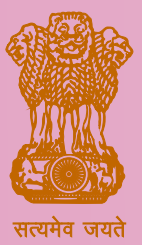

GOVERNMENT OF INDIA

MEMORANDUM EXPLAINING THE PROVISIONS IN THE FINANCE BILL, 2026

(Clauses referred to are clauses in the Bill)

FINANCE BILL, 2026

PROVISIONS RELATING TO DIRECT TAXES

Introduction

The provisions of Finance Bill, 2026 (hereinafter referred to as "the Bill"), relating to direct taxes seek to amend the Income-tax Act, 2025 ('the Act'), the Income-tax Act, 1961, The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 and the Finance (No. 2) Act, 2004.

With a view to achieving the above, the various proposals for amendments are organized under the following heads :—

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

DIRECT TAXES

A. Rates of tax for financial year 2026-2027

A. RATES OF INCOME-TAX

I. Rates of income-tax in respect of income liable to tax for the assessment year 2026-27 for the purposes of the Income-tax Act, 1961.

In respect of income of all categories of assessees liable to tax for the assessment year 2026-27, the rates of income-tax have either been specified in specific sections of the Income-tax Act, 1961 (like section 115BAA or 115BAB for domestic companies, section 115BAC for individual/Hindu undivided family (HUF)/Associations of Persons (AOP) (other than a co-operative society)/Body of Individuals (BOI)/Artificial Juridical Person (AJP) and section 115BAD or 115BAE for cooperative societies) or have been specified in Part I-A of the First Schedule to the Bill. There is no change proposed in tax rates either in these specific sections or in the First Schedule. The rates provided in sections 115BAA or 115BAB or 115BAC or 115BAD or 115BAE of the Act for the assessment year 2026-27 would be same as already enacted. Similarly, rates laid down in Part III of the First Schedule to the Finance Act, 2025, for the purposes of computation of "advance tax", deduction of tax at source from "Salaries" and charging of tax payable in certain cases for the financial year 2025-26 would now become Part I of the First Schedule.

Tax rates under section 115BAC of the Income-tax Act, 1961—

For assessment year 2026-27, as per the provisions of section 115BAC(1A) of the Income-tax Act, 1961, an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in section 2(31)(vii), has to pay tax in respect of the total income at following rates:

Sl. No.	***Total income***	***Rate of tax***
(1)	***(2)***	***(3)***
1.	Upto ₹ 4,00,000	Nil
2.	From ₹ 4,00,001 to ₹ 8,00,000	5%
3.	From ₹ 8,00,001 to ₹ 12,00,000	10%
4.	From ₹ 12,00,001 to ₹ 16,00,000	15%
5.	From ₹ 16,00,001 to ₹ 20,00,000	20%
6.	From ₹ 20,00,001 to ₹ 24,00,000	25%
7.	Above ₹ 24,00,0000	30%

2. The above-mentioned rates shall apply, unless an option is exercised as per provisions of section 115BAC(6). Thus, rates specified in section 115BAC(1A) are the default rates.

3. In respect of income chargeable to tax under section 115BAC(1A)(iii), the income-tax for the assessment year 2026-27 shall be increased by a surcharge, for the purposes of the Union, computed, in the case of every individual or Hindu undivided family or association of persons, or body of individuals, whether incorporated or not, or every artificial juridical person referred to in section 2(31)(vii) of the Act,-

(i) having a total income (including the dividend income or capital gains under the provisions of section 111A, section 112 and section 112A of the Income-tax Act, 1961) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;

(ii) having a total income (including the dividend income or capital gains under the provisions of section 111A, section 112 and section 112A of the Income-tax Act, 1961) exceeding one crore rupees but not exceeding two crore rupees, at the rate of 15% of such income-tax;

(iii) having a total income (excluding the dividend income or capital gains under the provisions of section 111A, section 112 and section 112A of the Income-tax Act, 1961) exceeding two crore rupees, at the rate of 25% of such income-tax;

(iv) having a total income (including the dividend income or capital gains under the provisions of section 111A, section 112 and section 112A of the Income-tax Act, 1961) exceeding two crore rupees, but is not covered under clause (iii) above, at the rate of 15% of such income-tax;

3.1 In case where the provisions of section 115BAC(1A) are applicable and the total income includes any dividend income or capital gains under the provisions of section 111A, section 112 and section 112A of the Income-tax Act, 1961, the rate of surcharge on the income-tax in respect of that part of income shall not exceed 15%.

