

Finance Bill, 2026**Summary of Amendments - DIRECT TAXATION****Income Tax:**

Sl. No	PARTICULARS	PRESENT	PROPOSED CHANGE / AMENDMENT	EFFECTIVE DATE
A. RATES & PERSONAL TAX				
1	Personal Income Tax Rates	Rates as per existing law	No Change.	-
2	Corporate Tax Rates	Rates as per existing law	No Change.	-
3	Tax on unexplained credits/investments	Taxed at 60% plus surcharge and cess.	Tax rate reduced to 30% plus surcharge and cess. [ITA 2025]	01.04.2026
B. TDS & TCS				
4	TDS: Interest awarded by Motor Accident Claims Tribunal (MACT)	Taxable and TDS deductible if interest > ₹50,000.	Fully Exempt from Tax and No TDS deductible for individual or his legal heir. [ITA 2025]	01.04.2026
5	TDS: Supply of Manpower Services	Ambiguity on whether to apply 194C (Contract) or 194J (Professional).	Clarified to be covered under "Work" (Contract) . TDS rate: 1% (Ind/HUF) or 2% (Others). [ITA 2025]	01.04.2026
6	TDS: Sale of Immovable Property by Non-Resident	Buyer requires TAN to deduct tax under Sec 195.	Resident Buyer (Individual & HUF) exempt from obtaining TAN.	01.10.2026
7	TCS: Sale of Overseas Tour Packages	Rate: 5% (up to ₹10L) / 20% (above ₹10L).	Rate reduced to 2% irrespective of the amount (Threshold removed).	01.04.2026
8	TCS: LRS for Education/Medical treatment	Rate: 5% (above ₹10L).	Rate reduced to 2% .	01.04.2026
9	TCS: Sale of Goods (Scrap, Minerals, Liquor, Tendu Leaves)	Liquor/Scrap/Minerals: 1%. Tendu Leaves: 5%.	Liquor/Scrap/Minerals increased to 2% . Tendu Leaves reduced to 2% .	01.04.2026
10	TDS: TDS Certificate (Lower/Nil Deduction)	Application filed before Assessing Officer (Form 13).	Automated rule-based process for small taxpayers to apply to prescribed authority electronically.	01.04.2026
11	TDS: 15G/15H Declaration by Investors	Filed with individual deductors (companies/banks).	Can be filed centrally with Depository for securities held in demat form. Depository shares with deductors. Reduces compliance burden. [ITA 2025]	01.04.2027

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12	No TDS: Interest to Cooperative Banks	TDS applicable on interest income paid to cooperative societies engaged in banking business (including land mortgage banks).	No TDS on interest income credited or paid to any cooperative society engaged in business of banking (including cooperative land mortgage bank). Reduces compliance burden for cooperative banking sector.	01.04.2026
C. RETURN FILING & COMPLIANCE				
13	ITR Filing for Non-Audit Business, Partners, Trusts	Due date is 31st July (Sec 139(1)).	Due date extended to 31 st August for:(a) Non-audit business/profession; (b) Partners of non-audit firms;(c) Spouse if clubbing applies;(d) Non-audit trusts.ITR-1/ITR-2 filers remain at 31 st July. [Both Acts]	01.04.2026 / 01.03.2026
14	Revised Return Time Limit	9 months from end of tax year (31 st Dec).	Extended to 12 months (31 st March). Nominal fee applies for filing after 9 months. [Both Acts]	01.04.2026 / 01.03.2026
15	Updated Return Scope Expanded	Not allowed if it reduces tax liability or results in loss return. Not allowed if reassessment pending.	Allowed for reducing loss (from original return). Allowed after reassessment notice (subject to additional 10% tax). [Both Acts]	01.04.2026 / 01.03.2026 (Retrospective)
16	Employee Contribution to PF/ESI/Welfare Funds	Allowed if credited by due date under relevant Fund Act.	Allowed if credited by the due date of filing ITR.	01.04.2026
D. CORPORATE & BUSINESS				
17	Minimum Alternate Tax (MAT)	Rate: 15%. Credit allowed to be carried forward up to 15 years.	Rate reduced to 14% . MAT made Final Tax (no new credit from 01.04.2026). Old MAT credit set-off allowed for domestic companies shifting to New Regime from tax year 2026-27 onwards (capped at 25% of tax liability per year). Foreign companies can continue to utilize existing MAT credit when regular tax exceeds MAT.	01.04.2026

