Inflation Trends in 2025



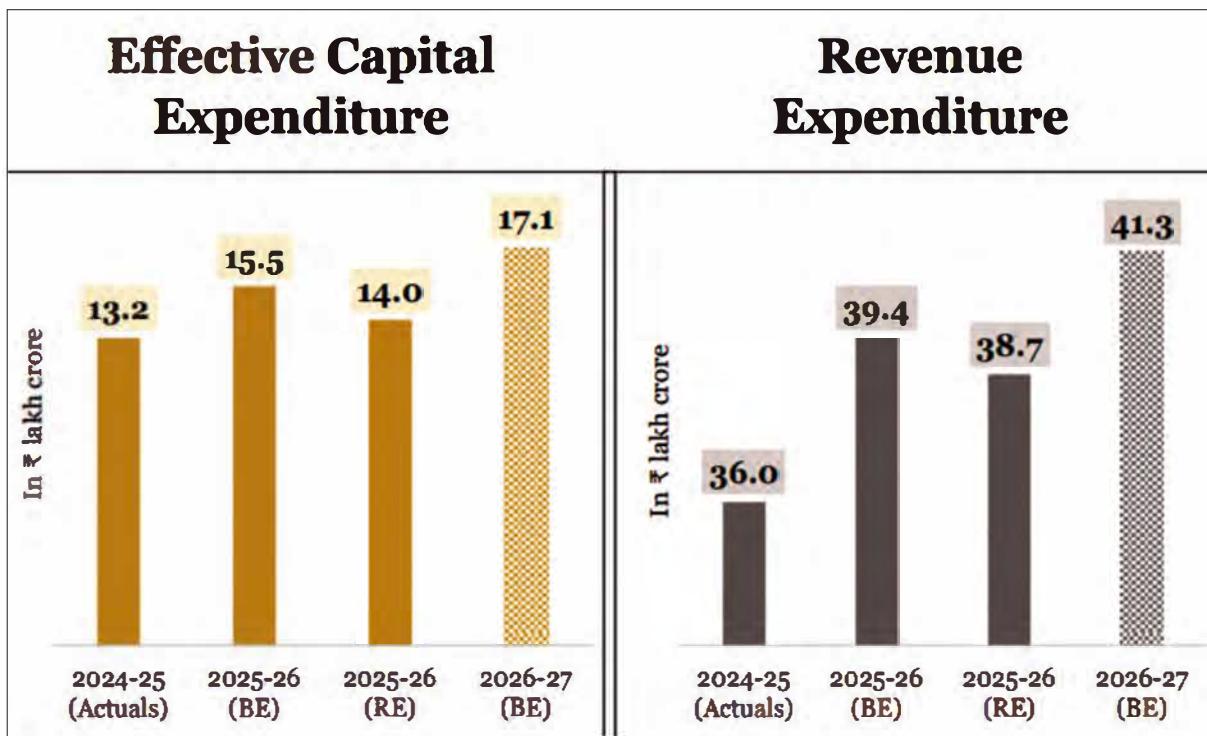
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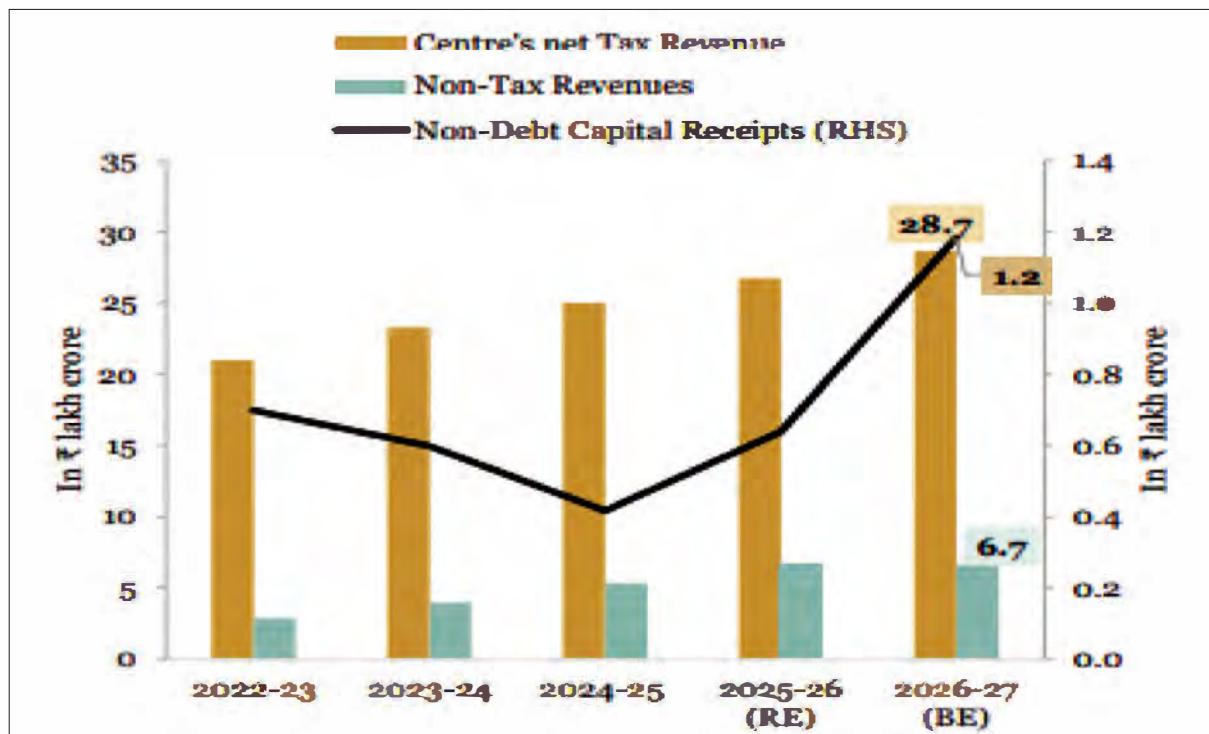
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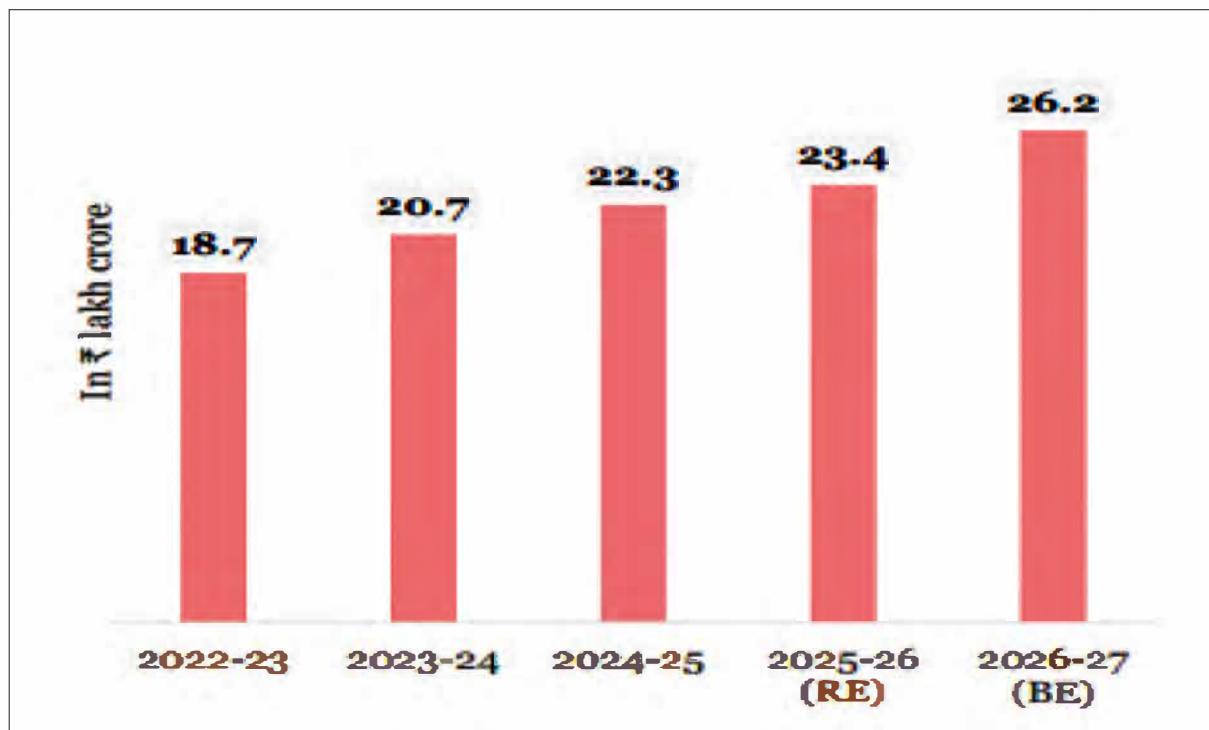
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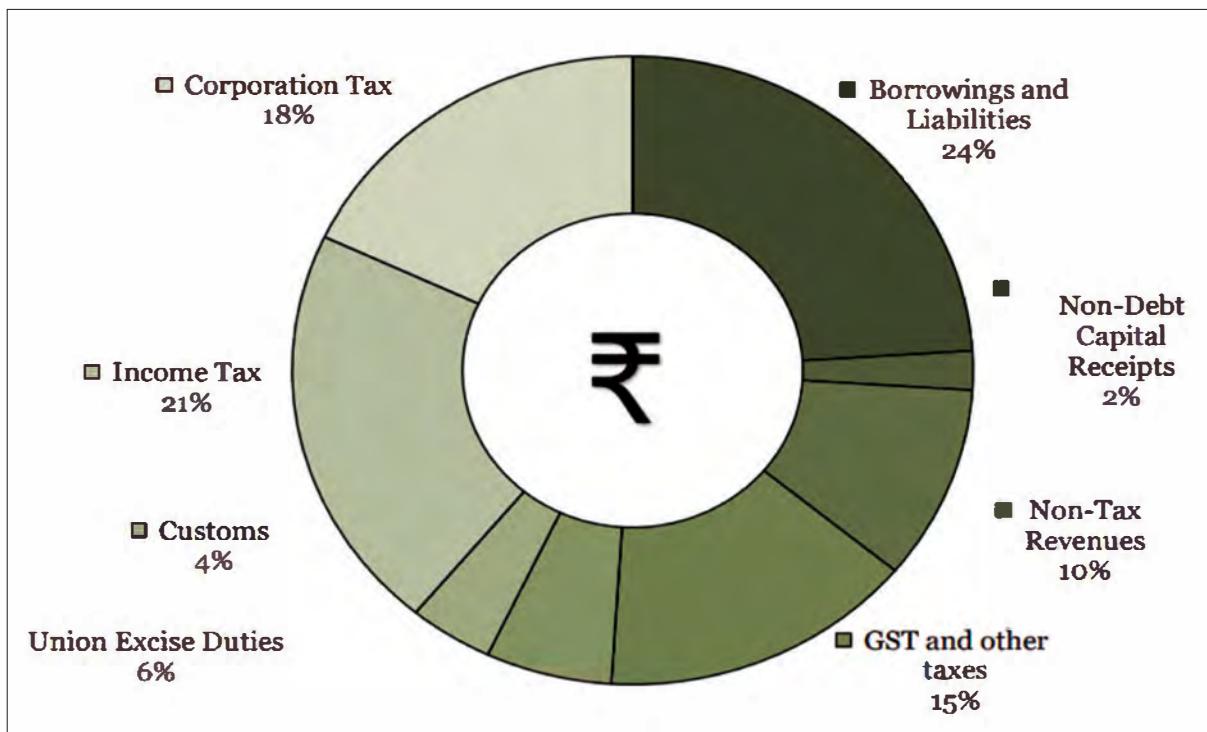
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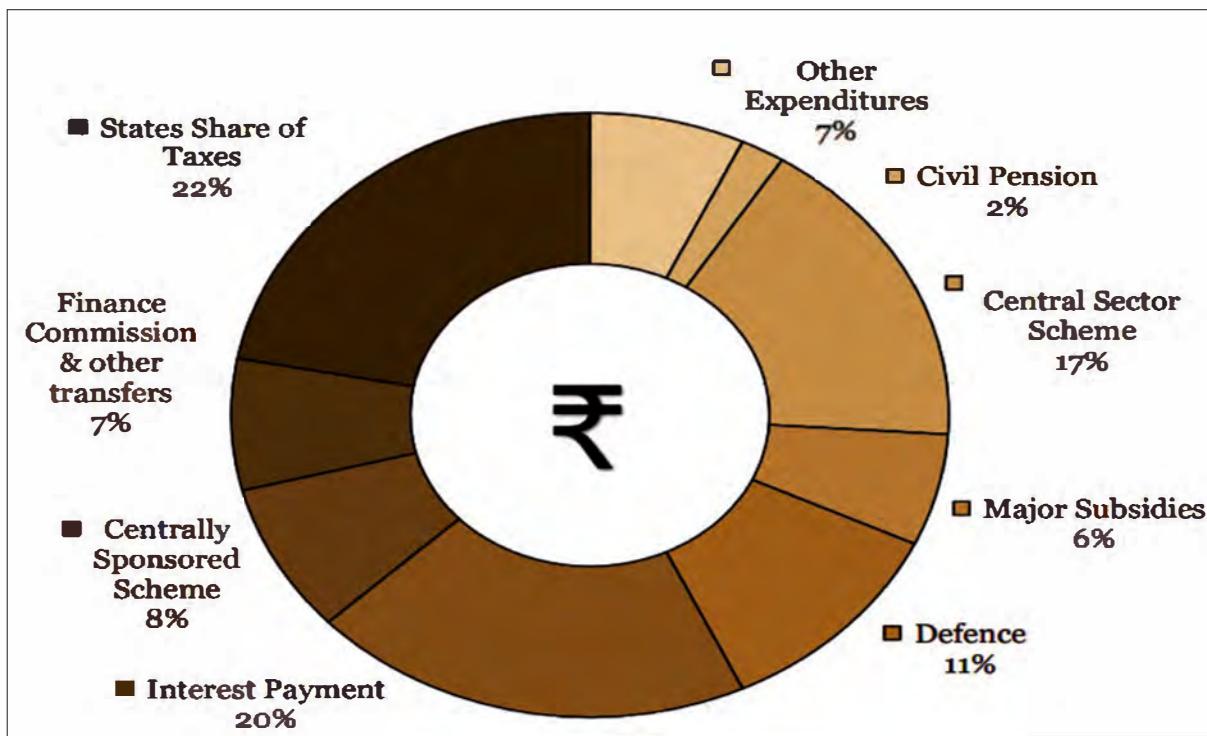
Robust Economic Foundations : Total transfer to States and UTs



Rupee Comes From



Rupee Goes To



KEY HIGHLIGHTS OF IMPORTANT AMENDMENTS RELATING TO RATES OF INCOME TAX

RATES OF INCOME TAXES New Tax Regime u/s 202 of IT Act 2025 (corresponding Section 115BAC of the IT Act 1961)

- New tax regime which was introduced by Finance Act 2020 is default regime from A.Y. 2024-24 onwards and the same has also been continued in new IT Act, 2025.
- The new tax regime provided more favorable slabs in line with the government's objective of transitioning to a revised tax structure; however, it simultaneously restricted taxpayers from claiming various exemptions, allowances, and deductions.
- The key amendment proposed in the Finance Bill 2026 relates to the marginal relief being allowed in all surcharge cases, providing the surcharge rate of 25% for income u/s 195(1)(i) of IT Act 2025 (corresponding Section 115BBE(1)(i) of IT Act 1961).

Rate of Tax	For A.Y. 2026-27 (Section 115BAC of IT Act 1961)	For T. Y. 2026-27 (Section 202 of IT Act 2025)
Nil	Up to Rs. 4,00,000	Up to Rs. 4,00,000
5%	From Rs. 4,00,001 to Rs. 8,00,000	From Rs. 4,00,001 to Rs. 8,00,000
10%	From Rs. 8,00,001 to Rs. 12,00,000	From Rs. 8,00,001 to Rs. 12,00,000
15%	From Rs. 12,00,001 to Rs. 16,00,000	From Rs. 12,00,001 to Rs. 16,00,000
20%	From Rs. 16,00,001 to Rs. 20,00,000	From Rs. 16,00,001 to Rs. 20,00,000
25%	From Rs. 20,00,000 to Rs. 24,00,000	From Rs. 20,00,000 to Rs. 24,00,000
30%	Above Rs. 24,00,000	Above Rs. 24,00,000

- There is no change in the applicable surcharge and cess rates.
- Above rates shall apply, unless an option is exercised as per provisions of Section 202(4) of IT Act 2025 (corresponding to Section 115BAC(6) of IT Act 1961).
- Marginal relief shall be provided in the above cases.
- Total income shall be computed without allowing for any exemption or deduction as provided u/s 202(2)(a) of IT Act 2025 (corresponding Section 115BAC(2)(i) of IT Act 1961). However, following deduction or exemption shall be allowable.
 - Standard deduction as provided u/s 18(1) of IT Act 2025 (corresponding Section 16(ia) of IT Act 1961).
 - Deduction of income in the nature of family pension u/s 93(1)(d) of IT Act 2025 (corresponding section 57(iiA) of the IT Act 1961).
 - Deduction in respect of amount paid or deposited in Agniveer Corpus Fund u/s 125(2) (corresponding section 80CCH(2) of the IT Act 1961).