3.2 Further, in the case of an association of persons consisting of only companies as its members, and having its income chargeable to tax under section 115BAC(1A), the rate of surcharge on the income-tax shall not exceed 15%.

3.3 Marginal relief shall be provided in such cases.

Tax rates under Part I-A of the First Schedule applicable for the assessment year 2026-27

A. Individual, HUF, association of persons, body of individuals, artificial juridical person.

Paragraph A of Part-I-A of First Schedule to the Bill provides following rates of income-tax:—

(i) The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in section 2(31)(vii) of the Income-tax Act, 1961 (not being a case to which Paragraph B, C, D or E of Part I-A applies) are as under:—

(1)	Upto ₹ 2,50,000	Nil
(2)	From ₹ 2,50,001 to ₹ 5,00,000	5%
(3)	From ₹ 5,00,001 to ₹ 10,00,000	20%
(4)	Above ₹ 10,00,000	30%

(ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year,—

(1)	Upto ₹ 3,00,000	Nil

(2)	From ₹ 3,00,001 to Rs.5,00,000	5%
(3)	From ₹ 5,00,001 to Rs.10,00,000	20%
(4)	Above ₹ 10,00,000	30%

(iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year,—

(1)	Upto ₹ 5,00,000	Nil
(2)	From ₹ 5,00,001 to Rs.10,00,000	20%
(3)	Above ₹ 10,00,000	30%

These rates are the same as those applicable for the assessment year 2025-26.

B. Co-operative Societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part I-A of the First Schedule to the Bill. They remain unchanged at (10% up to ₹ 10,000; 20% between ₹ 10,001 to ₹ 20,000; and 30% when income excess ₹ 20,000).

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part I-A of the First Schedule to the Bill. They remain unchanged at 30%.

D. Local authorities

In the case of local authority, the rate of income-tax has been specified in Paragraph D of Part I-A of the First Schedule to the Bill. They remain unchanged at 30%.

E. Companies

In the case of companies, the rates of income-tax have been specified in Paragraph E of Part I-A of the First Schedule to the Bill and remain unchanged vis-à-vis those for the AY 2025-26. In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the previous year 2023-24 does not exceed ₹ 400 crores and in all other cases the rate of income-tax shall be 30% of the total income.

2. In the case of companies other than domestic companies, the rate of income-tax shall be 35%, on the total income other than income chargeable at special rates.

(1) Surcharge on income-tax

The rates of surcharge on the amount of income-tax for the purposes of the Union are specified in Paragraph F of Part I-A of the First Schedule and are the same as that specified for the AY 2025-26. The surcharge shall not apply on income-tax computed on income of specified fund (referred to in section 10(4D)[Explanation(c)]) that is chargeable under

section 115AD(1)(a). Further, for person whose income is chargeable to tax under section 115BAC(1A) of the Act, the surcharge at the rate of 37% on the income or aggregate of income of such person (excluding the dividend income or capital gains under the provisions of section 111A, section 112 and section 112A of the Income-tax Act, 1961) exceeding five crore rupees is not applicable. In such cases the surcharge is restricted to 25%.

(2) Marginal Relief—

Marginal relief has also been provided in all cases where surcharge is proposed to be imposed.

(3) Education Cess—

For assessment year 2026-27, "Health and Education Cess on income-tax" is to be levied at the rate of 4% on the amount of income-tax so computed, inclusive of surcharge wherever applicable, in all cases. No marginal relief shall be available in respect of such cess.

II. Rates of income-tax in respect of income liable to tax for the tax year 2026-27 for the purposes of Income-tax Act, 2025.

In respect of income of all categories of assessees liable to tax for the tax year 2026-27, the rates of income-tax have either been specified in specific sections of the Act (like section 200 or section 201 for domestic companies, section 202 for individual/HUF/AOP (other than a co-operative society)/BOI/AJP and section 203 or section 204 for cooperative societies) or have been specified in Part I-B of the First Schedule to the Bill. There is no change proposed in tax rates either in these specific sections or in the First Schedule. The rates provided in sections 200 or 201 or 202 or 203 or 204 of the Act for the tax year 2026-27 would be same as already enacted.