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18	Buyback of Shares	Taxed as Dividend in hands of shareholder.	Taxed as Capital Gains for shareholder. Cost of acquisition allowed as loss. Promoters pay additional tax (Effective: 22% Corporate, 30% Non-Corporate).	01.04.2026
19	Interest exp. against Dividend Income	Allowed up to 20% of dividend income.	No deduction allowed for interest expenditure against dividend/mutual fund income (Sec 93).	01.04.2026
20	Data Centre Services by Foreign Companies	Taxable generally.	Exemption for foreign companies providing data centre services using Indian data centres (till 2047).	01.04.2026
21	IFSC Units / OBUs	100% deduction for 10 out of 15 years.	Deduction extended to 20 out of 25 years . Post-holiday income taxed at 15% .	01.04.2026
22	Electronics Manufacturing: Toll Manufacturing in Bonded Zones	No specific exemption.	Exemption for foreign companies providing capital goods/tooling to toll manufacturers in bonded zones (5 years).	01.04.2026
23	Interest Deduction: Prior Period Interest on Borrowed Capital	Aggregate deduction for interest included prior period interest.	Clarified that Aggregate deduction for interest on borrowed capital is inclusive of prior-period interest payable . Ensures consistency with previous Act.	01.04.2026
24	PAN Quoting: Non-Business Transactions	CBDT power to prescribe PAN quoting only for business/profession documents.	Amended to enable CBDT to prescribe PAN quoting for transactions not relating to business or profession also. Expands revenue monitoring.	01.04.2026
E. CAPITAL GAINS & SECURITIES				
25	Securities Transaction Tax Rates	Futures: 0.02%. Options: 0.1% (sale) / 0.125% (exercise).	Futures: 0.05% . Options: 0.15% (on premium/exercise price).	01.04.2026
26	Sovereign Gold Bonds (SGB)	Exempt on redemption.	Exemption restricted : Available only if: (a) Subscribed at original issue; (b) Held continuously till maturity; (c) Redeemed by individual.	01.04.2026

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			Secondary market purchases not eligible. [Both Acts]	
F. PENALTIES & PROSECUTION				
27	Technical Defaults (Audit Report, TP Report, SFT)	Penalty imposed under various sections.	Converted to Graded Fee depending upon period of delay (e.g., ₹75,000 & ₹1,50,000 for Audit Report, ₹50,000 & ₹1,00,000 for TP Report, ₹200/day (max ₹1,00,000) for SFT).	01.04.2026
28	General Offences	Rigorous Imprisonment (up to 7 years).	Decriminalized to Simple Imprisonment (max 2 years). Certain TDS offences fully decriminalized. [Both Acts]	01.04.2026 / 01.03.2026
29	Non-disclosure of foreign assets	Prosecution applicable.	Immunity from prosecution if aggregate value of foreign assets (excluding immovable property) < ₹20 Lakhs . Covers minor/inadvertent non-disclosures. [BM Act]	01.10.2024 (Retrospective)
30	Crypto Assets Reporting by Reporting entity	No specific penalty specified.	Penalty of ₹50,000 for inaccurate information; ₹200/day for failure to furnish statement.	01.04.2026
31	Assessment-Penalty Orders Integration	Separate assessment and penalty proceedings. Penalty order passed after assessment based on findings. Multiple appellate cycles.	Penalty integrated into assessment order . Single order after due opportunity. Reduces litigation cycles. Applies to draft assessments, regular assessments, reassessments. No interest on penalty during first appeal. [Both Acts]	01.04.2027
32	Immunity Framework Expansion	Immunity only for under-reporting (not misreporting).	Immunity extended to misreporting cases : (a) Pay 100% additional tax (misreporting); (b) 120% (unexplained income/assets) + tax + interest. No appeal filed. Grant immunity from penalty and prosecution.	01.04.2026; 01.03.2026 [Only (a)]