Old Tax Regime

- **For Individuals (Other than Senior Citizen and Super Senior Citizen), HUF, AOP, BOI, whether incorporated or not and Artificial Juridical Person referred to in Section 2(77)(g) of IT Act 2025 (corresponding section 2(31)(vii) of IT Act 1961) : No change**

S. No.	Rate of Tax	For A.Y. 2026-27 (IT Act 1961)	For T.Y. 2026-27 (IT Act 2025)
	Nil	Up to Rs. 2,50,000	Up to Rs. 2,50,000
	5%	From Rs. 2,50,001 to Rs. 5,00,000/-	From Rs. 2,50,001 to Rs. 5,00,000/-
	20%	From Rs. 5,00,001 to Rs. 10,00,000	From Rs. 5,00,001 to Rs. 10,00,000
	30%	Above Rs. 10,00,000	Above Rs. 10,00,000
1	Surcharge @10% (subject	When total income (including the income by way of	When total income (including the income by way of

	to marginal relief)	dividend or income u/s 111A, 112 and 112A) exceeds Rs. 50 Lakhs but not exceeds Rs. 1 crore.	dividend or income u/s 196, 197 and 198) exceeds Rs. 50 Lakhs but not exceeds Rs. 1 crore.
2	Surcharge @15% (subject to marginal relief) \$	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 1 crore but does not exceed Rs. 2 crores.	When total income (including the income by way of dividend or income u/s 196, 197 and 198) exceeds Rs. 1 crore but does not exceed Rs. 2 crores.
3	Surcharge @25% (subject to marginal relief) #	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 2 crores but does not exceed Rs. 5 crores.	When total income (excluding the income by way of dividend or income u/s 196, 197 and 198) exceeds Rs. 2 crores but does not exceed Rs. 5 crores.
4	Surcharge @ 37% (subject to marginal relief) #	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 5 crores.	When total income (excluding the income by way of dividend or income u/s 196, 197 and 198) exceeds Rs. 5 crores.

- \$In case of AOP consisting only of companies as its members, then the rate of surcharge shall not exceed 15%.
- #When total income (including the income by way of dividend or income u/s 196, 197 and 198 of IT Act 2025 (corresponding Section 111A, 112 and 112A of IT Act 1961)) exceeds Rs. 2 crores, but is not covered under S. No 3 or 4 above, then the rate of surcharge is 15%.
- For Senior Citizens – being a resident in India (i.e., whose age is more than or equal to 60 years but less than 80 years*: No change

S. No.	Rate of Tax	For A.Y. 2026-27 (IT Act 1961)	For T.Y. 2026-27 (IT Act 2025)
	Nil	Up to Rs. 3,00,000/-	Up to Rs. 3,00,000/-
	5%	From Rs. 3,00,000/- to Rs. 5,00,000/-	From Rs. 3,00,000/- to Rs. 5,00,000/-
	20%	From Rs. 5,00,000/- to Rs. 10,00,000/-	From Rs. 5,00,000/- to Rs. 10,00,000/-
	30%	Above Rs. 10,00,000	Above Rs. 10,00,000
1	Surcharge @10% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 50 Lakhs but does not exceed Rs. 1 crore.	When total income (including the income by way of dividend or income u/s 196, 197 and 198) exceeds Rs. 50 Lakhs but does not exceed Rs. 1 crore.
2	Surcharge @15% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 1 crore but does not exceed Rs. 2 crores.	When total income (including the income by way of dividend or income u/s 196, 197 and 198) exceeds Rs. 1 crore but does not exceed Rs. 2 crores.
3	Surcharge @25% (subject to marginal relief) #	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 2 crores but does not exceed Rs. 5 crores.	When total income (excluding the income by way of dividend or income u/s 196, 197 and 198) exceeds Rs. 2 crores but does not exceed Rs. 5 crores.
4	Surcharge @37% (subject	When total income (excluding the income by	When total income (excluding the income by

	to marginal relief) #	way of dividend or income u/s 111A, 112 and 112A exceeds Rs. 5 crores.	way of dividend or income u/s 196, 197 and 198 exceeds Rs. 5 crores.
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- o #When total income (including the income by way of dividend or income u/s 196, 197 and 198 of IT Act 2025 (corresponding Section 111A, 112 and 112A of IT Act 1961)) exceeds Rs. 2 crores, but is not covered under S. No 3 or 4 above, then the rate of surcharge is 15%.

- **For Super Senior Citizens – being a resident in India (i.e., whose age is more than or equal to 80 years: No change**

S. No.	Rate of Tax	For A.Y. 2026-27 (IT Act 1961)	For T.Y. 2026-27 (IT Act 2025)
	Nil	Up to Rs. 5,00,000	Up to Rs. 5,00,000
	20%	From Rs. 5,00,001 to Rs. 10,00,000	From Rs. 5,00,001 to Rs. 10,00,000
	30%	Above Rs. 10,00,000	Above Rs. 10,00,000
1	Surcharge @10% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 50 Lakhs but not exceed Rs. 1 crore.	When total income (including the income by way of dividend or income u/s 196, 197, 198) exceeds Rs. 50 Lakhs but not exceed Rs. 1 crore.
2	Surcharge @15% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 1 crore but does not exceed Rs. 2 crores.	When total income (including the income by way of dividend or income u/s 196, 197, 198) exceeds Rs. 1 crore but does not exceed Rs. 2 crores.
3	Surcharge @25% (subject to	When total income (excluding the income by way of dividend or income	When total income (excluding the income by way of dividend or income

	marginal relief) #	u/s 111A, 112 and 112A) exceeds Rs. 2 crores but does not exceed Rs. 5 crores.	u/s 196, 197, 198) exceeds Rs. 2 crores but does not exceed Rs. 5 crores.
4	Surcharge @37% (subject to marginal relief) #	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A exceed Rs. 5 crores.	When total income (excluding the income by way of dividend or income u/s 196, 197, 198 exceed Rs. 5 crores.

- o #When total income (including the income by way of dividend or income u/s 196, 197 and 198 of IT Act 2025 (corresponding Section 111A, 112 and 112A of IT Act 1961)) exceeds Rs. 2 crores, but is not covered under S. No 3 or 4 above, then the rate of surcharge is 15%.

- **For Company, other than Domestic Company i.e. Foreign Company*: No change**

Rate of Tax	For A.Y. 2026-27 (IT Act 1961)	For T.Y. 2026-27 (IT Act 2025)
35% of total income	Except income chargeable to special rates	Except income chargeable to special rates
Surcharge @2% (subject to marginal relief)	When total income exceeds Rs. 1 crore but does not exceed Rs. 10 crores.	When total income exceeds Rs. 1 crore but does not exceed Rs. 10 crores.
Surcharge @5% (subject to marginal relief)	When total income exceeds Rs. 10 crores.	When total income exceeds Rs. 10 crores.

- **For Domestic Company*: No change**

Rate of Tax	For A.Y. 2026-27 (IT Act 1961)	For T.Y. 2026-27 (IT Act 2025)
25% of total income	Total turnover/Gross Receipt in previous year 2023-24 was upto Rs. 400 crores	Total turnover/Gross Receipt in previous year 2023-24 was upto Rs. 400 crores
30% of total income	In all other cases.	In all other cases.
Surcharge @7% (subject to marginal relief)	When total income exceeds Rs. 1 crore but does not exceed Rs. 10 crores.	When total income exceeds Rs. 1 crore but does not exceed Rs. 10 crores.
Surcharge @12% (subject to marginal relief)	When total income exceeds Rs. 10 crores.	When total income exceeds Rs. 10 crores.

- **For Certain Domestic Company (Rates Under Special Cases)*: No change**

Rate of Tax	For A.Y. 2026-27 (IT Act 1961)	For T.Y. 2026-27 (IT Act 2025)
22% of total income	Option u/s 115BAA exercised.	Option u/s 200 exercised.
15% of total income	Option u/s 115BAB exercised.	Option u/s 201 exercised.
Surcharge @10% (subject to marginal relief)	On the total tax liability u/s 115BAA or 115BAB.	On the total tax liability u/s 200 or 201.

- *In other cases, Section 92CE(2A), 115QA, 115R, 115TA, and 115TD of IT Act 1961), surcharge of 12% is applicable.

- **For Co-operative Society: No change**

Rate of Tax	For A.Y. 2026-27 (IT Act 1961)	For T.Y. 2026-27 (IT Act 2025)
10%	Up to Rs. 10,000	Up to Rs. 10,000
20%	From Rs. 10,001 to Rs. 20,000	From Rs. 10,001 to Rs. 20,000
30%	Above Rs. 20,000	Above Rs. 20,000
Surcharge @7% (subject to marginal relief)	When total income exceeds Rs. 1 crore but does not exceed Rs. 10 crores.	When total income exceeds Rs. 1 crore but does not exceed Rs. 10 crores.
Surcharge @12% (subject to marginal relief)	When total income exceeds Rs. 10 crores.	When total income exceeds Rs. 10 crores.

- **For Certain Co-operative Society (Rates u/s 203 of IT Act 2025 (corresponding Section 115 BAD of IT Act 1961)): No change**

Rate of Tax	For A.Y. 2026-27 (IT Act 1961)	For T.Y. 2026-27 (IT Act 2025)
22% of total income	Option u/s 115BAD exercised.	Option u/s 203 exercised.
Surcharge @10% (subject to marginal relief)	On the total tax liability u/s 115BAD.	On the total tax liability u/s 203.

- **For Certain Co-operative Society (Rates u/s 204 of the IT Act 2025 (corresponding Section 115BAE of the IT Act 1961)):**

Rate of Tax	Conditions
15% of total income#	<ul style="list-style-type: none"> • New manufacturing co-operative society is set up on or after 01.04.2023. • And Commences manufacturing or production on or before 31.03.2024, and does not avail any specified incentive or deduction.
Surcharge @10% (subject to marginal relief)	On the total tax liability u/s 115BAE.

- #Where total income of the Assessee is neither been derived from nor is incidental to manufacturing or production of an article or thing and in respect of which no specific rate of tax has been provided separately such income shall be taxable at 22%.
- The tax burden u/s 204 of the IT Act 2025 for T.Y. 2026-27 and Section 115BAE of the IT Act 1961 for A.Y. 2026-27 is same as depicted in above table.

- **For Firm and Local Authority: No change**

Rate of Tax	For A.Y. 2026-27 (IT Act 1961)	For T.Y. 2026-27 (IT Act 2025)
30%	Whole of the total income.	Whole of the total income.
Surcharge @12% (subject to marginal relief)	When total income exceeds Rs. 1 crore.	When total income exceeds Rs. 1 crore.

- **Cess on Income Tax: No change**

Particulars	Existing
Health and Education Cess#	4% of income tax including surcharge.

- #No Marginal Relief is available in respect of Health and Education Cess.
- Health and Education Cess will be 4% under both IT Act 1961 for A.Y. 2026-27 as well as IT Act 2025 for T.Y. 2026-27.

Revision of Rates of STT

- STT was introduced by the Finance (No. 2) Act, 2004 as a mechanism for efficient collection of tax on transactions in specified securities carried out through recognised market infrastructure.
- With the objective of addressing the issue of disproportionate increase in speculation in futures and option trading. It is proposed to undertake a calibrated revision of the applicable rates of STT.
- Rate of levy of STT is proposed as follows:

Nature of transaction	Rate of STT	
	Existing	Proposed
Sale of an option in securities	0.1% of the option premium	0.15% of the option premium
Sale of an option in securities, where option is exercised	0.125% of the intrinsic value	0.15% of the intrinsic value
Sale of a futures in securities	0.02% of the traded price	0.05% of the traded price

- *w.e.f. 01.04.2026*

Rationalization of Minimum Alternate Tax (MAT) Provisions

- Section 206 of IT Act 2025 is applicable to the company which is continuing under the old regime.
- Earlier, the tax was chargeable @15% on the book profit. In case MAT is higher than the tax payable on the company's total income computed under normal tax provisions, excess of taxes was allowed to be carried forward for 15 years as MAT tax credit.
- It is proposed that the tax paid under MAT shall be made as final tax under the old regime and no new MAT credit shall be allowed. However, tax rate under MAT is reduced to 14% from 15%.
- To encourage companies to shift to new regime, accumulated MAT credit shall be allowed to be set off under new regime subject to a limit of 25% of tax payable for that tax year and remaining credit shall be carried forward to subsequent years upto 15 years from the year of MAT credit first available.
- Foreign companies can continue to avail benefits of MAT credit and set off for the difference between the tax on total income and MAT under the new regime as well.
- *w.e.f. 01.04.2026 (for Section 206 of IT Act 2025).*

Exclusion of certain business from payment of Minimum Alternate Tax.

- Section 206 of the IT Act 2025 provides for levy of Minimum Alternate Tax on specified taxpayers, ensuring payment of a prescribed minimum amount of tax by them.
- Section 206(1)(l) prescribes certain foreign companies and non-residents, on whom the provisions of Minimum Alternate Tax are not applicable. As per Section 206(1)(l)(iii) Minimum Alternate Tax shall not be applicable to certain business who have opted for presumptive taxation under Section 61 of the IT Act, 2025.
- However, certain business who have opted for presumptive taxation under Section 61 have not been excluded from Minimum Alternate Tax namely:
 - Business of operation of cruise ships.
 - Business of providing services or technology in India, for the purposes of setting up an electronics manufacturing facility or in connection with manufacturing or producing electronic goods, article or thing in India to a resident company.

- In order to ensure similar treatment among all specified business of non-residents opting for presumptive taxation, it is proposed that the all the specified business under Section 61 of the IT Act 2025 shall be excluded from the applicability of Minimum Alternate Tax.
- Corresponding Section of IT Act 1961: 115JAA, 115JB, 115JC, 115JD, 115JE, 115JEE and 115JF.
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

Rationalisation of Tax Treatment on Buy Back of Shares

- Under the existing provisions of IT Act 2025, consideration received by a shareholder on buy-back of shares by a company, is treated as dividend income under section 2(40)(f), while the cost of acquisitions of the shares extinguished on buy-back is reconginsed separately as a capital loss under section 69 of the IT Act 2025.
- It is proposed to omit Section 2(40)(f) and substitute Section 69(2) & (3) of the IT Act 2025. Consequently, the consideration received by a shareholder on buy-back of shares by a Company shall be chargeable to tax under the head 'Capital Gains', instead of being treated as dividend income.
- However, in order to prevent the misuse of these provisions by the 'promoters', the tax chargeable shall be 22% in case of promoter companies and 30% in case of non-promoter companies, by way of charging the following additional tax, in addition to normal capital gain tax:
 - Short Term Capital Gains : 2% (if Promoter is a Domestic Company) or 10% (if Promoter is other than a Domestic Company)
 - Long Term Capital Gains : 9.5% (if Promoter is a Domestic Company) or 17.5% (if Promoter is other than a Domestic Company)
- In case of a listed company, "Promoter" shall have the same meaning as assigned under Regulation 2(k) of SEBI (Buy-Back of Securities) Regulations, 2018. In any other case, "Promoter" means a person who is a promoter as defined under section 2(69) of Companies Act, or any person holding, directly or indirectly, more than 10% of the shareholding of the company. Further, "Specified Securities" shall have the same meaning as provided in Explanation 1 to section 68 of Companies Act.
- Corresponding Section of IT Act 1961: 2(22)(f), 46A
- *w.e.f 01.04.2026*

Chapter XIX - Collection and Recovery of Tax

- Section 402 of IT Act 2025 deals with the interpretation (definition) under Chapter XIX.
 - Clause (27) of the said section provides for the definition of “person responsible for paying”. Sub clause (c) provides that in case of payment of any sum to a non-resident where such sum represents consideration for the transfer by him of any foreign exchange asset, which is not a short-term capital asset, the authorised person responsible for remitting such sum to the non-resident Indian or for crediting such sum to his Non-resident (External) Account shall be regarded as the person responsible for paying.
It is proposed to amend the said sub-clause to clarify that the term “authorised person” referred to therein shall have the same meaning as assigned to it in section 2(c) of the Foreign Exchange Management Act, 1999.
 - Clause (47) of the said section provides for the definition of “work”. It is proposed that the definition be expanded to expressly include the “supply of manpower to a person to work under his supervision, control or direction” for applicability of TDS under the provisions of Section 393(1) [Table: Sl. No. 6(i) and 6(ii) but not 6(iii)], i.e., TDS @1% or 2% as applicable on payment to contractors by designated person or by any person being individual or HUF (other than those covered under designated person as per Sl. No. 6(i)). No TDS will be required under Sl. No. 6(iii) by a specified person. There was ambiguity w.r.t applicability of TDS on supply of manpower, whether u/s 194C/ 194M @1% / 2% or u/s 194 J @10%.
Corresponding sections of IT Act 1961 – 194C, 194M and 194J.
- *w.e.f. 01.04.2026*

Elimination of TDS on interest paid to co-operative banks (including a co-operative land mortgage bank)

- Section 393(4) of IT Act 2025 provides for conditions where no TDS is required to be made on payment of interest.
- Under Section 194A (3) (iii) (a) of IT Act 1961, TDS not required on interest income credited or paid to any co-operative banks (including a co-operative land mortgage bank). However, it was omitted to be included in IT Act 2025.