Tax rates under section 202—

For tax year 2026-27, as per the provisions of section 202 of the Act, an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in section 2(77)(g), has to pay tax in respect of the total income at following rates:

Sl. No.	***Total income***	***Rate of tax***
(1)	***(2)***	***(3)***
1.	Upto ₹ 4,00,000	Nil
2.	From ₹ 4,00,001 to ₹ 8,00,000	5%
3.	From ₹ 8,00,001 to ₹ 12,00,000	10%
4.	From ₹ 12,00,001 to ₹ 16,00,000	15%

5.	From ₹ 16,00,001 to ₹ 20,00,000	20%
6.	From ₹ 20,00,001 to ₹ 24,00,000	25%
7.	Above ₹ 24,00,0000	30%

2. The above-mentioned rates shall apply, unless an option is exercised as per provisions of section 202(4). Thus, rates specified in section 202 are the default rates.

3. In respect of income chargeable to tax under section 202, the income-tax for the tax year 2026-27 shall be increased by a surcharge, for the purposes of the Union, computed, in the case of every individual or Hindu undivided family or association of persons, or body of individuals, whether incorporated or not, or every artificial juridical person referred to in section 2(77)(g) of the Act,-

(i) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;
(ii) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding one crore rupees but not exceeding two crore rupees, at the rate of 15% of such income-tax;
(iii) having a total income (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding two crore rupees, at the rate of 25% of such income-tax;
(iv) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding two crore rupees, but is not covered under clause (iii) above, at the rate of 15% of such income-tax;

3.1 In case where the provisions of section 115BAC(1A) are applicable and the total income includes any dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act, the rate of surcharge on the income-tax in respect of that part of income shall not exceed 15%.

3.2 Further, in the case of an association of persons consisting of only companies as its members, and having its income chargeable to tax under section 202, the rate of surcharge on the income-tax shall not exceed 15%.

3.3 Marginal relief shall be provided in such cases.

Tax rates under Part I-B of the First Schedule applicable for the tax year 2026-27

A. Individual, HUF, association of persons, body of individuals, artificial juridical person.

With effect from tax year 2026-27, the following rates provided under section 202 of the Act shall be the rates applicable for determining the income-tax payable in respect of the total income of a person, being an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in section 2(77)(g) of the Act:—

Sl. No.	*Total income*	*Rate of tax*
(1)	*(2)*	*(3)*
1.	Upto ₹ 4,00,000	Nil
2.	From ₹ 4,00,001 to ₹ 8,00,000	5%
3.	From ₹ 8,00,001 to ₹ 12,00,000	10%
4.	From ₹ 12,00,001 to ₹ 16,00,000	15%
5.	From ₹ 16,00,001 to ₹ 20,00,000	20%
6.	From ₹ 20,00,001 to ₹ 24,00,000	25%
7.	Above ₹ 24,00,000	30%

2. However, if such person exercises the option under 202(4) of the Act, the rates as provided in Part I-B of the First Schedule shall be applicable.

3. Paragraph A of Part I-B of the First Schedule to the Bill provides following rates of income-tax:—

(i) The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in section 2(77)(g) of the Act (not being a case to which Paragraph B, C, D, and E of Part I-B applies) are as under:—

(1)	Upto ₹ 2,50,000	Nil
(2)	From ₹ 2,50,001 to ₹ 5,00,000	5%
(3)	From ₹ 5,00,001 to ₹ 10,00,000	20%
(4)	Above ₹ 10,00,000	30%

(ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the tax year,—

(1)	Upto ₹ 3,00,000	Nil
(2)	From ₹ 3,00,001 to Rs.5,00,000	5%
(3)	From ₹ 5,00,001 to Rs.10,00,000	20%
(4)	Above ₹ 10,00,000	30%

(iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the tax year,—

(1)	Upto ₹ 5,00,000	Nil
(2)	From ₹ 5,00,001 to Rs.10,00,000	20%
(3)	Above ₹ 10,00,000	30%

4. The amount of income-tax computed in accordance with the preceding provisions of this Paragraph (including capital gains under section 196, 197 and 198), shall be increased by a surcharge at the rate of,—

(a) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;

(b) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding one crore rupees but not exceeding two crore rupees, at the rate of 15% of such income-tax;

(c) having a total income (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding two crore rupees but not exceeding five crore rupees, at the rate of 25% of such income-tax;

(d) having a total income (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding five crore rupees, at the rate of 37% of such income-tax;

(e) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding two crore rupees, but is not covered under clauses (c) and (d), shall be applicable at the rate of 15% of such income-tax.