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33	DIN Validity Clarification	Courts invalidated assessments for minor DIN defects (not on every page, not in body even if in communication).	Clarified that Assessment not invalid for mistake/defect in DIN quoting if assessment order referenced by DIN in any manner . Saves assessments with minor DIN errors.	01.04.2026 / 01.10.2019 (Retrospective for 1961 Act)
34	Penalty: Non-cooperation in Information Gathering	Maximum penalty: ₹1,000 for failure to furnish information. [ITA 2025]	Maximum penalty increased to ₹25,000 . Adequate deterrence for non-cooperation with tax authorities. [ITA 2025]	01.04.2026
35	Omission of Standalone Penalty for Unexplained Income	Separate 10% penalty on unexplained credits/investments / expenditures. [ITA 2025]	Omitted. Penalty subsumed under misreporting penalty.	01.04.2026
36	Prosecution: Subsequent Offenses	Section 485 (ITA 2025) / Sec 276C(2) (ITA 1961): Second and subsequent offences - rigorous imprisonment 3 months to 7 years and fine.	Changed to simple imprisonment 6 months to 3 years and fine (mandatory). Proportionate punishment for repeat offenders.	01.04.2026 (ITA 2025) / 01.03.2026 (ITA 1961)
37	Prosecution: Tax Evaded ≤ ₹10 Lakhs	Various prosecution sections: Imprisonment prescribed even for small tax amounts.	Where tax evaded ≤ ₹10 Lakhs: Only fine (no imprisonment). Decriminalizes minor tax defaults.	01.04.2026 (ITA 2025) / 01.03.2026 (ITA 1961)
G. COOPERATIVES				
38	Deductions for societies engaged in specified Supply of Products	Milk, oilseeds, fruits, vegetables eligible. [ITA 2025]	Extended to Cattle feed and Cotton seeds .	01.04.2026
39	Definition: Multi-State Cooperative Societies	Societies under Multi-State Cooperative Societies Act, 2002 not explicitly included in definition.	Cooperatives registered under Multi-State Cooperative Societies Act, 2002 included in definition of "co-operative society". Expands coverage.	01.04.2026

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40	Deduction: Dividends by Federal Cooperatives	No specific deduction for dividends received by notified federal cooperatives from member cooperatives.	Deduction allowed for dividends received by notified federal cooperatives from member cooperatives, if distributed to own members.	01.04.2026
41	Deduction: Inter-cooperative Dividends (Extended Period)	Allowed in Old Regime only.	Allowed under both old and new regimes for limited period of 3 years (till tax year 2028-29). Time-bound incentive for cooperative sector. [ITA 2025]	01.04.2026
H. OTHER PROVISIONS				
42	Block Assessment - Other Persons	Assessment of 6 years + current year. Time limit: 12 months from end of quarter in which last search authorization executed.	Block assessment for "other person" limited to single year if material pertains to only that year (single year immediately preceding search year or year of search). Time limit for completion extended from 12 months to 18 months from end of quarter in which search was initiated (reference point changed from last authorization to initiation).	01.04.2026
43	Foreign Assets: Disclosure Scheme (FAST-DS 2026)	N/A	Introduced a time-bound scheme for declaration of foreign assets and foreign-sourced income, with payment of tax or fee based on the nature and source of acquisition and grant of limited immunity from penalty and prosecution under the Black Money Act in respect of matters covered by the declaration. Cases involving prosecution or proceeds of crime are proposed to be excluded	To be notified
44	Income Computation & Disclosure Standards (ICDS)	Separate standards applicable.	ICDS requirements to be incorporated into IndAS . Separate ICDS removed from tax year 2027-28.	2027-28