- Accordingly, to bring IT Act 2025 in line with IT Act 1961, it is proposed to amend Section 393(4) [Table: Sl. No. 7, Column C (a)(i)] to provide that no TDS is required on interest credited or paid to co-operative banks (including a co-operative land mortgage bank)
- *w.e.f 01.04.26*

Elimination of TDS on Interest on Compensation Awarded by MACT

- Under Section 393(4) [Table: Sl. No. 7, Column C (c)(iv)] of IT Act 2025, no TDS is required on interest on compensation amount awarded by the MACT, if such amount does not exceed Rs. 50,000/- during the Tax Year.
- It is proposed that no TDS shall be required on any amount of interest on compensation amount awarded by the MACT received by an individual.
- Corresponding Section of IT Act 1961: 194A (3) (ixa)
- *w.e.f 01.04.2026*

Allowing no-deduction declaration filing with the depository

- Under Section 393(6) of IT Act 2025, TDS is not required on the incomes such as dividend, interest from securities and income from units of mutual funds where the person furnishes a written declaration to the payer declaring that the tax payable on his estimated total income for the relevant Tax Year is nil.
- However, a person holding multiple units and securities is required to submit separate declarations to all the payers leading to a complex and cumbersome mechanism of compliance.
- Accordingly, to address the above issue, it is proposed to allow the investors holding listed securities or units in the depository to file the declaration with the depository which shall in turn provide such declaration to the concerned payers.
- Further, it is proposed that the time limit for furnishing the declarations received by the payer to the income tax authorities shall be changed from monthly basis to quarterly basis.
- Corresponding Section of IT Act 1961: Section 197A
- *w.e.f 01.04.2027*

Correction of referencing error in Section 393(1) [Table: Sl. No. 3(i)]

- Note 3 of Section 393(1) [Table: Sl. No. 3(i)] of the IT Act 2025, provides for TDS on sale of immovable property where consideration or stamp duty value is equal to or greater than Rs. 50 lacs. However, said Note 3 has erroneously made a reference to [Table Sr. No. 3(iii)] (which is related to compulsory acquisition) instead of [Table Sr. No. 3(i)].
- Accordingly, it is proposed to amend Note 3 of Section 393(1) [Table: Sl. No. 3(i)], to correct the aforesaid referencing error.

• *w.e.f 01.04.2026*

Computation of Income of an Insurance Business

- Under Section 55 of IT Act 2025, taxable income of any insurance business under the head PGBP shall be computed in the manner as prescribed in the Schedule XIV.
- Paragraph 4(1)(a) of Schedule XIV provides that in case of a non-life insurance business, any expenditure debited in the Profit & Loss a/c by way of provision of tax, reserve and dividend or any other provision, which is inadmissible u/s 28 to 54 shall be disallowed for computing the income under the head PGBP. However, Paragraph 4(2) of Schedule XIV provides that any amount payable under section 37 of the Act, which is added under paragraph 4(1)(a) shall be allowed as deduction in the tax year in which it has been actually paid.
- Further as per Section 35(b)(i) & (ii), any sum paid or payable on which TDS is not deducted or not paid shall be disallowed to the extent of 30%. However, the same shall be allowed in the tax year in which such TDS is actually paid.
- It is now proposed to insert Paragraph 4(3) in Schedule XIV providing that any expenditure previously disallowed under Paragraph 4(1)(a) pursuant to non-deduction/deposition of TDS shall be allowed as deduction in a subsequent tax year when it is actually paid.
- Corresponding Section of IT Act 1961: 44, Schedule I, 28 to 43B, 40(a)(ia)
- Before this amendment any disallowance made u/s 43B was allowed in the year of actual payment, however, this was not applicable on disallowance u/s 40(a)(ia), hence this amendment is proposed.
- However, no amendment is made in IT Act, 1961 in Schedule I, hence for the P.Y. 2025-26, this disallowance u/s 40(a)(ia) will not be allowed on actual payment of TDS.

• *w.e.f. 01.04.2026*

Rationalising the due date for deduction related to employee welfare

- Section 29(1) of the IT Act 2025 deals with the deductions related to employee welfare. Clause (e) of the said section allows an employer to claim a deduction for employee contributions (such as PF, ESI, or other specified funds) collected from employees which are treated as income u/s 2(49)(o), provided these amounts are deposited into the respective employee welfare funds within the prescribed due date under any Act, rule, order or notification issued under it or under any standing order, award, contract of service or otherwise.
- It is proposed to substitute the said clause so as to provide that due date for the purposes of the said section shall be on or before the due date of filing of return of income under section 263(1) for the assessee.
- Corresponding section of IT Act 1961 : 36(1)(va), 2(24)(x) and 139(1)
- However, no amendments have been made in section 36(1)(va), hence for the PY 2025-26, the said disallowance will continue in case of delayed payment.
- *w.e.f 01.04.2026*

Rationalization of TCS Rates

- It is proposed to amend section 394(1) of the IT Act 2025 to rationalize the rates of TCS by providing uniform rates to the extent possible.

S.No. u/s 394(1)	Nature of receipt	Person to collect tax	Current threshold/ rate	Proposed threshold/ rate
1.	Sale of Alcoholic liquor for human consumption	Seller	1%	2%
2.	Sale of Tendu leaves	Seller	5%	2%
4.	Sale of scrap	Seller	1%	2%
5.	Sale of minerals, being coal or lignite or iron ore	Seller	1%	2%

7.	Remittance under LRS for purposes of education or medical treatment of an amount exceeding Rs. 10 Lacs	Authorised dealer	5%	2%
8.	Sale of “overseas tour programme package” including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure.	Seller	(a) 5% of amount or aggregate of amounts up to Rs. 10 Lacs; (b) 20% of amount or aggregate of amounts exceeding Rs. 10 Lacs	2%

- Corresponding Section of IT Act 1961: 206C
- *w.e.f 01.04.2026*

Extension of Time Limit to file Return for certain assessees

- The “due date” to file the return of income is specified in the table given under Section 263(1)(c) of the IT Act 2025. The said due date to file return of income for the following assessees is proposed to be changed from 31st July to 31st August.
 - Any assessee other than a Company having income from the head ‘Profits and Gains from business and profession’ whose accounts are not required to be audited under any law.
 - Partner of a firm whose accounts are not required to be audited under any law.
- Corresponding changes have also been made in Section 139(1) of the IT Act 1961.
- It is proposed that the amendments made in IT Act 2025 shall come into force from the 1st day of April, 2026 for tax year 2026-27 and subsequent tax years.
- It is proposed that the amendments made in IT Act 1961 shall come into force from the 1st day of March, 2026 for assessment year 2026-27(previous year 2025-26).

Extension in Time Limit to file Revised Return

- The due date to file a revised return for all assessees under section 263(5) of the IT Act 2025 is 31st December or before the completion of assessment whichever is earlier. This

due date is proposed to be changed from 31st December to 31st March of the year succeeding the relevant tax year.

- Further, a fee is also proposed under section 428(b) of the IT Act 2025 for assessees filing revised returns beyond nine months from the end of relevant tax year but before twelve months under section 263(5) of the IT Act 2025. The amount of fee is as under;
 - a sum of one thousand rupees, if the total income of such person does not exceed five lakh rupees;
 - a sum of five thousand rupees, in any other case.
- Corresponding changes have also been made in Section 139(5) of the IT Act 1961 and a corresponding fee is also proposed under section 234I of the IT Act 1961.
- It is proposed that the amendments made in IT Act 2025 shall come into force from the 1st day of April, 2026 for tax year 2026-27 and subsequent tax years.
- It is proposed that the amendments made in IT Act 1961 shall come into force from the 1st day of March, 2026 for assessment year 2026-27(previous year 2025-26).

Amendment in Scope of Updated Return in case of reduction of losses

- Section 263(6) of the IT Act 2025 deals with an updated return of income. It allows a taxpayer, whether or not a return was furnished earlier, to file an updated return within 48 months from the end of the FY succeeding the relevant tax year with certain conditions.
- Section 263(6)(c)(i) provides a restriction that an updated return cannot be furnished in cases where the updated return is a return of loss for the said tax year.
- It is proposed to substitute the existing clause (b) section 263(6)(i) of the IT Act 2025, so as to allow the filing of an updated return in cases where the taxpayer reduces the amount of loss in comparison to the amount of loss claimed in the return of loss furnished within the due date.
- Corresponding changes have also been made in Section 139(8A) of the IT Act 1961.
- It is proposed that the above amendments in the IT Act 2025 shall come into force from the 1st day of April, 2026.
- It is proposed that amendment in the IT Act 1961 shall come into force from 1st day of March, 2026.

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

- Section 263(6)(c)(v) of the IT Act 2025, prohibits the filing of updated return where any proceedings for assessment or reassessment or recomputation or revision of income is pending or has been completed for the said tax year.
- It is proposed to amend that an updated return may also be allowed in such cases where proceedings of reassessment have been initiated and notice of reassessment has been issued u/s 280 of the IT Act 2025 with the objective of reducing litigation.
- It is also proposed to amend section 267 of the IT Act 2025 so as to prescribe that where an updated return is filed in pursuance of a notice issued u/s 280 within the period specified in the said notice, the additional income-tax payable shall be increased by a further sum of 10 % of the aggregate of tax and interest payable on account of furnishing the updated return.
- It is further proposed to insert a new subsection (13A) in section 439 of the IT Act 2025 that where additional income-tax is paid as per proposed additional income-tax, the income on which such additional income-tax is paid shall not form the basis of imposition of penalty u/s 439 which is the penalty for under-reporting or mis-reporting of income.
- Corresponding changes have also been made in Section 139(8A) of the IT Act 1961.
- It is proposed that the above amendments in IT Act 2025 shall come into force from the 1st day of April, 2026 and shall be applicable for the tax year 2026-27 and subsequent tax years.
- It is proposed that amendment in the IT Act 1961 shall come into force retrospectively from 1st day of March, 2026.

Option of filing Application before prescribed IT Authority for issuance of Certificate for TDS at lower or NIL Rate

- As per Section 395(1)(a) of the IT Act, 2025, a person in receipt of any income on which tax is liable to be deducted at source may make an application to the AO for the issuance of a certificate for deduction of tax at a lower rate or nil rate. Upon verification, the AO may either issue a certificate or reject such application.
- It is proposed to insert new Sub-section (6) to provide that the recipient of income may also make an application for issuance of such certificate electronically before the prescribed income-tax authority, which on electronic verification, may either issue

the certificate or reject the application if it is incomplete or if the prescribed conditions are not fulfilled.

- Further section 395(1)(c) is amended to include the reference of newly inserted option as stated above so that lower or no tax is deducted by the payer.
- Corresponding Sections of IT Act 1961: 197
- *w.e.f 01.04.2026 (T.Y. 2026-27 onwards)*

Exemption from obtaining TAN where seller of Immovable Property is Non-Resident

- Section 397(1)(a) of the IT Act 2025 requires every person deducting or collecting tax to obtain TAN. Clause (c) of the said sub-section provides for cases where a person is not required to obtain TAN.
- Presently if a person buys an immovable property from a resident seller, the person is not required to obtain TAN while it is required where seller is a non-resident.
- It is proposed to amend section 393(1)(c) to provide that a resident individual or HUF is not required to obtain TAN to deduct tax at source i.r.o any consideration paid/payable to a non-resident seller on the transfer of any immovable property.
- Corresponding Sections of IT Act 1961: 203A
- *w.e.f 01.10.2026.*

Tax and Penalty impact on “Unexplained Income” rationalised

- Section 195 of the IT Act 2025 provides for tax on income referred to in Sections 102 to 106, namely unexplained credits, unexplained investment, unexplained asset, unexplained expenditure and amount borrowed or repaid through negotiable instrument, hundi, etc. Section 195(1) further provides that where total income of an assessee includes any such income, income-tax on that portion is presently charged at the rate of 60%.
- Section 443 provides for a penalty amounting to 10% of the tax payable u/s 195(1) where the income determined in the case of an assessee for any tax year includes income referred to in Sections 102 to 106.
- Section 195 is proposed to be amended to reduce the tax rate on income referred to in Sections 102 to 106 from 60% to 30%. Surcharge applicable on the tax payable u/s 195(1)(i) is 25%.

- It is also proposed to omit the separate penalty u/s 443 and to subsume this consequence within the regime for misreporting of income u/s 439(11) of the Act leading to penalty of 200% of tax payable.
- Thus, penalty in respect of such income will henceforth be governed by the provisions for under-reporting of income in consequence of misreporting u/s 439(11).
- Corresponding Sections of IT Act 1961: Section 115BBE(1), 115BBE(2)
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

Retrospective Amendment to confer Jurisdiction to JAO (JAO vs. FAO)

- There has been a significant legal tug-of-war regarding the authority to issue reassessment notices: the Jurisdictional Assessing Officer (JAO) or the Faceless Assessment Officer (FAO) via the National Faceless Assessment Centre (NFAC).
- Under the e-Assessment of Income Escaping Assessment Scheme, 2022, the law aimed to eliminate personal interaction to increase transparency. Taxpayers argued that all notices u/s 148 and 148A of IT Act 1961 must be issued in a faceless manner through automated allocation. The Income Tax Department, however, contended that the initial "pre-assessment" steps (like issuing the notice) could still be done by JAOs, especially in complex cases like International Taxation.
- The various HC including the Hon'ble Rajasthan HC have quashed the various notice issued u/s 148 and 148A by FAO and consequent assessment orders. Further, in some cases, the Court has also given directions to the CIT(A) to quash the notice issued by JAO and consequent assessment order.
- In the case of *Sri Venkataramana Reddy Patloola v. DCIT [(2024) 167 taxmann.com 411 (Telangana)]*, the Hon'ble Telangana HC ruled decisively in favour of the taxpayer. The Hon'ble SC has also dismissed the SLP filed by the Department though the said legal issue is pending before the Hon'ble SC in some other cases.
- The amendment is proposed to IT Act 1961 and IT Act 2025 to provide "certainty and clarity".
- It is proposed to clarify that the AO for Sections 148 and 148A of IT Act 1961 always meant an officer other than the NFAC.
- *w.r.e.f. 01.04.2021 (for Section 147A of IT Act 1961)*
- *w.e.f. 01.04.2026 (for Section 279 of IT Act 2025)*

Assessment Orders Passed Without Document Identification Number (DIN) not to be held Invalid

- As per existing provisions, an assessment, notice, or summons is not deemed invalid simply due to a mistake, defect, or omission, provided it is in substance and effect in conformity with the intent and purpose of the Act.
- CBDT vide its Circular No. 19/2019 dated 14.08.2019 mandated quoting of generation and quoting of DIN in all communications by the department in order to bring transparency and more accountability.
- The said circular also mandated that any communications issued without following the guidelines including quoting of DIN would be deemed never issued and be invalid.
- Various High Courts in view of the CBDT own directives and circular held assessments order passed to be invalid on technical grounds, such as the computer-generated DIN not being quoted on every page or within the body of the order itself. This occurred even when the DIN was lawfully generated and included in accompanying communications.
- It is proposed to insert new Section 292BA into the IT Act 1961 and amend Section 522 of the IT Act 2025 by inserting new sub-section.
- Proposed amendment clarifies that no assessment shall be invalid due to a mistake or omission in quoting a DIN, if the DIN was factually generated at the time of passing of assessment order and assessment order is referenced by such computer-generated DIN in any manner.
- **w.e.f. 01.04.2026 (for Section 522 of IT Act 2025)**
- **w.r.e.f. 01.10.2019 (For Section 292BA of IT Act 1961)**

Rationalizing the Block-Period for 'Other Persons'

- Under Section 295 of the IT Act 2025, if the AO is satisfied that undisclosed income pertains to any 'other person' other than person who has been subjected to search, then AO shall proceed against the said 'other person' as well.
- In the existing provisions of Block assessment, the block period is the same for the 'searched person' or the 'other person' in whose case no search or requisition is made.
- It is proposed to amend Section 295(2) by inserting new clauses (c) and (d) to limit the 'block period' for such 'other person' based on the period to which the undisclosed income pertains:

- **Case 1 (Clause c):** If the undisclosed income pertains to the tax year preceding the year of search (referred to as the 'specified year') and until the date of initiation of search, the block period will comprise of that preceding specified year plus the partial period of year of the search.
- **Case 2 (Clause d):** If the undisclosed income pertains only to a single tax year out of the 5 tax years preceding the specified year, the block period would be limited to that single tax year.
- Corresponding Sections of IT Act 1961: 158BD
- *w.e.f. 01.04.2026 (T.Y.2026-27)*

Rationalized Time Limit to Complete Block Assessment

- Under Section 296(1) of IT Act 2025, block assessment must be completed within 12 months from the end of the quarter in which last authorization of search was executed.
- The use of the last date of authorizations as reference for deciding date of limitation led to different limitation dates in case of group being searched.
- To align the dates of completion of block assessment, it is proposed to shift the reference date for deciding limitation from date of execution of last authorization of search or requisition to date of initiation of search or requisition.
- The amendment is intended to establish uniform 18-month deadline for completion of block assessment from the end of the quarter in which search was initiated instead of 12 months from end of quarter in which last authorization of search was executed.
- Corresponding Sections of IT Act 1961: 158BE
- *w.e.f. 01.04.2026 (T.Y. 2026-27)*

Amensty Scheme for Foreign Asset and Income Disclosure For Small Taxpayers

- At the time of introduction of Black Money Act which was enacted to address the issue of undisclosed foreign income and assets held by resident taxpayers, a one-time compliance window was provided from 01.07.2015 to 30.09.2015 to enable voluntary declaration of undisclosed foreign assets acquired up to 31.03.2015, subject to payment of tax and penalty.
- Similarly, to address practical difficulties faced by small taxpayers such as students, young professionals, tech employees, relocated NRIs and others, new Chapter IV has

been proposed in the Finance Bill 2026 containing provisions for the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (“**FAST-DS 2026 or Scheme**”).