4.1 Provided that in case where the total income includes any dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act, the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed 15%.

4.2 Provided further that in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15%.

4.3 Further, for person whose income is chargeable to tax under section 202 of the Act, the surcharge at the rate 37% on the income or aggregate of income of such person (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding five crore rupees shall not be applicable. In such cases, the surcharge shall be restricted to 25%.

5. Marginal relief is provided in cases of surcharge.

B. Co-operative Societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part I-B of the First Schedule to the Bill. These rates will continue to be the same as those specified for FY 2025-26. The amount of income-tax shall be increased by a surcharge at the rate of 7% of such income-tax in case the total income of a co-operative society exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% of such income-tax shall continue to be levied in case of a co-operative society having a total income exceeding ten crore rupees.

2. Marginal relief is provided in cases of surcharge.

3. On satisfaction of certain conditions, a co-operative society resident in India shall have the option to pay tax at 22% as per the provisions of section 203 of the Act. Surcharge would be at 10% on such tax.

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part I-B of the First Schedule to the Bill. This rate will continue to be the same as that specified for FY 2025-26. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a firm having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

D. Local authorities

The rate of income-tax in the case of every local authority has been specified in Paragraph D of Part I-B of the First Schedule to the Bill. This rate will continue to be the same as that specified for the FY 2025-26. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a local authority having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

E. Companies

The rates of income-tax in the case of companies have been specified in Paragraph E of Part I-B of the First Schedule to the Bill. In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the tax year 2024-25 does not exceed four hundred crore rupees and where the companies continue in section 199 regime. In all other cases the rate of income-tax shall be 30% of the total income. However, domestic companies also have an option to opt for taxation under section 200 of the Act on fulfillment of conditions contained therein. The rate of income-tax rate is 22% in section 200. Surcharge would be at 10% on such tax.

2. In the case of a company other than a domestic company, the rates of income-tax shall be 35% of the total income, on income other than income chargeable at special rates.

3. Surcharge at the rate of 7% shall continue to be levied in case of a domestic company (except those opting for taxation under section 200 and section 201 of the Act), if the total income of the domestic company exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% shall continue to be levied, if the total income of the domestic company (except those opting for taxation under section 200 and section 201 of the Act) exceeds ten crore rupees.

4. In case of companies other than domestic companies, the existing surcharge of 2% shall continue to be levied, if the total income exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 5% shall continue to be levied, if the total income of the company other than domestic company exceeds ten crore rupees.

5. Marginal relief is provided in surcharge in all cases.

Surcharge on income-tax

The rates of surcharge on the amount of income-tax for the purposes of the Union are specified in Paragraph F of Part I-B of the First Schedule and are the same as that specified for the AY 2025-26. The surcharge shall not apply on income-tax computed on income of

specified fund (referred to in Schedule VI [Note 1(g)]) that is chargeable under section 210(1)[Table: Sl. No. 1]. Further, for person whose income is chargeable to tax under section 202 of the Act, the surcharge at the rate of 37% on the income or aggregate of income of such person (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding five crore rupees is not applicable. In such cases the surcharge is restricted to 25%.

Marginal Relief—

Marginal relief has also been provided in all cases where surcharge is proposed to be imposed.

Education Cess—

For tax year 2026-27, "Health and Education Cess on income-tax" is to be levied at the rate of 4% on the amount of income-tax so computed, inclusive of surcharge wherever applicable, in all cases. No marginal relief shall be available in respect of such cess.

lll. Rates for deduction of income-tax at source during the financial year (FY) 2026-27 from certain incomes other than "Salaries".

The rates for deduction of income-tax at source during the FY 2026-27 under the provisions of 393(1)[Table: Sl. Nos. 1(i) and 5], 393(2)[Table: Sl. Nos. 7, 8, 9 and 17] and 393(3)[Table: Sl. Nos. 1, 2 and 3] of the Act have been specified in Part II of the First Schedule to the Bill.

2. For sections specifying the rate of deduction of tax at source, the tax shall continue to be deducted as per the provisions of the relevant sections of the Act.

3. The rates will remain the same as those specified in Part II of the First Schedule to the Finance Act, 2025, for the purposes of deduction of income-tax at source during the FY 2025-26.

4. The surcharge on the amount of income-tax for the purposes of the Union is the same as that specified for the FY 2025-26.