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45	Advance Pricing Agreement (APA): Associated Enterprise Returns	Only APA applicant can file modified return. Associated Enterprises cannot file modified return for consequential adjustments.	Associated Enterprises may file return or modified return within 3 months from end of month APA was entered, for consequential adjustments arising from APA. Enables proper matching of transfer pricing adjustments.	01.04.2026
46	Reassessment Notice: Jurisdictional Clarity	Ambiguity on which Assessing Officer has jurisdiction when income escapes assessment - JAO vs FAO	It is clarified that initiation of reassessment is a jurisdictional function of the Assessing Officer, whereas the conduct of reassessment proceedings is a faceless function of NaFAC.	01.04.2021 (Retrospective for ITA 1961) / 01.04.2026 (ITA 2025)
47	DRP Assessment Time Limit Clarification	Courts held that if overall time under Section 153/153B expired, assessment invalid even if within Section 144C timelines. Created uncertainty for DRP assessments.	Clarified retrospectively : Overall time limits govern draft order stage . DRP timeline (1 month after DRP directions) governs finalization , independent of overall time limit. Validates past DRP assessments. [Both Acts]	01.10.2009 (Retrospective) / 01.04.2026
48	Transfer Pricing Officer: 60-Day Computation Method	Courts held 60 days before assessment limitation does not include the limitation date itself, causing assessment invalidity.	Clarified retrospectively : 60 days includes the limitation date . TPO order valid if passed from 60 days before up to and including limitation date. Prevents technical invalidity. [Both Acts]	01.06.2007- Retrospective for ITA 1961 / 01.04.2026 for ITA 2025
49	Tonnage Tax: Extension to Inland Vessels	Tax Scheme available only for shipping companies operating sea-going vessels engaged in international/coastal trade.	Extended to inland vessels operating on rivers/canals/inland waterways. Promotes inland water transport development. [Both Acts]	01.04.2026
I. EXEMPTIONS & SPECIAL PROVISIONS				

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50	Exemption: RFCTLARR Act Compensation	Circular No. 36/2016 clarified exemption based on Section 96 of RFCTLARR Act, 2013. No specific provision in Income-tax Act, 1961.	Statutory exemption provided in Schedule III: Any income from award or agreement on compulsory acquisition of land under RFCTLARR Act (except awards under Section 46). Aligns tax law with RFCTLARR Act provisions. [ITA 2025]	01.04.2026
51	Exemption: Disability Pension for Armed Forces	Exemption existed under Indian Income-tax Act, 1922 and continued through notifications and circulars. No specific statutory provision in Act.	Statutory exemption in Schedule III for disability pension (service element + disability element) for personnel invalided out of Armed Forces/Paramilitary due to bodily disability attributable to service. Not available for superannuation retirement.	01.04.2026
52	Exemption: Non-Residents rendering services under notified Govt. schemes	No specific exemption.	Exemption for non-resident individuals (non-resident for 5 consecutive years before visit) on income accruing outside India for 5 consecutive years from first visit if rendering services under Central Government notified scheme . Subject to prescribed conditions.	01.04.2026
53	MAT: Exemption for Non-Resident Presumptive Businesses	Certain foreign company businesses excluded. Non-resident businesses under presumptive taxation partially excluded.	All non-resident businesses under presumptive taxation excluded from MAT: Cruise ship operations, services/technology for electronics manufacturing facility to resident companies. Ensures uniform treatment.	01.04.2026
54	Critical Minerals: Deduction for Prospecting/Exploration	Schedule lists eligible minerals for deduction.	Expanded list of critical minerals in Schedule XII. Expenditure on prospecting/exploring such minerals eligible for deduction. Supports mineral security.	01.04.2026
K. TECHNICAL CORRECTIONS				

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55	Repeal & Savings Clause: Income Previously Excluded	Covered amounts allowed as deduction/excluded when conditions violated. [ITA 2025]	Clarified to cover cases where deduction/exclusion under 1961 Act must be taxed under 2025 Act even without condition violation (if taxable had been 1961 Act continued). Ensures seamless transition.	01.04.2026
56	Referencing Errors Correction	Multiple cross-reference errors between sections in new Act.	Correction of referencing errors in: (a) Income from House Property deduction provisions; (b) PAN quoting requirements; (c) Other intersection references. Ensures internal consistency. [ITA 2025]	01.04.2026
57	Provident Funds: Schedule XI Rationalization	Schedule XI lists recognized PFs with complex conditions. [ITA 2025]	Rationalization of Schedule XI provisions relating to Provident Funds. Simplifies exemption conditions. Aligns with modern PF regulations. Detailed amendments to be prescribed. [ITA 2025]	01.04.2026

Disclaimer: This document is prepared for informational and reference purposes only. While every effort has been made to ensure accuracy, readers should refer to the actual statutory provisions and seek professional advice for specific situations. The analysis represents interpretation based on available materials and may be subject to revision based on clarifications, amendments, or judicial pronouncements.

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