- The said Scheme is proposed to provide a compliance opportunity to allow disclosure of income or assets of modest value through payment of tax or fee (depending on nature and source of acquisition), along with limited immunity from penalty and prosecution under the Black Money Act for matters covered by the declaration.
- The Scheme covers disclosure regarding undisclosed asset located outside India and undisclosed foreign income, which is defined as follows:-
 - Undisclosed asset located outside India means an asset (including financial interest in any entity) located outside India, held by the assessee in his name or in respect of which he is a beneficial owner, and he has no explanation about the source of investment in such asset or the explanation given by him, is in the opinion of the Assessing Officer, unsatisfactory;
 - Undisclosed foreign income means the total amount of income of an assessee from a source located outside India which was chargeable to tax in India but has not been offered to tax under the Income-tax Act, 1961;
- As per the Scheme “assessee” means a person,—
 - being a resident in India within the meaning of Section 6 of the IT Act in the previous year; or
 - being a non-resident or not ordinarily resident in India within the meaning Section 6(6) of IT Act 1961 in the previous year, who was resident in India either-
 - in the previous year to which the income referred to in Section 4 of the Black Money Act relates; or
 - in the previous year in which the undisclosed asset located outside India was acquired;

Eligible Persons

- Any person may make a declaration on or after the date of commencement of this Scheme but on or before the last date to be notified later, for any previous year, in respect of any income or asset where
 - he has failed to furnish a return under Section 139 of the IT Act 1961 or
 - he failed to disclose such asset or income in a return of income furnished by him before the date of commencement of this Scheme
 - such asset or income has escaped assessment within the meaning of Section 147 of the IT Act 1961.
 -

Amount Payable under the Scheme

- Where the declaration is made, the following amount is required to be paid:
 - In case of undisclosed asset or income (aggregate value not exceeding Rs. 1 Cr):-
 - 30% of fair market value of asset or undisclosed income as tax
 - Plus 30 % FMV of asset or undisclosed income as Penalty (i.e. Total 60%)
 - In case of technical omission of declaration of foreign asset (value not exceeding Rs. 5 Cr.) in relevant Schedule of ITR
 - Fee of Rs. 1 Lakh

In this case only those foreign assets are covered which were either acquired from income accruing or arising outside India during a period when the assessee was a non-resident but such asset was not declared when becoming resident or the which were acquired from income which has been offered to tax under the IT Act 1961.

Key Provisions of the Scheme

- The declaration shall be filed and verified electronically in prescribed manner to confirm that the assessee making the declaration is eligible and that the declaration of income or assets is in accordance with the provisions of this Scheme.
- The declaration shall be deemed invalid if any material particular furnished therein is found to be false at any stage or if the declarant violates any condition of the Scheme.
- After electronic verification, the payable amount shall be communicated electronically within 1 month from the end of the month of declaration, by way of an order.
- The assessee shall pay this amount within 2 months from the end of the month of receiving the order, in the prescribed manner.
- If payment is delayed, it can be made within a further 2 months with 1% simple interest per month (or part thereof).
- Upon payment, the assessee must intimate payment details to the prescribed authority within the extended period.
- On receipt of valid intimation of amount paid under the Scheme, a prescribed authority shall pass an order within 1 month from end of month in which intimation of payment is received.
- Notwithstanding anything in the Black Money Act, valid declarants paying requisite amounts would get immunity from further tax, penalty, or prosecution for declared income/assets for the previous years ending 31.03.2026 or any earlier previous year.
- Amount paid in accordance with provisions of this Scheme shall not be refundable.

- The income or the amount of investment in an asset, which has been declared shall not be included in the total income of the declarant for any A.Y. under the IT Act or the Black Money Act provided declarant has paid the required amount as per the Scheme..
- Where a declaration of any income or asset is made under this Scheme and assessment proceedings in respect of such income or assets are pending under the IT Act 1961 or the Black Money Act, the AO shall take such declaration into account while finalising such assessment order.
- In respect of income or asset declared or any amount paid thereon, the declarant shall not be entitled to claim:-
 - for rectification or revision of any assessment made under the IT Act or the Black Money Act
 - any set off or relief in any appeal, reference or other proceeding in relation to any such assessment.

Non Application of Scheme

- The provisions of this Scheme shall not apply in respect of—
 - any income or asset which represents, directly or indirectly, proceeds of crime in respect of which proceedings have been initiated, or pending under the PMLA or
 - any income or asset relating to an assessment year for which assessment proceedings have been completed under the Black Money Act.
- The Central Government or Board has been empowered to prescribe rules or orders or directions to give effect to the Scheme.
- *w.e.f. the date to be notified by Central government*

Relaxation of conditions for prosecution under Black Money Act

- Section 49 and 50 of the Black Money Act establishes stringent prosecution mechanisms. Section 49 targets wilful failure to furnish a return of income under the Income-tax Act, 1961, by a resident (excluding 'not ordinarily resident' individuals), while Section 50 addresses wilful omission to disclose particulars of any foreign asset—including financial interest in any foreign entity—in such return.
- It is proposed to insert identical provisos in both Sections 49 and 50 with retrospective effect stipulating that prosecution provisions shall not apply to any asset or assets (excluding immovable property) where the aggregate value does not exceed Rs. 20 lacs at any time during the relevant previous year.

- This retrospective amendment harmonizes prosecution thresholds with the existing penalty exemptions under Sections 42 and 43, as amended by Finance (No. 2) Act, 2024 and rectifies a prior inconsistency wherein minor foreign assets valued below ₹20 lacs were not subject to penalties under Sections 42 and 43 but remained liable for prosecution.

• *w.r.e.f. 01.10.2024*

Rationalization of Imposition of Penalty within Assessment Order and Consequential Amendments

- Under the IT Act 1961, penalty proceedings are initiated in the assessment order based on its findings, followed by separate proceedings through a show cause notice and a separate penalty order after giving the assessee an opportunity of being heard. This leads to multiplicity of proceedings.
- In order to rationalize the process, reduce taxpayer compliance burden and ensure consistency in penalty levy, it is proposed to amend Section 274 to provide that penalty for underreporting of income leviable under Section 270A to be imposed within the Assessment Order .
- Further, it is proposed to make consequential amendment in Section 220(2) by inserting a proviso stating that no interest shall be charged on demand raised on account of penalty u/s 270A up to the disposal of appellate proceedings under sections 250 or 254, as applicable.
- It is further proposed to make consequential amendment in Section 245MA to provide that the penalty for under-reporting of income leviable under section 270A, as imposed or imposable in the assessment order, may be waived by the Dispute Resolution Committee.
- Additionally, it is proposed to amend section 270A by inserting a new sub-section to provide that where updated return is filed and additional income-tax is paid in accordance with section 140B(3), the income on which such tax is paid shall not be considered for the imposition of penalty.
- Similar amendments have been made in the corresponding sections – 471,439,411,379 of IT Act 2025
- *w.e.f. 01.03.2026 (For Sections 274,270A,220(2),245MA of IT Act 1961)*
- *w.e.f. 01.04.2026 (For Sections 471,439,411,379 of IT Act 2025)*

Immunity Expanded to Cover Under-Reporting Arising from Misreporting u/s 440

- Section 440 of the IT Act 2025 lays down the procedure for granting immunity by the Assessing Officer from imposition of penalty or prosecution where:
 - the tax and interest payable as per the assessment order has been paid within the period specified in the notice of demand; and
 - no appeal against such assessment order has been filed.
- The assessee must file an application for immunity within one month from the end of the month in which the assessment order is received, and the Assessing Officer shall, after the expiry of the appeal-filing period and on satisfaction of the conditions, grant immunity from penalty u/s 439 and prosecution u/s 478 or 479, by passing an order within three months from the end of the month in which the application is received.
- At present, immunity u/s 440 is available only in cases of under-reporting of income and not where such under-reporting is in consequence of misreporting.
- It is proposed to extend the benefit of immunity to cases where under-reporting of income is in consequence of misreporting, subject to the payment to additional income-tax as mentioned below:
 - In cases covered u/s 439(11)(a) to (f), being cases of:
 - (a) misrepresentation or suppression of facts;
 - (b) failure to record investments in the books of account;
 - (c) claim of expenditure not substantiated by any evidence;
 - (d) recording of any false entry in the books of account;
 - (e) failure to record any receipt in books of account having a bearing on total income;
 - (f) failure to report any international transaction or any transaction deemed to be an international transaction or any specified domestic transaction, to which the provisions of Chapter X apply
the assessee has to pay additional income-tax equal to 100% of the tax payable on the under-reported income.
 - In cases falling u/s 439(11)(g) being deemed income referred to in section 195(1)(b) (unexplained credit, unexplained asset, unexplained investment, unexplained expenditure, unexplained borrowings etc,) which is determined by the Assessing Officer, the assessee must pay additional income-tax equal to 120% of the tax payable on the under-reported income.

- No waiver or immunity shall be granted if any prosecution proceedings have been initiated under Chapter XXII (offences and prosecutions).
- Similar amendments have been proposed in Section 270AA of IT Act 1961.
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*
- *w.e.f 01.03.2026 for A.Y. 2026-27 or any earlier A.Y (for Section 270AA IT Act 1961*

Rationalization of Penalties into Fees

- Under section 446, 447 and 454 of IT Act 2025, penalties have been provided for certain technical defaults such as failure to get accounts audited, non-furnishing of transfer pricing audit report and default in furnishing statement for financial transactions respectively.
- To reduce litigation, penalties for these technical default/delays are proposed to be converted into mandatory fees.
- The proposed fees are as follows:
 - Failure to get accounts audited (Section 428): Rs. 75,000/- for delay upto 1-month and Rs. 150,000/- thereafter (instead of penalty of lower of Rs. 1,50,000 or 0.5% of total sales/turnover)
 - Failure to furnish transfer pricing report (Section 428): Rs. 50,000/- delay upto 1-month and Rs. 1,00,000/- thereafter (flat penalty of Rs. 1,00,000/- at present)
 - Failure to furnish statement SFT within specified time u/s 508(2) (Section 427): Rs. 200/- per day until the default continues subject to the maximum limit of Rs. 1,00,000/- (Rs. 500 per day at present)
- Furthermore, a penalty u/s 454 shall also be levied in a case where a notice is issued for the failure to furnish SFT report, and statement is not filed within period specified in the said notice u/s 508(7): Rs. 1,000/- per day of default calculated from the end of the period specific in the notice subject to the maximum limit of Rs. 1,00,000/- (Rs. 1000/- per day at present)
- Corresponding Sections of IT Act 1961: 234E, 234F, 271B, 271BA
- *w.e.f. 01.04.2026 (T.Y. 2026-27)*

Increase in Maximum Amount of Penalty in Section 466 for Non-Furnishing of Information

- Section 466 of the IT Act 2025 provides for a penalty in cases of non-compliance with the provisions of Section 254 relating to the power to collect information from the business premises of an assessee from employees and other persons.
- The section empowers the authorised authorities to impose a penalty not exceeding ₹1,000 on failure to furnish the requisite information to the income-tax authorities.
- It is proposed to enhance the maximum amount of penalty to Rs. 25,000 so as to create adequate deterrence and voluntary compliances
- Corresponding Sections in IT Act 1961 : 272AA and 133B
- *w.e.f. 01.04.2026*

Penalty provisions related to statement on transaction of crypto-assets

- Under section 509 of IT Act 2025, obligations related to crypto-asset transactions are provided in respect of reporting entities. To ensure compliance with it, the following penalties have been introduced u/s 446:
 - Non-filing of statement within timeline u/s 509(1): Rs. 200/- per day until default continues
 - Filing of Inaccurate information and failure to remove inaccuracy in statements filed u/s 509(4): Rs. 50000/-
 - Non-compliance with due diligence rules u/s 509(5): Rs.50000/-
- Corresponding Sections of IT Act 1961: 258BAA, 258BB
- *w.e.f. 01.04.2026 (T.Y. 2026-27)*

Clarification of the Scope of Transitional Provisions Regarding Taxation of Sum Previously Deducted or Excluded from Total Income under the Repealed Act

- Section 536(2)(h) of the IT Act 2025 deals with situations where a deduction was allowed or an amount was not included in total income under the IT Act 1961 ('Repealed Act') before 01.04.2026 subject to the fulfillment of certain conditions. If these conditions are

violated in a subsequent year (on or after 01.04.2026), the amount is deemed to be income of the year in which the violation takes place.

- It is proposed that this clause be substituted to broaden its scope and enhance clarity.
- The proposed amendment stipulates that in addition to violation of the condition precedents, the scope of section further covers the cases of inclusion of income on account of any other reasons.
- Such sum or income shall be taxed in the subsequent tax year and under the same head of income as under the Repealed Act.
- *w.e.f. 01.04.2026 (T.Y. 2026-27)*

Decriminalization of Prosecution Proceedings

- Section 473 to 485 and 494 of the IT Act 2025 provides for various offences and form and manner of punishment and the conditions therein including time limitation, exceptions, threshold for amount of tax evaded and its punishment, punishment for subsequent offences, etc.
- In light of continued exercise of decriminalisation, it is proposed to amend Section 473 to 485 and 494 to make the punishment for the offences mentioned in these sections proportionate to the crimes.
- Further the headings of various Section have been changed to bring simplicity and ease of identification of the provision.
- For Example, heading of Section 473 is also proposed to be changed from “Contravention of order made u/s 247” to **“Contravention of order made during search action”** and headings of Section 474 is also proposed to be changed from “Failure to comply with Section 247(1)(ii)” to **“Failure to afford facility for inspection of books of account during search”** and heading of Section 478 is also proposed to be changed from “Wilful attempt to evade tax, etc” to **“Failure to comply with a direction of special audit or valuation”** for simplification and easy identification.
- **Punishment for Offences related to Search and Seizure**
 - Section 473 deals with the offence for contravention of prohibitory order passed during search & seizure operation u/s 247(4).
 - It is proposed to provide **“simple imprisonment up to 2 years and fine”** instead of **“rigorous imprisonment up to 2 years and fine”**.

- Similarly existing provision of Section 474 deals with the offence and punishment for not providing the necessary facility to inspect the books of account of other documents during search proceedings.
- It is proposed to provide “**simple imprisonment 6 months or fine or both**” instead of “rigorous imprisonment up to 2 years and fine”.
- Section 480 penalises the offence of failure to furnish block return in search cases punishable with rigorous imprisonment for a term which shall not be less than 3 months, but which may extend to 3 years with fine.
- It is proposed to substitute the said Section to provide for punishments as under:
 - with “**simple imprisonment for a term up to 2 years or with fine, or with both**”, in a case where the amount of tax exceeds Rs. 50,00,000/-.
 - with “**simple imprisonment up to 6 months, or with fine, or with both**”, in a case where the amount of tax, exceeds Rs. 10,00,000/- but does not exceed Rs. 50,00,000/-.
 - with fine, in any other case.
- Similar amendments have also been proposed in corresponding Section of 275A, 275B and 276CCC of IT Act 1961.
- *w.e.f. 01.04.2026 (for Section 473, 474 and 480 of IT Act 2025).*
- *w.e.f. 01.03.2026 (for Section 275A, 275B and 276CCC of IT Act 1961).*

- **Punishment for Offences related to Non-Deposit of Withheld Taxes (TDS/TCS)**

- Section 476 criminalises the offence of not crediting the TDS deducted in the account of Central Government. This section covers four offences which are TDS deducted for winnings from lottery, crossword puzzle; winning from online games; benefit or perquisite arising from business or profession; sum for transfer of a virtual digital asset.
- It is proposed to amend the existing provision by substituting the Section 476 with new Section to provide for de-criminalisation of failure to deposit TDS, where considering for such winnings or benefit or perquisite or sum for transfer of VDA is wholly in kind.
- In other cases, punishment in these cases u/s 476 is proposed to be changed in the manner given below:
 - with “**simple imprisonment for a term up to 2 years, or with fine, or with both**”, in a case where amount of such tax exceeds Rs. 50,00,000/-.

- with “simple imprisonment for a term up to 6 months, or with fine, or with both”, in a case where amount of such tax exceeds Rs. 10,00,000/- but does not exceed Rs. 50,00,000/-.
 - with fine, in any other case.
- Section 477 deals with offence of TCS collected but not credited to the account of Central Government. The existing provision provides for rigorous punishment like in the case of TDS. It is proposed to amend the Section to provide for same similar simple punishment as proposed in Section 476 as above.
- Similar amendments have also been proposed in corresponding Section of 276B and 276BB of IT Act 1961.
- *w.e.f. 01.04.2026 (for Section 476 and 477 of IT Act 2025).*
- *w.e.f. 01.03.2026 (for Section 276B and 276BB of IT Act 1961).*

- **Punishment for Offences related to deliver, transfer or removal asset to prevent tax recovery**

- Section 475 penalises the assessee in case of offence of removal, concealment, transfer or delivery of property to prevent tax recovery.
- It is proposed to provide “simple imprisonment up to 2 years and fine” instead of “rigorous imprisonment for a term which may extend to 2 years and shall also be liable to fine”.