5. "Health and Education Cess on income-tax" shall continue to be levied at the rate of 4% of income tax including surcharge wherever applicable, in the cases of persons not resident in India including company other than a domestic company.

IV. Rates for deduction of income-tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the FY 2026-27 (Tax Year 2026-27).

The rates for deduction of income-tax at source from "Salaries" or under section 393(1)[Table: Sl. No. 8(iii)] of the Act during the FY 2026-27 and also for computation of "advance tax" payable during the said year in the case of all categories of assessees have been specified in Part III of the First Schedule to the Bill. These rates are also applicable for charging income-tax during the FY 2026-27 on current incomes in cases where accelerated assessments have to be made, for instance, provisional assessment of shipping profits arising in India to non-residents, assessment of persons leaving India for good during the financial year, assessment of persons who are likely to transfer property to avoid tax, assessment of bodies formed for a short duration, etc. The salient features of the rates specified in the said Part III are indicated in the following paragraphs-

A. Individual, HUF, association of persons, body of individuals, artificial juridical person.

With effect from tax year 2026-27, the following rates provided under section 202 of the Act shall be the rates applicable for determining the income-tax payable in respect of the total income of a person, being an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in section 2(77)(g) of the Act:—

Sl. No.	*Total income*	*Rate of tax*
(1)	*(2)*	*(3)*
1.	Upto ₹ 4,00,000	Nil
2.	From ₹ 4,00,001 to ₹ 8,00,000	5%
3.	From ₹ 8,00,001 to ₹ 12,00,000	10%
4.	From ₹ 12,00,001 to ₹ 16,00,000	15%
5.	From ₹ 16,00,001 to ₹ 20,00,000	20%
6.	From ₹ 20,00,001 to ₹ 24,00,000	25%
7.	Above ₹ 24,00,000	30%

2. However, if such person exercises the option under 202(4) of the Act, the rates as provided in Part III of the First Schedule shall be applicable.

3. Paragraph A of Part III of the First Schedule to the Bill provides following rates of income-tax:—

`The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in section 2(77)(g) of the Act (not being a case to which Paragraph B, C, D, and E of Part III applies) are as under:—

(1)	Upto ₹ 2,50,000	Nil
(2)	From ₹ 2,50,001 to ₹ 5,00,000	5%
(3)	From ₹ 5,00,001 to ₹ 10,00,000	20%
(4)	Above ₹ 10,00,000	30%

(ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the tax year,—

(1)	Upto ₹ 3,00,000	Nil
(2)	From ₹ 3,00,001 to Rs.5,00,000	5%
(3)	From ₹ 5,00,001 to Rs.10,00,000	20%
(4)	Above ₹ 10,00,000	30%

(iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the tax year,—

(1)	Upto ₹ 5,00,000	Nil
(2)	From ₹ 5,00,001 to Rs.10,00,000	20%
(3)	Above ₹ 10,00,000	30%

4. The amount of income-tax computed in accordance with the preceding provisions of this Paragraph (including capital gains under section 111A, 112 and 112A), shall be increased by a surcharge at the rate of,—

(a) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;

(b) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding one crore rupees but not exceeding two crore rupees, at the rate of 15% of such income-tax;

(c) having a total income (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding two crore rupees but not exceeding five crore rupees, at the rate of 25% of such income-tax;

(d) having a total income (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding five crore rupees, at the rate of 37% of such income-tax;

(e) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding two crore rupees, but is not covered under clauses (c) and (d), shall be applicable at the rate of 15% of such income-tax.

4.1 Provided that in case where the total income includes any dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act, the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed 15%.

4.2 Provided further that in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15%.

4.3 Further, for person whose income is chargeable to tax under section 202 of the Act, the surcharge at the rate 37% on the income or aggregate of income of such person (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding five crore rupees shall not be applicable. In such cases, the surcharge shall be restricted to 25%.

5. Marginal relief is provided in cases of surcharge.

B. Co-operative Societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part III of the First Schedule to the Bill. These rates will continue to be the same as those specified for FY 2025-26. The amount of income-tax shall be increased by a surcharge at the rate of 7% of such income-tax in case the total income of a co-operative society exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% of such income-tax shall continue to be levied in case of a co-operative society having a total income exceeding ten crore rupees.