- **Punishment for offence of wilful attempt to evade tax or payment thereof.**

- Section 478(1) deals with the offence of wilful attempt to evade any tax, penalty or under reporting of income and payment of any tax, penalty or interest and Section 478(2) deals with offence of wilful attempt to evade payment of tax.
- The rigorous punishment for the offences mentioned u/s 478 (1) and 478(2) is proposed to be changed as follows:
 - with “simple imprisonment for a term up to 2 years, or with fine, or with both”, in a case where the amount sought to be evaded or tax on under-reported income (as the case may be) exceeds Rs. 50,00,000/-.
 - with “simple imprisonment for a term up to 6 months, or with fine, or with both”, in a case where the amount sought to be evaded or tax on under-reported income exceeds Rs. 10,00,000/- but does not exceed Rs. 50,00,000/-.
 - with fine, in any other case.
- Similar amendments have also been proposed in corresponding Section of 276 and 276C of IT Act 1961.
- *w.e.f. 01.04.2026 (for Section 476 and 477 of IT Act 2025).*

- *w.e.f. 01.03.2026 (for Section 276 and 276C of IT Act 1961).*

- **Punishment for Offences related to Documentation & Reporting Failures.**

- Section 479 criminalises the offence to failure to furnish return of income as required under Section 263(1) or in response to issuance of notice under this Act.
- The rigorous punishment for the offences mentioned u/s 479(1) is proposed to be changed as follows:
 - with “**simple imprisonment for a term up to 2 years, or with fine, or with both**”, in a case where the amount of tax, which would have been evaded if the failure had not been discovered, exceeds Rs. 50,00,000/- (existing up to 7 years and fine where tax amount sought to be evaded exceeds Rs. 25,00,000/-).
 - with “**simple imprisonment for a term up to 6 months, or with fine, or with both**”, in a case where the amount of tax, which would have been evaded if the failure had not been discovered, exceeds Rs. 10,00,000/- but does not exceed Rs. 50,00,000/- (existing up to 7 years and fine where tax amount sought to be evaded is up to Rs. 25,00,000/-)
 - with fine, in any other case.
- Similarly, Section 481 criminalises the offence in case assessee failed to produce the books of accounts or other documents or failed to follow direction of AO for special audit.
- It is proposed to provide “**simple imprisonment for a term up to 6 months, or with fine, or with both**” instead of “rigorous imprisonment for a term which may extend to one year and with fine”.
- Similar amendments have also been proposed in corresponding Section of 276CC and 276D of IT Act 1961.
- *w.e.f. 01.04.2026 (for Section 479 and 481 of IT Act 2025).*
- *w.e.f. 01.03.2026 (for Section 276CC and 276D of IT Act 1961).*

- **Punishment for Offences related to Fraud & Falsification**

- Section 482 provides for punishment for the offence if a person makes a false statement or delivers an account which is false.
- The rigorous punishment for the offences mentioned in Section 482 is proposed to be changed as follows:
 - with “**simple imprisonment for a term up to 2 years, or with fine, or with both**”, in a case where the amount of tax, which

- would have been evaded if the statement or account had been accepted as true, exceeds Rs. 50,00,000/-.
- with “**simple imprisonment for a term up to 6 months, or with fine, or with both**”, in a case where the amount of tax, which would have been evaded if the statement or account had been accepted as true, exceeds Rs. 10,00,000/- but does not exceed Rs. 50,00,000/-.
- with fine, in any other case.
- o Similarly, Section 483 penalises the offence of falsification of books of accounts or documents or entries made or statement etc.
- o It is proposed to provide “**simple imprisonment for a term up to 2 years and fine**” instead of “rigorous imprisonment up to 2 years and with fine”.
- o Similarly, Section 484 deals with offence of abatement of false return wherein person makes or delivers an account or statement relating to any income which is false.
- o The rigorous punishment for the offences mentioned in Section 484 is proposed to be changed as follows:
 - with “**simple imprisonment for a term up to 2 years, or with fine, or with both**”, in a case where the amount of tax, penalty or interest which would have been evaded, if the declaration, account or statement had been accepted as true, or which is wilfully attempted to be evaded, exceeds Rs. 50,00,000/-.
 - with “**simple imprisonment for a term up to 6 months, or with fine, or with both**”, in a case where the amount of tax, penalty or interest which would have been evaded, if the declaration, account or statement had been accepted as true, or which is wilfully attempted to be evaded, exceeds Rs. 10,00,000/- but does not exceed Rs. 50,00,000/-.
 - with fine, in any other case.
- o Similar amendments have also been proposed in corresponding Section of 277, 277A and 278 of IT Act 1961.
- o *w.e.f. 01.04.2026 (for Section 482, 483 and 484 of IT Act 2025).*
- o *w.e.f. 01.03.2026 (for Section 277, 277A and 278 of IT Act 1961).*

- **Punishment for Repeat Offenses.**

- o Section 485 deals with second and subsequent offences enshrined u/s 476, 477, 478(1), 479, 480, 482 and 484.
- o It is proposed to provide “simple imprisonment for a term which shall not be less than 6 months, but which may extend to 3 years and shall also be liable to

fine" instead of "rigorous imprisonment for a term which shall not be less than 6 months, but which may extend to 7 years, and fine".

- Section 494 deals with disclosure of particulars by public servants.
- It is proposed to provide "simple imprisonment up to one month, or with fine, or with both" instead of "imprisonment which may extend to 6 months and fine".
- Similar amendments have also been proposed in corresponding Section of 278A and 280 of IT Act 1961.
- *w.e.f. 01.04.2026 (for Section 485 and 494 of IT Act 2025).*
- *w.e.f. 01.03.2026 (for Section 278A and 280 of IT Act 1961).*

Provisions Relating to the Violation by a Registered NPO

- Section 351 of the IT Act 2025 deals with "specified violations" by a registered NPO. Further, Section 353 provides for "other violations". In case of specified violation registration of NPO get cancelled whereas in case of other violations income of the registered NPO is chargeable to tax as regular income u/s 334.
- Section 346 provides certain conditions on commercial activities by a registered non-profit organisations carrying out advancement of any other object of general public utility.
- Violation of such conditions are presently covered under both the Sections i.e. Section 351 as "specified violation and in section 353 as "other violation".
- It is proposed to amend Section 351 by removing the reference to Section 346 from Section 351(b)(1), thereby treating such violation as "other violation" only u/s 353.
- Corresponding section to IT Act 1961: 12AB(4)
- *weft 01.04.2026 (T.Y. 2026-27 onwards)*

Provision Relating to Merger of NPO

- Section 352 of IT Act 2025 deals with the provisions related to tax on accreted income by the registered NPOs. The SI. No. 8 of table to section 352(4) provides that, where the specified person has merged with any other entity other than a registered NPO having the same or similar objects and the said merger does not fulfil the such conditions as may be prescribed, the specified person liable to pay tax on accreted income within 14 days from the date of such merger.

- Clarificatory amendment is proposed in SI. 8 of the table to align the same provisions with IT Act 1961 that the accrued income of the specified persons shall be liable to tax on merger with:
 - Entity other than a registered non-profit organisation or
 - Registered non profit organisation having the same or similar objects but the said merger does not fulfil such conditions, as may be prescribed; or
 - Registered non profit organisation that does not have same or similar objects.
- Further, it is proposed to insert a new section 354A to clarify that where any registered non-profit organisation merges with any other registered non-profit organisation, the provisions of section 352 shall not apply if:
 - the other registered non profit organisation has same or similar objects; and
 - the said merger fulfils such conditions as may be prescribed.
- Corresponding Section of IT Act 1961: 12AC, 115TD.
- w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

Removal of Certain Funds from the Requirement for Registration as Registered NPO

- Section 332 of the IT Act 2025 specifies the persons who may apply for registration as a registered non-profit organisation. The aforesaid provision also includes the certain persons referred in the table to the schedule VII, whose income is unconditionally exempted namely, PM CARES FUND, The prime minister's fund (promotion of folk art), The prime minister's aid to students fund, The national foundation for communal harmony, The swachh bharat kosh, The clean ganga fund, The chief minister's relief fund or the lieutenant governor's relief fund in respect of any state or union territory
- It is proposed to remove the reference of these persons from section 332(1)(f) of the IT Act 2025, Accordingly these persons shall not be required to register themselves under section 332 as NPO.
- w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

Provision for Filing of Belated Return by NPO

- Section 349 of the IT Act 2025 deals with the filing of return of income by the registered non-profit organisation within the due date specified u/s 263(1)(c) There was no provision of filing belated return by the registered non-profit organisations.

- In order to enable the furnishing of belated return, it is proposed to amend the provisions of Section 349 to provide reference of Section 263(4), which deals with the provisions related to filing belated return.
- Corresponding section to IT Act 1961: 12A(ba)
- *w.e.f 01.04.2026 (T.Y. 2026-27 onwards)*

Exemption of Interest Income on Compensation Awarded under The Motor Vehicles Act, 1988

- The Motor Vehicles Act, 1988 provides for compensation and interest there on to be awarded by MACT to an individual or his legal heir, on account of death or on account of permanent disability or any bodily injury under the said Act.
- Considering the hardships of the victims and their families, it is proposed to amend Schedule III of IT Act 2025, which when read with Section 11 of IT Act 2025 provides for exemption of income of certain persons included in the schedule, subject to fulfilment of conditions specified, so as to include any interest received on compensation awarded by the MACT under exemption.
- Consequently, the interest on any compensation awarded by MACT to an individual or his legal heir shall be exempted.
- *w.e.f 01.04.2026*

Exemption of Income Received by way of Award or Agreement Pursuant to Compulsory Acquisition of Land

- Section 96 of Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCLARR Act 2013) provides that no income tax shall be levied on any award or agreement done under the said Act except those done u/s 46 of the said Act.
- Previously, CBDT had by of circular No.36/2016 clarified that any compensation received u/s 96 of RFCLARR Act 2013 by way of award or agreement shall not be taxable under IT Act 1961 even if no specific provision for exemption was made.
- Currently, Section 11, read with Schedule III provides exemption on capital gains on transfer of agricultural land by an individual or HUF, subject to certain conditions. However, it does not provide for exemption on any income on account of compulsory acquisition of land.

- Accordingly, it is proposed to amend Schedule III to align it with the provisions of RFCTLARR Act 2013, by providing exemption on any income in respect of any award or agreement made due to compulsory acquisition of the land on or after 01.04.2026 except those done u/s 46 of the said Act.
- *w.e.f 01.04.2026*

Exemption of Disability Pension to Armed Forces Personnel

- Disability pension is granted to members of the Armed Forces who are invalidated out of service on account of a bodily disability that is attributable to, or aggravated by, military, naval or air force service, and comprises a service element and a disability element.
- Historically, the said pension was exempted from income tax under Indian Income-tax Act, 1922 and continued under IT Act 1961 through various notifications and circulars.
- However, the said exemption is now proposed to be restricted only to cases where the individual has been invalidated out of service due to such disability. The exemption shall not apply where the individual has retired on superannuation or otherwise
- Further, it is proposed that such exemption shall also be available to paramilitary personnel.
- *w.e.f 01.04.2026*

Rationalization of Schedule XI relating to Recognised Provident Funds

- Various provisions relating to provident funds as contained in Schedule XI to the IT Act 2025 carry forward certain legacy concepts that need alignment with framework under Employees Provident Fund and Miscellaneous Provisions Act, 1952 and the Employee Provident Scheme, 1952.
- Section 17(1)(h) provides that aggregate amount of contribution in excess of Rs. 7,50,000/- in a T.Y. made to the provident fund account of the employee by the employer will be considered as a perquisite.
- Below changes are proposed to Schedule XI:

Paragraph of Schedule	Existing Provision	Proposed
Part A		
4 (c)	Employer contribution should not be more than employee's contribution and credited within one year.	Deletion to align with the monetary cap already given u/s 17(1)(h).
4 (f)	Eligibility for recognition of provident funds with reference to exemption from the EPF Act.	Amendment to provide only those provident funds which have obtained exemption u/s 17 of the EPF Act to apply for recognition under IT Act 2025.
5 (4)	Permit discretionary relaxation of employer-employee contribution parity based salary threshold of Rs. 500/- or contingent bonus structures.	Deletion to align with the monetary cap already given u/s 17(1)(h).
6 (a)	Deemed employer contribution in excess of 12% of salary as the income of employee.	Amendment to align with the monetary cap already given u/s 17(1)(h).
Part C		
1 (d)	Differentiated limits for employees who are also shareholders	Deletion to align with the monetary cap already given u/s 17(1)(h).
1 (e)	Restricts investments of provident fund monies in government securities to 50%.	Conditions restricting investment deleted as inconsistent with norms prescribed by Ministry of Labour and Employment.

- Corresponding Schedule of IT Act 1961 : IV.
- *w.e.f. 01.04.2026*

Correction in provisions related to property held as Stock-in-Trade

- Section 21(5) of the IT Act 2025 provides that where a property is held as stock-in-trade and is not let wholly or partly at any time during the tax year, the annual value of such property or part thereof shall be nil for two years from the end of the financial year in which the certificate for completion of construction is obtained from the competent authority.
- To align with IT Act 1961, it is proposed to amend the Section 21(5) so as substitute “nil upto” in place of “nil for”. This would imply that in case the property is let out during the two year period, the benefit of nil annual value would come to an end.
- Corresponding Section of IT Act 1961 : 23
- **w.e.f. 01.04.2026**

Rationalization of Capital Tax Exemption on Redemption of Sovereign Gold Bond

- Section 70(1)(x) of the IT Act 2025 provides that redemption of Sovereign Gold Bond held by an individual, issued by RBI under the Sovereign Gold Bond Scheme, 2015 will not be regarded as transfer and accordingly capital gain tax will not be applicable.
- It is proposed to amend the Section 70(1)(x) and restrict the capital gain exemption only to those individual original subscribers who held the Sovereign Gold Bonds continuously from the date of original issue till maturity.
- Further the proposed amendment applies to all Sovereign Gold Bond Scheme 2015 or any subsequent issue.
- Corresponding Section of IT Act 1961: 47(viic)
- **w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)**

Rationalisation of Interest on Borrowed Capital for House Property

- Section 22(2) of the IT Act 2025 deals with deductions in the case of income from house property. Further, Section 22(2) provides that, the aggregate amount of

deduction i.r.o. interest on borrowed capital taken for acquisition or construction of self-occupied property shall not exceed Rs. 2,00,000/-.

- However, this ceiling of Rs. 2,00,000/- does not include the deduction of interest for pre-construction period.
- To align with IT Act 1961, it is proposed to amend Section 22(2) so as to provide that aggregate amount of deduction for interest on borrowed capital shall be inclusive of pre-construction period interest payable in case of self-acquired property.
- Corresponding Section of IT Act 1961 : 24
- *w.e.f. 01.04.2026*

Correction in provisions in relation to PAN

- Section 262(10)(c) provides that CBDT may make rules for categories of documents pertaining to business or profession in which PAN shall be quoted by every person.
- However, it did not delegate the power to CBDT to make rules for quoting of PAN in such documents which does not relate to business or profession.
- To align with the IT Act 1961, it is proposed to amend Section 262(10)(c) to enable CBDT to make rules for quoting of PAN in documents related to such transactions which does not relate to business or profession.
- Corresponding Section of IT Act 1961 : 139A.
- *w.e.f. 01.04.2026*

Rationalization of tax on dividends for Co-operative Societies

- Section 149 of the IT Act 2025 deals with deductions available to Co-operative societies in computing their total income. Section 203 and Section 204 of the IT Act 2025 deal with the taxation of income of resident Co-operative societies and manufacturing Co-operative societies respectively.
- As per Section 149(2)(d) of the IT Act 2025, deduction is available in respect of income by way of 'interest' or 'dividends' earned by a co-operative society from its investments in other co-operative societies.
- It is proposed to insert sub-clause (7) in Section 203 and sub-clause (6) in Section 204 so as to provide that deduction on income from 'dividends' received by co-operative societies from other co-operative societies shall be allowed only to the extent such

dividends are distributed by the co-operative society to its members, provided that such distribution is made at least one month before the due date for filing the ITR.

Introducing provision for tax deduction on dividends earned by Federal Co-operative societies.

- Section 150 of the IT Act 2025 provides interpretation of certain terms used in Section 149 of the IT Act 2025. It is proposed to substitute Section 150 of the IT Act 2025 with a new provision so as to allow deduction on the income earned by a 'federal co-operative society' by way of dividends received from its investment in any company.
- It is also proposed that the said deduction under Section 150 of the IT Act 2025 shall be allowed only to the extent of the amount which
 - Has arisen from investment recorded in the books of accounts on or before 31.01.2026 and
 - Has been distributed to its members at least one month before due date of filing the ITR.
- In order to include the definition of 'federal co-operative society' in the IT Act, 2025, it is proposed to amend the definition of co-operative society under Section 2(32) of the IT Act 2025 so as to include co-operative society registered under the Multi-State Co-operative societies Act, 2002 within its meaning.

Extension of deduction to co-operative societies engaged in supply of 'cotton seed' and 'cattle feed'.

- As per Section 149(2)(b) of the IT Act 2025, deduction is allowed for the whole amount of profits and gains of a co-operative society where the said society is primarily engaged in supplying 'milk', 'oilseeds', 'fruits' or 'vegetables grown by its members'.
- It is proposed to amend Section 149(2)(b) of the IT Act 2025 to also include co-operative societies which are primarily engaged in the supply of 'cotton seed' and 'cattle feed' within the scope of the said deduction.
- Corresponding Section of IT Act 1961: Section 80P, Section 115BAD, Section 115BAE
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

Rationalization of Return Filing Mechanism Pursuant to Advance Pricing Agreement

- As per Section 168 of the IT Act 2025 an Advance Pricing Agreement is a prior agreement between the CBDT and a taxpayer which pre-decides the arm's length price or manner for determining arm's length price and, in the case of non-residents, determines the portion of income attributable to operations carried in India.
- Under Section 169(1) of the IT Act 2025, a person who has entered into Advance Pricing Agreement can 'modify' its return where return is filed before entering into an agreement or file a return as the case may be in accordance with and limited to the agreement.
- However there is no such provision enabling the Associated Enterprise (who is the person not entering into agreement) to 'modify' its return consequent to the Advance Pricing Agreement.
- It is proposed to substitute Section 169(1) so as to enable the Associated Enterprises to file or modify its return as the case may be in accordance with and limited to the agreement; within a period of three months from the end of the month in which the said agreement was entered into, in respect of tax years covered by such agreement, where such agreement is entered on or after 1st April, 2026.
- Corresponding Section of IT Act 1961: 92CD(1)
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards).*

Exemptions to Foreign Companies and Non-Residents

- In order to attract global business and investment in India, it has been proposed to add three new entries to Schedule IV of the IT Act 2025, which specifies such income which is not to be included in total income of eligible non-residents, foreign companies and other such persons.
- Vide clause 109 of the Finance Bill, 2026, new exemptions have been proposed to be included as entries at serial nos. 13A, 13B and 13C in Schedule IV of the IT Act 2025.
- Under entry 13A it is proposed to exempt income of a foreign company arising on account of providing capital goods, equipment or tooling to a contract manufacturer for use in electronic manufacturing in India.
 - This has been proposed to promote manufacturing of electronic goods in India and provide certainty on taxation of supply of capital equipment by a foreign company to such manufacturer.

- The conditions specified to avail such exemption are as follows:
 - Ownership of such capital goods, equipment or tooling remains with the foreign company;
 - Such capital goods, equipment or tooling is under the control and direction of the contract manufacturer;
 - The contract manufacturer is located in a custom bonded area, that is, a warehouse referred to in section 65 of the Customs Act, 1962;
 - The contract manufacturer produces electronic goods on behalf of the foreign company for a consideration;
- The exemption under provided in entry 13A is available upto T.Y. 2030-31.
- The exemption proposed under entry 13B relates to non-residents for rendering services under a notified Scheme in India.:
 - This exemption has been proposed to provide tax certainty to a non-resident individual visiting India for rendering certain services in connection with any notified Scheme of the Central Government.
 - The conditions to avail the said exemptions are as follows:
 - The individual must render services in India under a government-notified scheme during the tax year.
 - The tax exemption is available only for up to five consecutive tax years starting from the first year they visit India for that scheme.
 - The individual must meet any other conditions that the government may prescribe for the exemption.
- Under entry 13C exemption has been proposed to a foreign company on any income arising in India by way of procuring data centre services from a specified data centre.
 - This exemption has been proposed to attract investment in data centre and promote artificial intelligence data centre framework in India.
 - The conditions specified in the schedule to avail exemption under entry 13C is as follows:
 - Such foreign company is notified by the Central Government
 - Such foreign company does not own or operate any physical infrastructure or resources of the specified data centre
 - Sales to users located in India must be made through reseller which is an Indian Company
 - Information in this regard is maintained and furnished in such form and manner as prescribed in the IT Act 2025 and IT Rules 2025.

- The exemption under provided in entry 13C is available upto T.Y. ending on 31.03.2047.
- Further, Note 3 has been added to Schedule IV in order to define terms such as “data centre”, “data centre services” and “specified data centre” for the purposes of serial no. 13C.
- Corresponding section of IT Act, 1961: Section 10, Section 10(11)
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

Clarifying time-limit for completion of assessment u/s 144C of IT Act, 1961 & 275 of IT Act, 2025

- Section 144C of the IT Act 1961 and 275 of IT Act 2025 provides for procedure for making assessment where the eligible assessee is a person in whose case variations arise on account of order of a transfer pricing officer or where the person is a non-resident. As per this Section, AO is required to forward a draft of the proposed order of assessment to the eligible assessee.
- The eligible assessee has two choices: -
 - accept the variation proposed in the draft order
 - file objections before the Dispute Resolution Panel (DRP) or AO.
- Where variations in the draft order are accepted, the AO is required to complete the assessment on basis of the draft order. The period for completing the assessment in this case is provided in Section 144C(4) which is 1 month from the end of the month in which the acceptance from the eligible assessee is received or the period of 30 days of filing objections before DRP expire where no objection filed.
- Section 144C(4) clearly provides that the time limit of 1 month from the end of the month shall be available notwithstanding anything contained in Section 153 or Section 153B.
- Where the eligible assessee files objection to the DRP, the DRP is required to pass directions as per Section 144C(12) and time limit for passing these directions is nine months from the end of the month in which draft order is forwarded to the eligible assessee. The period for completing the assessment in this case is provided by Section 144C(13) which is one month from the end of month in which such directions are received.
- Section 144C(13) clearly provides that the time limit of one month from the end of the month shall be available notwithstanding anything contained in Section 153 or Section 153B.

- Section 153 provides for time limit for completion of assessment, reassessment and recomputation and Section 153B provides for time limit for completion of assessment in search cases.
- On plain reading of Section 144C and 153 or 153B of IT Act leaves no doubt that Section 153 or Section 153B provides for time limit for assessment but where assessment is made under Section 144C(3) or 144C(13), the time available as per Section 144C(4) or 144C(13) shall apply, notwithstanding the provisions of Section 153 or Section 153B. .
- However, differing interpretations have been made regarding the intent of the legislature in various judgements of courts, and a view has been taken that the entire process of Section 144C has to satisfy the overall time limit of Section 153 or 153B, even though, clear carve out has been provided by the Section 144C itself.
- In order to bring clarity and certainty to the legislative intent, it is proposed to amend Sections 144C, 153, and 153B of IT Act 1961 and Sections 275 and 286 of IT Act 2025.
- In Section 144C of IT Act 1961, Section 153 and Section 153B new subsections are proposed to be inserted which would provide that once a draft order is forwarded within those general limits, the subsequent time available to the AO to pass the final assessment order is governed solely by the specialized timelines in Section 144C of IT Act 1961.
- Therefore, AO is required complete the assessment within 1 month from the end of the month in which the acceptance from the eligible assessee is received or the period of 30 days of filing objections before DRP expire where no objection filed. Further, in case objection has been filed to DRP, AO is required to complete the assessment within 1 month of end of the month of the in which direction from DRP is received.
- Suitable amendments are also proposed to be carried Section 275 and 286 of IT Act 2025.
- *w.r.e.f. 01.04.2009 (for Section 153 of IT Act 1961)*
- *w.r.e.f. 01.10.2009 (for Section 153B of IT Act 1961)*
- *w.e.f. 01.04.2026 (for Section 286 of IT Act 2025)*

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

- U/s 92CA of IT Act 1961, AO can refer the computation of arm's length price in relation to international or specified domestic transactions to the TPO. U/s 92CA(3A) the TPO is required to pass an order at least 60 days prior to the date of expiry of the period of limitation specified u/s 153, or 153B .

- Lot of litigation has arisen as to whether the date of limitation is to be excluded or not while calculating the period of sixty days. To avoid such litigation and to provide simplicity in language it is proposed to insert 92CA(3AA) which clarifies the method of computing the 60 days period as under :
 - If limitation expires on 31 March (non-leap year), TPO order can be passed up to 30 January of that year.
 - If limitation expires on 31 March (leap year), TPO order can be passed up to 31 January of that year.
 - If limitation expires on 31 December, TPO order can be passed up to 1 November of that year.
- Corresponding amendment is proposed in IT Act 2025 by substituting section 166(7) with clarification that order u/s 166(6) must be passed anytime before 1 month prior to the month of expiry of the limitation period, as under:
 - If the limitation expires on 31 March, the order must be passed on or before 31 January of that year.
 - If the limitation expires on 31 December, the order must be passed on or before 31 October of that year.
- *with retrospective effect from 01.06.2007 (IT Act 1961)*
- *w.e.f. 01.04.2026 (IT Act 2025)*

Expansion of Schedule-XII to Promote Prospecting / Extraction of Critical Minerals

- Section 51 of the IT Act 2025 provides for deduction of expenditure to Indian companies or resident person in relation to any operations relating to prospecting or extraction or production of, any mineral. The deduction is allowed of an amount equal to one-tenth of the amount of expenditure referred in sub-clause (2).
- Part A of the Schedule-XII of IT Act 2025 provides for the list of minerals while Part-B provides for the list of associated minerals.
- In order to incentivise the prospecting and exploration of the 'critical minerals', it has been proposed to expand the list of minerals specified in Part-A of the Schedule-XII.
- Accordingly, in Part A of Schedule XII to the IT Act 2025, after serial number 27, the following list of items are proposed to be inserted namely:- '28. Beryllium bearing minerals. 29. Glauconite. 30. Graphite. 31. Indium bearing minerals. 32. Lithium bearing

minerals. 33. Niobium bearing minerals. 34. Potash. 35. Rhenium bearing minerals. 36. Tantalum bearing minerals.'

- Corresponding Section of IT Act 1961: 35E read with Schedule-VII
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

Extension of Period of Deduction and Rationalisation of Tax Rate for Units in IFSC

- As per section 147 of the IT Act 2025 a deduction of 100% on certain incomes was allowed to units International Financial Services Center (IFSC) and Offshore Banking Units (OBU). The deduction is allowed for of period of 10 consecutive years out of 15 years in case of units of IFSC and 10 consecutive years in case of OBUs.
- In the Finance Bill, 2025, it has been proposed to increase the period of deduction to deduction to 20 consecutive years out of 25 years, at the option of the Assessee, in case of units of IFSC and 20 consecutive years in case of OBUs. Further the language of sub-clause (2) of section 147 of the IT Act, 2025 has been so modified that the operation of the provision and the benefit of deduction has been made irrespective of the operation of Section 80LA of the IT act, 1961.
- This has been proposed with the object to increase competitiveness of IFSC and induce foreign investment through international financial institutions.
- Section 218 of the IT Act 2025 provides for the conditions and option available to the Assessee to not be covered by the provisions under section 212 to 217 of the IT Act 2025, which provide special provisions with respect to non-residents and foreign companies, by declaring its tax return under section 263 of IT Act 2025 for such T.Y.
- It has been proposed to include the provisions of existing section 218 withing the provisions of section 217, and substitute the same to rationalise the tax rate applicable on the incomes mentioned and specified under section 147(3) of the IT Act 2025. The rate of tax for income referred in section 147(3) is proposed as 15% in clause 51 of the Finance Bill, 2026.
- Corresponding section of IT Act, 1961: Section 80LA
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

Rationalisation of Terms for Treasury Centres in IFSC

- Section 2(40) of the IT Act 2025 provides definition of the term “dividend”. In sub-clause (v) to the long line of Section 2(40) it has been provided that an advance or loan given between two group companies will not be treated as “dividend” if one of them is a Finance Company or Finance Unit and the group’s parent/principal company is listed on a foreign stock exchange in a country specified by the Central Government.
- With the objective to rationalise the provision, it is proposed to amend sub-clause (v) to the long line of Section 2(40) to the extent that an advance or loan between two group entities won’t be treated as “dividend” if the other group entity is located in a notified foreign jurisdiction and the group’s parent/principal entity is listed on a stock exchange outside India, with the exact foreign jurisdictions to be specified by the Central Government in the Official Gazette.
- For the purposes of above rationalisation of the definition of “dividend” with respect to loans and advances between two group entities, it has been proposed to define the terms such as “group entity”, and “parent entity” or “principal entity”.
- Corresponding section of IT Act, 1961: Section 2(22)
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

Guidelines to be binding on Income Tax Authorities & persons liable to deduct or collect income tax

- As per Section 400(2) of the IT Act 2025, the board may issue guidelines with previous approval of the Central Government, to remove any difficulty for provisions of this Chapter, and these guidelines shall be laid before each House of Parliament. As per the IT Act 1961, such guidelines were binding on the income tax authorities and the person liable to deduct TDS/TCS, however same provision was not incorporated in IT Act 2025.
- It is proposed to rectify this omission by amending this sub-section to make the issued guidelines binding on the authorities and the person liable to deduct TDS/TCS.
- Corresponding Sections of IT Act 1961: 194BA, 194-O, 194Q, 194R, 194S, 206C.
- *w.e.f 01.04.2026 (T.Y. 2026-27 onwards)*

Non-allowability of Interest as a deduction against Dividend Income

- Section 93(1)(a) provides for allowability of any reasonable sum paid as commission or remuneration to a banker for realising dividend income out of such dividend income or interest on securities. Further, Section 93(2)(b) provides for deduction of interest expense out of dividend income, or income from units of a mutual fund specified under Schedule VII (Table: Sl. No. 20 or 21) or income from units of a specified company as referred to in section 2(h) of the Unit Trust of India. Such deduction limited to 20% of the gross dividend or income from units of mutual funds.
- It is proposed to amend section 93(1)(a) so that no deduction for commission is allowed against dividend income. It is further proposed to amend section 93(2) to provide that no deduction shall be allowed in respect of any interest expenditure incurred for earning dividend income or income from units of mutual funds.
- *w.e.f. 01.04.2026 i.e. TY 2026-27 onwards*

Income of individual to include income of spouse, minor child, etc. (Correction of referencing error)

- Section 99 of the IT Act 2025 provides that income of an individual shall include income of spouse, son's wife, minor child and others in certain cases. Further, section 99(1)(a)(i) provides that the total income of any individual, for a tax year, shall include the income arising directly or indirectly to the spouse of such individual by way of salary, commission etc., from a concern in which the individual has a substantial interest. Section 99(1)(a)(ii) provides that income of the individual to include income arising to the spouse from assets transferred directly or indirectly to him or her by such individual otherwise than for adequate consideration.
- Section 99(2) deals with the proportion of income to be included in the hands of individual where asset is transferred. However, in sec. 99(2) inadvertent reference of 99(1)(a)(i) has been given instead of 99(1)(a)(ii). To correct the aforesaid referencing error, it is proposed to amend Section 99(2) to give correct reference of 99(1)(a)(ii), intended only to align the provision with its legislative intent and does not result in any change in tax liability.
- *w.e.f. 01.04.2026 i.e. TY 2026-27 onwards*

Definition of “commodity derivative”

- Section 66(33) of the IT Act 2025 uses the terms “commodities transactions tax” and “commodity derivative”. However, only the meaning of “commodities transactions tax” is provided u/s 66(4).
- It is proposed to substitute 66(4) so as to provide that both “commodities transactions tax” and “commodity derivative” shall have the same meanings as respectively assigned to them under Chapter VII of Finance Act, 2013.
- *w.e.f. 01.04.2026*

Extension of Tonnage tax scheme to Inland Vessels

- Section 228 of the IT Act 2025 provides that "relevant shipping income" of a tonnage tax companies is the aggregate of profits derived from core activities (i.e., operating qualifying ships, pooling arrangements, affreightment contracts) and incidental activities.
- Section 228 3(b)(ii)(A) of the said section provides that on-board or on-shore activities of passenger ships would be included in the core activities of a tonnage tax company.
- It is proposed to amend Section 228(3)(b)(ii)(A) by inserting the words "or inland vessels" so as to bring activities of inland vessel also under its purview.
- Corresponding Section of IT Act 1961: 115V-I, 115VJ, 115V-O
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

Extension of Tonnage tax scheme to Inland Vessels

- Section 227 of the IT Act 2025 provides for computation of tonnage income (TI) for tonnage tax companies. Further, Section 227(4)(a) provides that the tonnage shall mean the tonnage of a ship or inland vessel, as the case may be, indicated in the certificate referred to in Section 227(9). However, Sub section 9(b) refers to “valid certificate” instead of word “certificate”.
- Sub-section 9(b)(iii) provides that in case of inland vessel registered in India, a valid certificate shall mean a certificate issued under the Inland Vessels Act, 2021. However, under Inland Vessels Act, 2021, no separate tonnage certificate is issued, only “certificate of registration” is issued.