2. Marginal relief is provided in cases of surcharge.

3. On satisfaction of certain conditions, a co-operative society resident in India shall

have the option to pay tax at 22% as per the provisions of section 203 of the Act. Surcharge would be at 10% on such tax.

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for FY 2025-26. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a firm having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

D. Local authorities

The rate of income-tax in the case of every local authority has been specified in Paragraph D of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for the FY 2025-26. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a local authority having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

E. Companies

The rates of income-tax in the case of companies have been specified in Paragraph E of Part III of the First Schedule to the Bill. In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the tax year 2024-25 does not exceed four hundred crore rupees and where the companies continue in section 199 regime. In all other cases the rate of income-tax shall be 30% of the total income. However, domestic companies also have an option to opt for taxation under section 200 of the Act on fulfillment of conditions contained therein. The rate of income-tax rate is 22% in section 200. Surcharge would be at 10% on such tax.

2. In the case of a company other than a domestic company, the rates of income-tax shall be 35% of the total income, on income other than income chargeable at special rates.

3. Surcharge at the rate of 7% shall continue to be levied in case of a domestic company (except those opting for taxation under section 200 and section 201 of the Act), if the total income of the domestic company exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% shall continue to be levied, if the total income of the domestic company (except those opting for taxation under section 200 and section 201 of the Act) exceeds ten crore rupees.

4. In case of companies other than domestic companies, the existing surcharge of 2% shall continue to be levied, if the total income exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 5% shall continue to be levied, if the total income of the company other than domestic company exceeds ten crore rupees.

5. Marginal relief is provided in surcharge in all cases.

6. In other cases [including section 170(5) and 352], the surcharge shall be levied at the rate of 12%

7. For FY 2026-27, additional surcharge called the "Health and Education Cess on income-tax" shall be levied at the rate of 4% on the amount of tax computed, inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such cess.

[Clauses 2, 3 and the First Schedule]

B. Ease of Living

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

Section 29 of the Act provides for deductions related to employee welfare. Clause (e)(i) of sub-section (1) of the said section provides for deduction of any amount of contribution received by the assessee being an employer, from an employee to which the provisions of section 2(49)(o) apply, if such amount is credited by the assessee to the account of the employee in the relevant fund or funds by the due date.

2. For the purposes of said clause, "due date" means the date by which the assessee is required as an employer to credit employee contribution to the account of an employee in the relevant fund under any Act, rule, order or notification issued under it or under any standing order, award, contract of service or otherwise.

3. It is proposed to amend section 29(1)(e) to provide that the due date for the said clause shall be the due date of filing of return of income under section 263(1) of the Act.

4. The amendment will take effect from the 1st day of April, 2026 and will, accordingly, apply to tax year 2026-27 and subsequent tax years.

[Clause 31]

Exemption on interest income under the Motor Vehicles Act, 1988.

Exiting section 11 of the Income-tax Act, 2025 *inter alia* provides for the exemption of income of persons included in Schedule III subject to the fulfilment of conditions specified therein.

2. The provisions of Motor Vehicles Act, 1988 inter alia provides for compensation and interest on such compensation to be awarded by the tribunal under said Act, 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.

3. In order to alleviate sufferings of victims of such accident and their family which may cause extreme hardship to the aggrieved person and family, it is proposed to amend the said Schedule to provide exemption to an individual or his legal heir, on any income in the nature of interest under the Motor Vehicles Act, 1988.

4. These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 108]

No tax to be deducted at source in respect of interest on compensation amount awarded by Motor Accidents Claims Tribunal to an individual

As per the provisions of section 393(4) [Table: Sl. No. 7, Column C (c)(iv)] of the Act, tax is not required to be deducted in respect of interest on the compensation amount awarded by the Motor Accidents Claims Tribunal, if the amount or the aggregate of the amounts of such income does not exceed ₹ 50,000 during the tax year.

2. In order to provide relief to the individual and to alleviate the hardship caused due to accident, it is proposed that no tax shall be deducted at source in respect of interest on the compensation amount awarded by the Motor Accidents Claims Tribunal to an individual.

3. The amendment will take effect from the 1st day of April, 2026.

[Clause 72]

Enabling electronic verification and issuance of certificate for deduction of income-tax at lower rate or no deduction of income-tax

Section 395 of the Act pertains to issuance of certificates for deduction of tax at source (TDS) and tax collection at source (TCS) at nil or lower rate.