- To remove these inconsistencies, it is proposed to amend Section 227(4)(a) and sub section 9(b)(iii) so as to substitute the word “certificate” with the words “valid certificate” and the word “certificate” with the words “certificate of registration”.
- Corresponding Section of IT Act 1961: 115VG, 115VH, 115VX
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

Extension of Tonnage tax scheme to Inland Vessels

- Section 232 of the IT Act 2025 outlines certain conditions for tonnage tax companies to maintain the scheme. It requires crediting 20% or more of book profits from core shipping activities as per section 228 to a Tonnage Tax Reserve Account to be utilised for new ship/vessel acquisition.
- Section 232(12) provides that a tonnage tax company shall comply with the minimum training requirement in respect of trainee officers as per the guidelines issued by the Director-General of Shipping and notified by the Central Government.
- Section 232(13) states that a tonnage tax company is required to furnish a copy of the certificate issued by the Director-General of Shipping to the effect that such company has complied with the minimum training requirement as per the relevant guidelines along with the return of income under Section 263.
- Section 232(17) provides that the average of net tonnage shall be computed in the manner prescribed, in consultation with the Director-General of Shipping.
- It is proposed to amend Section 232(12), 232(13), and 232(17) to incorporate references to guidelines and methods prescribed by the Inland Waterways Authority of India (IWAI) for inland vessels pertaining to minimum training requirements and net tonnage calculations. It further recognises IWAI as the designated authority alongside the Director-General of Shipping, since both the authorities are different under the Merchant Shipping Act, 1958, and Inland Vessels Act, 2021.
- Corresponding Section of IT Act 1961: 115VT, 115VU, 115VV, 115VW, 115VZA
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

Extension of Tonnage tax scheme to Inland Vessels

- Section 235 of the IT Act 2025 provides interpretation of certain expressions used in Part G of Chapter XIII relating to the tonnage tax regime for shipping companies.

- It is proposed to insert clause (fa) in Section 235 which defines, "Inland Waterways Authority of India" as having the same meaning as assigned to it in Section 3 of the Inland Waterways Authority of India Act, 1985.
- Corresponding Section of IT Act 1961: 115V, 115VC, 115VD
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

Simplification of Definition of "Specified Fund"

- Schedule VI provides for income not to be included in total income of certain eligible persons in IFSC or having income therefrom. Sl. No. 1-4 of the said table to schedule VI refers specified funds in the IFSC.
- There is no changes to the Schedule VI itself, but the definition of "specified fund" in Note 1(g) of the said Schedule is amended for clarity by aligning it with the Section 10(4D) of the IT Act, 1961.
- Further, in sub-clause (ii) clause (g) of note 1 to schedule VI, time limit for commencement of operation by a category 1 foreign portfolio investor (specified fund) is proposed to extend from 31.03.2025 to 31.03.3030.
- Corresponding section to IT Act 1961: 10(4D)
- *w.e.f. 01.04.2026 (T.Y. 2026-27 onwards)*

HIGHLIGHTS OF IMPORTANT AMENDMENTS RELATING TO INDIRECT TAXES

CUSTOMS ACT

Extension of applicability of Customs Act vide amendment of Section 1(2) beyond the territorial waters of India

- Section 1(2) of the Customs Act provides that it extends to the whole of India and, unless otherwise expressly provided, also applies to offences or contraventions committed outside India by any person, thereby giving the Customs Act extra-territorial applicability.
- Recently, the Government has taken steps to reform fishing activities in the High-Seas to conserve ocean and marine biology. To give impact on economic front, the subject matter of fishing by Indian flagged vessels is being brought under the Customs Act which is incorporated by new Section 56A.
- To harmonised the Customs Act, Section 1(2) is being proposed to be amended to expressly include fishing and fishing-related activities carried out by Indian-flagged fishing vessels beyond the territorial waters of India.
- **Date of amendment taking effect to be notified by the Government.**

Section 2(28A)- Insertion of definition of “Indian-flagged fishing vessel”

- The proposed amendment renames the existing Section 2(28A) as Section 2(28B) and inserts a new Section 2(28A) providing the definition of the term “Indian-flagged fishing vessel” to mean a vessel which is used or intended to be used for the purpose of fishing in the seas and entitled to fly the flag of India.

- The proposed amendment is part of the process to include the subject matter of fishing by Indian flagged vessels under the Customs Act that is in line with the amendment of Section 1(2) and insertion of new Section 56A.
- **Date of amendment taking effect to be notified by the Government.**

Exemption from customs duty and grant of export benefits to fishing activity beyond territorial waters vide new Section 56A

- By way of the proposed amendment, a new Section 56A is being inserted in the Customs Act to provide a specific framework for the treatment of fish harvested by Indian-flagged fishing vessels beyond India's territorial waters. The provision allows such fish to be brought into India without payment of customs duty and further permits fish landed at a foreign port to be treated as export of goods.
- Additionally, the CBIC is empowered to frame regulations governing procedural aspects in respect of the fish so harvested such as declaration, custody, examination, assessment of duty, clearance, transit or transhipment.
- This provision facilitates Indian fishing operations beyond territorial waters by allowing duty-free import of harvested fish and recognition of foreign landings as exports, while providing a clear regulatory framework for customs compliance
- **Date of amendment taking effect to be notified by the Government.**

Section 28(6)(i) - Treatment of penalty paid as charge for non-payment of duty

- Section 28(6)(i) of the Customs Act provides that where an importer or exporter has paid duty with interest and penalty under Section 28(5) in cases involving collusion, willful mis-statement, or suppression of facts, and if upon determination by the proper officer it is found that the duty with interest and penalty has been paid in full, the proceedings shall be deemed to be conclusive as to the matters stated therein. However, the provision did not explicitly clarify the legal character or nature of the penalty paid under Section 28(5) for the purposes of recovery and enforcement mechanisms available under the Customs Act.
- Section 28(6)(i) of the Customs Act is proposed to be amended to substitute the words "be deemed to be conclusive as to the matters stated therein" with the words, brackets and figure "be deemed to be conclusive as to the matters stated therein and penalty so

paid under sub-section (5), on determination under this sub-section, shall also be deemed to be a charge for non-payment of duty."

- By deeming the penalty paid under Section 28(5) as a charge for non-payment of duty, upon determination under Section 28(6), the amendment provides legal clarity on the nature and treatment of such penalty vis-à-vis the conclusion of the matter under the subject provision.
- **Date of amendment taking effect to be notified by the Government.**

Section 28J - Extension of validity of advance ruling from three years to five years

- Section 28J(2) of the Customs Act provides that an advance ruling pronounced by the Authority would remain valid for three years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier. The proviso thereof ensured that for advance rulings in force as on the date of Presidential assent to the Finance Bill, 2022, the three-year period would be reckoned from the date of such assent.

The three-year validity period was considered insufficient for businesses operating with long-term planning. Importers and exporters often based their commercial decisions, pricing structures, and contractual obligations on the certainty provided by advance rulings. A shorter validity period necessitated frequent re-application, increasing compliance burden and creating uncertainty in **business** operations.

- Section 28J(2) of the Customs Act is proposed to be amended to extend the validity from three years to five years. Additionally, the proviso to the said section is proposed to be amended to provide that in respect of any advance ruling in force on the date on which the Finance Bill, 2026 receives the assent of the President, the Authority shall, upon a request by the applicant, extend the validity of the ruling for five years from the date of the ruling.
- By extending the validity period to five years, the amendment provides greater certainty and stability to taxpayers relying on advance rulings for their business decisions. The substituted proviso ensures that existing advance rulings in force will also benefit from this extended validity of five years from the date of the original ruling, provided the applicant makes a request to the Authority. This change reduces compliance costs, minimizes litigation, and promotes ease of doing business.
- **Date of amendment taking effect to be notified by the Government.**

Amendment of Section 67 for removal of requirement for prior permission for transfer of warehoused goods

- Section 67 of the Customs Act is proposed to be substituted with a new section to provide that the owner of any warehoused goods may remove them from one warehouse to another, subject to such conditions as may be prescribed.
- Earlier, Section 67 of the Customs Act required the owner of warehoused goods to obtain permission of the proper officer before removing goods from one warehouse to another. This meant that every transfer of warehoused goods between customs bonded warehouses necessitated prior approval from customs authorities, subject to conditions prescribed for ensuring due arrival of the goods at the destination warehouse. This requirement created procedural delays and added to the compliance burden for warehouse owners, importers and exporters.
- By removing the requirement of prior permission from the proper officer, the amendment simplifies the process of transferring warehoused goods and enhances ease of doing business, reduces transaction costs, expedites logistics operations etc. However, truncation of the provision provides fresh space for greater governmental control by way of enacting rules, which would either simplify the process or complicate it which remains to be seen.
- Date of amendment taking effect to be notified by the Government.

Enhancement of regulatory power of CBIC by including 'custody' aspect of goods imported or exported by post or courier in Section 84(b)

- Section 84 of the Customs Act empowers the CBIC to make regulations providing for the examination, assessment to duty, and clearance of goods imported or to be exported by post or courier.
- Under the Customs Act 'custody' is an important concept/ provision often having implication w.r.t. payment of customs duty, disposal of goods, control and management of warehoused goods, imposition of penalty for offences etc. However, Section 84 did not explicitly provide for regulations concerning the 'custody' aspect of the goods. This created a regulatory gap.
- Section 84(b) is proposed to be amended to substitute the words "the examination" with the words "the custody, examination", thereby bolstering the CBIC's powers to regulate

import or export of goods by post or courier. The proposed amendment brings CBIC's powers to make regulations with regard to import or export of goods by post or courier with the power to make regulations regarding 'baggage' as provided under Section 81.

- **Date of amendment taking effect to be notified by the Government.**

CENTRAL GOODS AND SERVICES TAX

Amendment in Section 15(3)(b) to rationalise treatment of post-supply discounts

- Section 15(3) of the CGST Act prescribes the circumstances under which discounts are excluded from the value of taxable supply.
- Prior to the proposed amendment, Section 15(3)(b) allowed exclusion of post-supply discounts from the value of taxable supply only where such discounts were pre-agreed at or before the time of supply and specifically linked to relevant invoices, subject to reversal of ITC attributable to the discount by the recipient.
- In pursuance of the recommendations made by the GST Council in the 56th meeting, Section 15(3)(b) is proposed to be amended. The proposed amendment provides that post-supply discounts shall be excluded from the value of supply where a credit note has been issued by the supplier for such discount and the corresponding ITC attributable to the discount has been reversed by the recipient, in accordance with the provisions of Section 34 of the CGST Act.
- The proposed amendment seeks to dispense with the requirement of establishing that the discount is granted pursuant to an agreement entered into at or before the time of supply, as well as the requirement of maintaining a specific invoice-wise correlation of such discount.
- Under Section 34(3) various conditions were prescribed where credit note could be issued, however 'post sale discount' was not mentioned specifically. Thereby creating room for interpretation and argument that credit note as contemplated under Section 34 is not required for claiming reduction in value under Section 15(3)(b).
- The amendment seeks to bridge the above gap by the proposed amendment whereby the condition for issuance of credit note under Section 34 has been made mandatory.

- On one side the proposed amendment is a step to simplify and rationalise the conditions for exclusion of post-supply discounts from the value of supply aimed at reducing litigation arising from rigid contractual linkage requirements, and facilitating ease of doing business by streamlining compliance providing greater commercial flexibility in structuring post-supply discounts. However, on another side the requirement of issuing the credit notes within a prescribed time limit has also been introduced for claiming reduction under Section 15(3)(b).
- **Date of amendment taking effect to be notified by the Government.**

Amendment in Section 34 to expressly permit issuance of credit notes for post-supply discounts

- Section 34(1) of the CGST Act presently permits issuance of credit notes only in cases where the taxable value or tax charged exceeds the actual liability; goods are returned; or goods/services supplied are found to be deficient.
- Now Section 34(1) is proposed to be amended to allow issuance of credit notes in cases where a discount referred to in Section 15(3)(b) is given which specifically deals with post-supply discounts.
- The proposed amendment seeks to provide explicit statutory backing for issuance of credit notes in respect of such post-supply discounts, which was a matter of interpretational dispute and subject to restrictive departmental views.
- This amendment aligns Section 34 with the valuation provision under Section 15, whereby the condition for issuance of credit note under Section 34 has been made mandatory to avail exclusion of 'post sale discount' from value of supply.
- **Date of amendment taking effect to be notified by the Government.**

Amendment in Section 54(6) & (14) to expand scope of provisional refund

- Section 54(6) provides for grant of provisional refund of 90% of the claimed amount only in cases of refund arising on account of zero-rated supply of goods or services or both.
- The proposed amendment seeks to expand the scope of provisional refund by amending Section 54(6) so as to also cover refund of unutilised ITC allowed under clause (ii) of the first proviso to Section 54(3) that pertains to refund on account of inverted duty structure.

- This amendment seeks to extend the benefit of provisional refund to eligible taxpayers claiming refund of accumulated ITC, thereby improving liquidity and ease of doing business.
- **Date of amendment taking effect to be notified by the Government.**

Amendment in Section 54 (14) to rationalise minimum refund threshold

- Section 54(14) does not allow any refund under Section 54(5) & (6) where the refund amount is less than ₹1,000.
- It is proposed to carve out an exception to this restriction by amending Section 54(14) to provide that the minimum threshold of ₹1,000 shall not apply in cases where refund of tax is claimed on account of goods exported out of India with payment of tax.
- The amendment aims to facilitate exporters, particularly in cases of low-value refunds, and to ensure that legitimate export-related refunds are not denied merely due to the monetary threshold.
- **Date of amendment taking effect to be notified by the Government.**

Amendment in Section 101A to enable interim appellate mechanism for Advance Rulings

- Section 101A provides for constitution of the National Appellate Authority for Advance Ruling (NAAAR) for hearing appeals under Section 101B, which is yet to be operationalised.
- In pursuance of the recommendations made by the GST Council in the 56th meeting, to address the absence of a functional National Appellate Authority, a new sub-section (1A) is proposed to be inserted in Section 101A empowering the Government, on the recommendations of the GST Council, to notify and authorize any existing Authority constituted under any law for the time being in force to hear appeals under Section 101B till the NAAAR is constituted.
- The proposed amendment provides that where such an existing Authority is empowered, the procedural and institutional provisions contained in Section 101A (2) to (13) shall not apply.

- It is further clarified that, for the purposes of Chapter XVII, any reference to the National Appellate Authority shall be construed as a reference to such existing Authority that is notified.
- An Explanation has been inserted to clarify that the term “existing Authority” shall include a ‘Tribunal’.
- The amendment is proposed to ensure continuity, certainty and expeditious disposal of appeals against conflicting Advance Rulings, by providing a forum until the NAAAR is formally constituted.
- *w.e.f. 01.04.2026.*

INTEGRATED GOODS AND SERVICE TAX

Amendment in Section 13(8) to rationalise place of supply for intermediary services

- Section 13 of the IGST Act prescribes the place of supply of services where the location of the supplier or the location of the recipient is outside India. Section 13(8)(b) provides a provision whereby the place of supply of “intermediary services” is the location of the supplier of services.
- The intermediary service providers servicing industry outside India were at a loss as they had to charge GST on their services which was not available as credit to the recipient situated out of India, thereby increasing transaction cost. The provision was challenged before various courts, including Hon’ble Bombay High Court in the case of Dharmendra M. Jain vs UOI (2023) 113 GSTR 281 wherein although the validity of the provision was upheld but the mounting litigation nudged the government to take corrective steps.
- The GST Council, in its 56th meeting, has recommended the omission of Section 13(8)(b) of the IGST Act, with the objective of extending export-related benefits to intermediary service providers and enabling them to claim refunds in accordance with the export provisions under GST.
- In pursuance thereof, vide the proposed amendment Section 13(8) is sought to be amended by omitting clause (b), whereby the place of supply for intermediary services

shall be determined in accordance with the default rule under Section 13(2) of the IGST Act, i.e., the location of the recipient of services will be the place of supply.

- The amendment is intended to provide relief to Indian exporters of intermediary services by enabling them to claim export-related benefits and refunds, and to address long-standing industry concerns arising from the erstwhile deeming fiction under Section 13(8)(b).
- **Date of amendment taking effect to be notified by the Government.**

Baggage Rules 2026 introduced under Customs Act [Notification No. 14/2026-Customs (N.T.)]

- New Baggage Rules 2026 under the Customs Act have been issued by the Government replacing the Baggage Rules 2016. The new rules have been framed keeping in mind the changing nature of human life and society, technological advancement and modern travel expediencies. Baggage Rules 2026 are on one hand, more enumerative, clear, and specific while stringent and restrictive on the other hand.
- Forty grams of jewellery, if brought by a female passenger or twenty grams if brought by a passenger other than a female passenger are allowed duty free clearance. The exemption is allowed to a resident or a tourist of Indian origin residing abroad for more than one year.
- Meaning and scope of 'personal effects' has been modified. While the new definition is more explanatory and inclusive but the scope of exemption is restricted on the basis of the purpose for which the items are intended to be used. For example: all articles (new or used) which a passenger may reasonably require for his personal use during the journey (2026) as against things required for satisfying daily necessities but does not include jewellery (2016).
- Duty free imports of personal effects have been allowed to a passenger, including an infant arriving in India, in respect of used personal effects required for satisfying daily necessities of life and travel souvenirs, carried on the person or in his bona fide baggage, free of duty, other than those articles mentioned in Annexure-I to the rules.
- General free allowance by way of clearance free of duty has been allowed to a resident or a tourist of Indian origin or foreigner with a valid visa, other than tourist visa, not being an infant, arriving in India other than by land, in respect of articles other than those mentioned in Annexure-I, up to the value of Rs. 75,000/-, if such articles are carried on the person or in the bona fide accompanied baggage of the passenger.