2. Sub-section (1) of the said section of the Act provides for issuance of certificate for deduction of tax at source at Nil or lower rates. As per the present provisions, the payee has to make an application before the Assessing Officer. Subsequent to the application, if the Assessing Officer is satisfied after due verification that the total income of the recipient

justifies deduction of income-tax at any lower rates or no deduction of income-tax, he shall issue a certificate for lower or nil deduction of tax at source.

3. It is proposed to ease the compliance burden of small taxpayers by providing an option to the payee, to file the application for issuance of certificate for lower or nil deduction of income-tax electronically before the prescribed income-tax authority, which may issue the certificate subject to fulfilment of conditions as may be prescribed, or reject the application if prescribed conditions are not fulfilled or the application is incomplete.

4. The amendment will take effect from the 1st day of April, 2026.

[Clause 74]

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

Section 397(1)(a) of the Act provides that every person, deducting or collecting tax shall apply to the Assessing Officer for the allotment of a "tax deduction and collection account number" (TAN). Clause (c) of the said sub-section provides for cases where a person is not required to obtain TAN.

2. Presently, if a person buys an immovable property from a resident seller, the person is not required to obtain (TAN) to deduct tax at source. However, where seller of the immovable property is a non-resident, the buyer is required to obtain TAN to deduct tax at source. This creates unnecessary compliance burden for the buyer, as he would need TAN for a single transaction.

3. In order to reduce compliance burden for the resident individual and Hindu undivided family, it is proposed to amend section 397(1)(c) of the Act to provide that resident individual or Hindu undivided family, is not required to obtain TAN to deduct tax at source in respect of any consideration on transfer of any immovable property under section 393(2) [Table Sl. No. 17].

4. The amendment will take effect from the 1st day of October, 2026.

[Clause 75]

Enabling filing of declaration for no deduction to a depository

Section 393(6) of the Act provides that tax is not to be deducted at source in certain cases. As per the provisions of the said section, a written declaration is to be filed by the assessee for no deduction of tax at source to the person responsible for paying any income or sum of the nature as specified in Column C of the Table in section 393(6). The said income include dividend, interest from securities and income from units of mutual fund.

2. Investors earning income from multiple units and securities face a cumbersome process, needing to submit separate forms to all entities thus leading to enhanced compliance. In order to reduce compliance burden of such investors, it is proposed to allow filing of the declaration to the depository which in turn shall provide such declaration to the person responsible for paying such income.

3. Further, in order to ease the compliance for the person responsible for paying income or sum of the nature as specified in Column C of the Table in section 393(6), the time limit for furnishing the declaration received by them to the prescribed Income tax authority have been changed from monthly basis to quarterly basis.

4. However, only those investors who have held the securities or units in the depository and where the securities are listed in registered stock exchange in India are proposed to furnish the declaration to the depository.

5. The amendment will take effect from the 1st day of April, 2027.

[Clause 72]

Application of TDS on supply of manpower

Section 393(1) [Table: Sl. No. 6(i)] provides for the tax deduction at source (TDS) in the case of payments made to contractors for carrying out any work. It provides for rate of deduction of 1% when payment is made to individual or HUF and 2% in other cases.

2. Section 393(1) [Table: Sl. No. 6(iii)] provides for the tax deduction at source in the case of fees paid for professional or technical services. It provides for rate of deduction of 2% in case of fees for technical services or royalty for sale, distribution or exhibition of cinematographic films or to the business engaged in operation of call centre and 10% in other cases.

3. Section 393(1)[Table: Sl. No. 6(ii)] provides for the tax deduction at source by individual and HUF in the case of payments made to contractors for carrying out any work (not covered under section 393(1)[Table: Sl. No. 6(i)], by way of commission or brokerage or by way of professional services (not covered under section 393(1) [Table: Sl. No. 6(iii)]). It provides for rate of deduction of 2% for such payments.

4. There is ambiguity with regard to applicable rate of TDS for supply of manpower that whether provisions under section 393(1) [Table: Sl. No. 6(i)/(ii)] or [Table: Sl. No. 6(iii)] shall be applied.

5. In order to provide clarity with regard to the deduction of tax at source in case of supply of manpower, it is proposed to include it under the ambit of “work” in section 402(47) so that the provisions of Section 393(1)[Table: Sl. No. 6(i)] or 393(1)[Table: Sl. No. 6(i)], as the case may be, applies.