HIGHLIGHTS OF IMPORTANT ANNOUNCEMENTS TO MISCELLANEOUS LAWS

Depository-Enabled Submission of Form 15G/15H

- For the ease of taxpayers holding securities in multiple companies, the Government has proposed to enable depositories to accept Form 15G or Form 15H from investors and provide it directly to various related companies.
- Form 15G and Form 15H are self-declaration forms which allows eligible taxpayers to seek exemption from TDS on income such as dividends and interest. Form 15G applies to individuals below 60 years of age while Form 15H is applicable exclusively to senior citizens.
- At present, investors are required to submit these forms separately to each company or intermediary, often resulting in duplication and compliance hassles.

Creating Champion MSMEs

- As part of three-pronged strategy to help MSMEs grow as 'Champions', the following is proposed (i) equity support through a ₹10,000 crore SME Growth Fund, (ii) increasing liquidity support through TReDS and (iii) bolstering professional support through 'Corporate Mitras'.

Equity Support

- A dedicated amount of ₹10,000 crore for SME Growth Fund to incentivize enterprises based on select criteria is proposed. Details of operational guidelines and funding structures are still awaited.

- A Self-Reliant India Fund was set up in 2021 as a Category-II Alternative Investment Fund, registered with SEBI. It aims to provide growth capital to the deserving and eligible units of the MSME sector. Self-Reliant India Fund has been set up to infuse ₹50,000 crore as equity funding in MSMEs. Under the Self-Reliant India Fund, there is a provision of ₹10,000 crore from the Government of India and ₹40,000 crore through Private Equity or Venture Capital Funds.
- A top-up of Self-Reliant India Fund with ₹2,000 crore to continue support to micro enterprises and maintain their access to risk capital is proposed.
- This proposal is not a part of the Finance Bill, 2026 and appropriate legislative amendments will have to be made for implementation of this proposal.

Liquidity Support through TReDS

- TReDS was introduced by RBI in 2014 to facilitate the financing/ discounting of trade receivables of MSMEs through multiple financiers.
- The following four measures to leverage the full potential of TReDS platform are proposed:
 - Mandatory use of the TReDS platform by CPSEs for settling trade receivables arising through procurement from MSMEs. This proposal aims to set a benchmark for large corporate buyers. This proposal is in furtherance of government's earlier directive of 2018, wherein all companies with a turnover of more than ₹500 crore and all CPSEs were mandated to get themselves onboarded on the TReDS platform.
 - Introduction of Credit Guarantee Support through credit guarantee fund trust for micro and small enterprises ("CGTMSE") for invoice discounting on the TReDS platform. This proposal is expected to encourage greater participation by banks and NBFC.
 - Linkage of Government e-Marketplace ("GeM") with TReDS in order to share information with financiers about government purchases from MSMEs. This will improve transaction visibility and enable cheaper and quicker financing.
 - Inclusion of TReDS receivables as asset-backed securities to develop a secondary market, enhance liquidity, and enable pooling and trading of receivables.
- These proposals are not a part of the Finance Bill, 2026 and appropriate legislative amendments will have to be made for implementation of this proposal.

Professional Support through Corporate Mitras

- A pool of trained 'Corporate Mitras' is proposed to be created to support professional development and provide structured, affordable and ongoing compliance-oriented professional support to MSMEs.
- The initiative is aimed at MSMEs operating in Tier II and Tier III cities which can mitigate compliance-related risks and strengthen corporate governance standards through 'Corporate Mitras'.
- It is proposed that professional bodies such as the Institute of Chartered Accountants of India ("ICAI"), Institute of Company Secretaries of India ("ICSI") and Institute of Cost Accountants of India ("ICMAI") will collaborate to design short term modular training courses and practical tools to equip Corporate Mitras with the required skills in order to help MSMEs.

Liberalized Investments for PROIs

- It is proposed that an Individual Persons Resident Outside India ("PROI") may now directly invest up to 10% in Indian listed companies through Portfolio Investment Scheme ("PIS"). This will permit PROIs and family offices to build more meaningful and larger holdings in Indian companies.
- Currently, investment by NRIs or OCIs in equity instruments of a listed company is subject to following limits: (i) total holding by NRI and OCI does not exceed 5% and (ii) total holdings by all NRI and OCI put together does not exceed 10%. This aggerates ceiling of 10% can be raised to 24% subject to special resolution by shareholders.

Bond Market Reforms

- **Corporate Bonds**
 - Introduction to a market-making framework for corporate bonds, supported by improved access to funding and derivatives based on corporate bond indices is proposed.
 - The proposed measure is expected to deepen the bond market by improving liquidity and trading activity, which currently remains limited compared to equities and bank-led financing.

- It is also proposed to introduce 'Total Return Swaps' on corporate bonds, a derivative instrument that allows investors to gain exposure to bond returns without owning the underlying securities.
- **Municipal Bonds**
 - To encourage large cities to raise funds through the bond market, an incentive of ₹100 crore is proposed for a single bond issuance of more than ₹1000 crore.
 - For smaller and medium cities, it is stated that the current scheme under Atal Mission for Rejuvenation and Urban Transformation ("AMRUT"), which incentivises issuances of bonds up to ₹200 crore, shall remain in force.
- These proposals are not a part of the Finance Bill, 2026 and appropriate legislative amendments will have to be made for implementation of this proposal.

Shaping the Future of Manufacturing

- Emphasis is laid on scaling up of manufacturing in the seven strategic and frontier sectors.
- **Biopharma Shakti Initiative:** The Government has proposed this initiative with an outlay of ₹10,000 crore over five years. It aims to build a strong biopharma institutional network by setting up three new National Institutes of Pharmaceutical Education and Research and upgrading seven existing ones. The initiative also plans to create over 1,000 accredited clinical trial sites across India. Additionally, Central Drug Standard Control Organisation will be strengthened with dedicated scientific review systems and specialised experts to meet global regulatory standards and timelines.
- **India Semiconductor Mission 2.0:** This announced mission will focus on industry-led R&D and training centres to build a future-ready workforce. Building on the erstwhile 2021 mission, it aims to produce semiconductor equipment and materials, develop full-stack Indian IP, and strengthen supply chains. An allocation of ₹1,000 crore has been provided for FY 2026–27 to support these initiatives.
- **Electronics Component Manufacturing Scheme:** This Scheme, which was launched in April 2025, has witnessed investment commitments amounting to approximately twice the initially envisaged target. In view of the strong industry response and to capitalise on the prevailing momentum, the Government has proposed an enhancement of the total outlay under the Scheme to ₹40,000 crore.
- **Rare Earth Permanent Magnets:** Under the said scheme, a targeted support to mineral-rich states, namely, Odisha, Kerala, Andhra Pradesh, and Tamil Nadu is proposed for

establishing a dedicated rare earth corridor. The initiative aims to promote mining, processing, research, and manufacturing across the entire rare earth value chain.

- **Container Manufacturing:** A scheme to develop a globally competitive container manufacturing ecosystem, with an aggregate budget allocation of ₹10,000 crore over a five-year period is proposed.

- **Textile Sector:** An integrated programme with 5 sub parts is proposed:

- *Firstly*, the national fibres scheme for self-reliance in natural fibers such as silk, wool, jute, man-made and new-age fibres
- *Secondly*, textile expansion and employment scheme to modernize traditional clusters with capital support along with technology upgradation and common testing and certification centres.
- *Thirdly*, a national handloom and handicraft programme to integrate and strengthen existing schemes and ensure targeted support for weavers and artisans.
- *Fourthly*, an initiative to promote globally competitive and sustainable textiles and apparels
- *Fifthly*, Samarth 2.0 to modernize and upgrade the textile skilling ecosystem through collaboration with industry and academic institutions.

In addition to the above, establishment of mega textile parks under a challenge-based implementation framework is also proposed. Furthermore, a new initiative, Mahatma Gandhi Gram Swaraj (“MGGS”) initiative, is proposed for strengthening khadi, handloom, and handicrafts.

- **Sports Goods:** India is proposed to be positioned as a global hub for high-quality, affordable sports goods. The Union Budget introduces a dedicated initiative to promote domestic manufacturing, research, and innovation in equipment design and material sciences.

Self-Help Entrepreneur Marts for Rural Women Led Enterprises

- Lakhpatti Didi Programme was introduced, with a national target to create 30 million Lakhpatti Didis by 2027, which defines eligible beneficiaries as SHG members whose household income crosses ₹1,00,000/- a year. The programme has focused on skills, credit access, and local production.
- After the success of this programme, it is proposed that Self-Help Entrepreneur Marts (“SHE Marts”), a community owned retail outlets will be set up to help women

entrepreneurs from SHGs to access and sell their products in the rural women entrepreneurs' markets more easily. SHE Marts layer adds a structured retail channel on top of Lakhpatti Didi Programme.

- The proposed SHE Marts will provide permanent retail points for SHG-made goods, thus providing improved direct market access and asset creation through enterprise profits, backed by enhanced and innovative financing instruments, thus reducing reliance on informal debt. It is proposed to shift focus from basic micro-credit led livelihoods to women being owners of the enterprises.
- SHE Marts combined with digital end-to-end loan system for SHGs women could improve working capital cycles and borrowing capacity. Further, for SHGs households, the move could improve income visibility, access to formal finance, and long-term financial stability.
- This proposal is not a part of the Finance Bill, 2026 and appropriate legislative amendments will have to be made for implementation of this proposal.

AI and Technology Advancements

- **Bharat VISTAAR**

- It is proposed to integrate Multilingual advisory AI tool with AgriStack portals (digital platform that consolidates farmers' data) and Indian Council of Agricultural Research ("ICAR"), to provide customized advice to farmers. This will help farmers to boost productivity, sharpen decisions, and provide personalised support.

- **AI Integration in Artificial Limbs Manufacturing Corporation of India ("ALIMCO")**

- ALIMCO is a Central Public Sector Enterprises which is engaged in production of various types of assistive devices. For promoting timely access to high-quality assistive devices, the Government has announced that it will promote investment by ALIMCO in R&D and AI integration.

- **High-Tech Tool Rooms**

- It is also proposed that Central Public Sector Enterprises will set up High-tech tool rooms with automated service bureaus on two locations. These rooms will locally design and test manufacture high precision components at a large scale and at a lower price.

List of Abbreviations

ALP	Arm's Length Price
AO	Assessing Officer
AR	Authorized Representative
Benami Act	Prohibition of Benami Property Transactions Act, 1988
Black Money Act	Black Money (Undisclosed Money Act Foreign Income and Assets) and imposition of Tax Act, 2015
CBDT	Central Board of Direct Taxes
CBIC	Central Board of Indirect Taxes and Customs
CCIT	Chief Commissioner of Income Tax
CGST Act	Central Goods and Services Tax Act, 2017 CGST Rules Central Goods and Services Tax Rules, 2017
CIT	Commissioner of Income Tax
Companies Act	Companies Act, 2013
CPSEs	Central Public Sector Enterprises
Customs Act	Customs Act, 1962
EPF	Employees Provident Fund
Excise Act	Central Excise Act, 1944
FA	Finance Act
FCRA	Forward Contract (Regulation) Act, 1952
FEMA	Foreign Exchange Management Act, 1999
FMV	Fair Market Value
FRBM Act	Fiscal Responsibility and Budget Management Act, 2003 HUF Hindu Undivided Family
IBC	Insolvency and Bankruptcy Code, 2016
IFSC	International Financial Services Centre
IGST Act	Integrated Goods and Services Tax Act, 2017
IGST Rules	Integrated Goods and Service Tax Rules, 2017
IO	Initiating Officer
i.r.o.	In Respect Of
IRDA	Insurance Regulatory and Development Authority Act, 1999 IT Act 1961
IT Act 2025	Income Tax Act, 1961 Income Tax Act, 2025
IT Rules 1962	Income Tax Rules, 1962
IT Rules 2025	Income Tax Rules, 2025
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
ITO	Income Tax Officer
ITR	Income Tax Return
ITC	Input Tax Credit
IWAI	Inland Waterways Authority of India

LRS	Liberalised Remittance Scheme
MACT	Motor Accidents Claims Tribunal
NBFC	Non-Banking Finance Company
NHB	National Housing Bank
NPO	Non-Profit Organization
NPS	National Pension Scheme
NRE Account	Non Resident (External) Account
NRI	Non Resident Indian
NSS	National Savings Scheme
PAN	Permanent Account Number
PBPT Act	Prohibition of Benami Property Transactions Act, 1988
PE	Permanent Establishment
PCCIT	Principal Chief Commissioner of Income Tax
PCIT	Principal Commissioner of Income Tax
PFI	Public Financial Institutions
PGBP	Profit and Gains from Business or Profession
PMLA	Prevention of Money Laundering Act, 2002
RBI Act	RBI Reserve Bank of India
RERA	Reserve Bank of India Act, 1934
SCRA	Real Estate (Regulation and Development) Act, 2016
SCR Rules	Securities Contracts (Regulations) Act, 1956
SEBI Act	Securities Contracts (Regulations) Rules, 1956
SEZ Act	SEBI Securities and Exchange Board of India
SEZ Act	Securities and Exchange Board of India Act, 1992
SHGs	Special Economic Zone
Stamp Act	Special Economic Zones Act, 2005
STT	Self Help Groups
TAN	Indian Stamp Act, 1899
Tariff Act	Securities Transactions Tax
TCS	Custom Tariff Act, 1975
TDS	Tax deduction & collection account number
TRO	Tax collection at source
TPO	Tax deduction at source
TreDS	Tax Recovery Officer
T.Y.	Transfer Pricing Officer
	Trade Receivables Discounting System
	Tax Year

NOTES

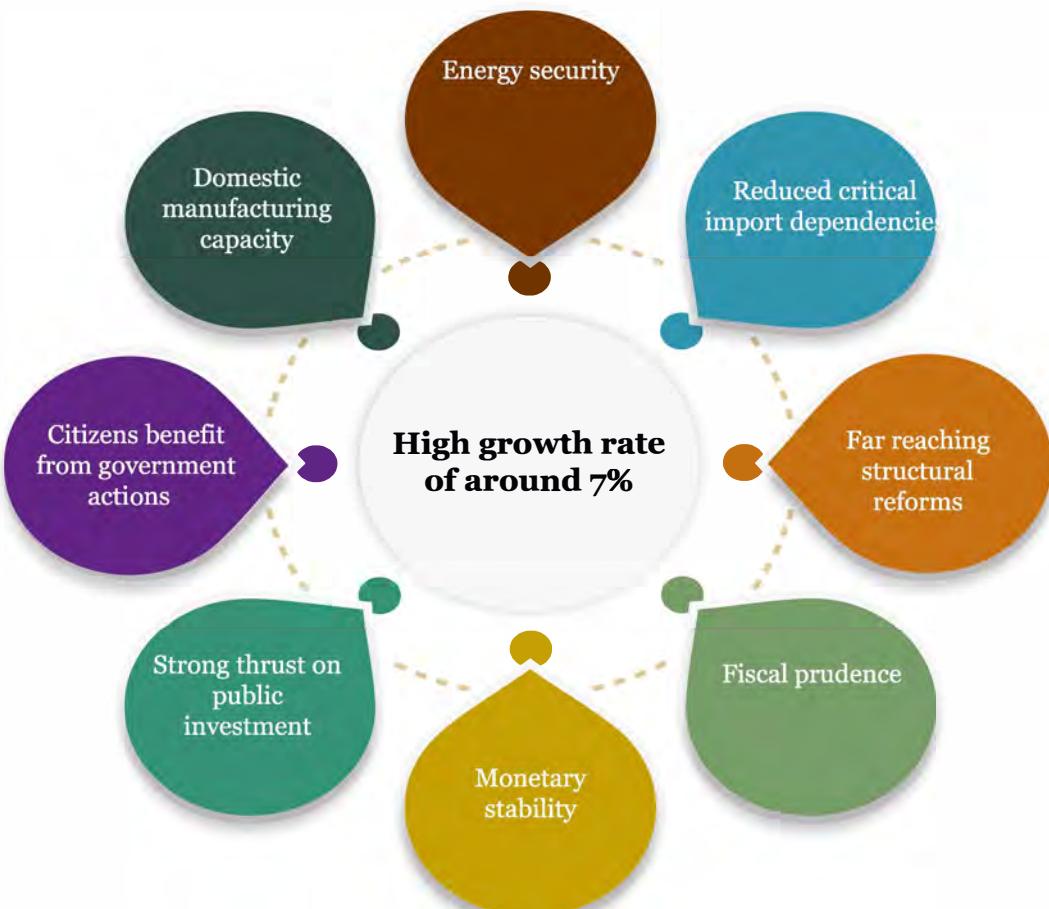
India's economic trajectory

Viksit Bharat, balancing ambition with inclusion

Action Over Ambivalence

Reform Over Rhetoric

People Over Populism



Yuva Shakti-driven Budget



Government's 'Sankalp'

First Kartavya

Accelerate and sustain economic growth

- Enhancing productivity and competitiveness
- Building resilience to volatile global dynamics

continuous,
adaptive,
and
forward-
looking

SUSTAINING THE
MOMENTUM OF
STRUCTURAL
REFORMS

Second Kartavya

Fulfil aspirations of our people

- Build people's capacity
- Making them strong partners in India's path to prosperity

ROBUST &
RESILIENT
FINANCIAL
SECTOR

mobilising
savings,
allocating capital
efficiently and
managing risks

Third Kartavya

Vision of Sabka Sath,
Sabka Vikas

- Ensure that every family, community, region and sector has access to resources, amenities and opportunities for meaningful participation

force multipliers for
better governance

CUTTING-EDGE
TECHNOLOGIES,
INCLUDING AI
APPLICATIONS