6. The amendment will take effect from the 1st day of April, 2026.

[Clause 78]

Allowing deduction to non-life insurance business when TDS, not deducted earlier is paid later

Part B of Schedule XIV of the Act provides for computation of profits and gains from insurance business other than life insurance. Paragraph 4(1)(a) of Schedule XIV provides that while computing the profits and gains of such business, any expenditure, allowance, etc. which has been debited to profit and loss account but which is inadmissible under sections 28 to 54 shall be added back to the profits and gains.

2. Section 35(b)(i) and (ii) of the Act provides that any sum, interest, etc. payable on which tax is deductible at source but has not been deducted or deducted but not paid within the due date specified in section 263(1), then the amount as mentioned in the respective sections shall not be allowed as deduction. However, section 35(b)(i) and (ii) also provide that the amount disallowed shall be allowed in a tax year when the due tax was deducted and paid as per the provisions of the section.

3. 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. However, similar provision has not been provided for section 35(b)(i) and 35(b)(ii), wherein the amount added under paragraph 4(1)(a) shall be allowed as deduction in which tax has been deducted and paid as per the provisions of the said section.

4. Thus, to rationalize the same and provide for allowance of such amount as deduction in a subsequent tax year, it is proposed that a new sub-paragraph may be inserted in Paragraph 4.

5. It is proposed to amend schedule XIV of the Act.

6. This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 113]

Exemption of income on compulsory acquisition of any land under the RFCTLARR Act.

Existing Section 11 read with Schedule III of the Act provides exemption to certain eligible persons on their total income. The said Schedule inter alia provides exemption to an individual or a Hindu undivided family on any income chargeable under the head “capital gains” arising from the transfer of agricultural land subject to the conditions specified therein.

2. Section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act) inter alia provides that income-tax shall not levied on any award or agreement made (except those made under section 46) under the said Act.

3. In order to resolve any ambiguity, CBDT vide Circular No.36/2016 clarified that compensation received in respect of award or agreement which has been exempted from levy of income-tax vide section 96 of the RFCTLARR Act shall also not be taxable under the provisions of Income-tax Act, 1961 even if there are no specific provisions of exemption for such compensation in the Income-tax Act, 1961.

4. In order to align the provisions of the Act with the RFCTLARR Act it is proposed to amend the said Schedule to provide exemption on any income in respect of any award or agreement made on account of compulsory acquisition of any land, carried out on or after the 1st April, 2026, under the RFCTLARR Act (other than the award or agreement made under section 46 of said Act).

5. These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 108]

Exemption for Disability Pension to armed force personnel

Disability pension is granted to members of the Armed Forces who are invalided 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. The exemption was first provided under the Indian Income-tax Act, 1922. This has continued under the Income-tax Act 1961 through the repeal and savings clause, and notifications, administrative instructions and clarificatory circulars.

2. It is proposed to provide for exemption of disability pension, including both the service element and the disability element, only in cases where the individual has been invalided out of Armed Forces service on account of a bodily disability attributable to, or aggravated by, such service, and not where the individual has retired on superannuation or otherwise. It is also proposed that this exemption will also be available to paramilitary personnel.

3. These amendments shall take effect from the 1st day of April, 2026, and shall apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 108]

Rationalising due dates for filing of return of Income.

Section 263 of the Income Tax Act, 2025 ("the Act") makes the provisions for filing of Income Tax Return by taxpayers. The said section deals with the comprehensive framework that lays down class of persons who are required to file a return, the due dates, and the different types of returns that may be furnished. It covers the original return, belated return, revised return and the updated return.

2. Section 263(1)(c) of the Act deals with "due date" means the date of the financial year succeeding the relevant tax year for filing the return of Income by different classes of assessee/person with different condition applied therein. In this regard, in order to facilitate the taxpayers who are engaged in business or profession and partners of a firm who do not require to get their books of account audited and trusts, it is proposed that more time should be made available to them to prepare their books of accounts to make the necessary compliances. Accordingly, rationalisation of due dates for filing of return of Income in such non audit business cases and trusts is envisaged to facilitate taxpayers and reduce grievances.

3. In this regard, assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law in force and partner of a firm whose accounts are not required to be audited under this Act or under any other law in force or the spouse of such partner (if section 10 applies to such spouse), their due date for filing of return is proposed to be extended from 31st July to 31st August. Further, individuals who files ITR-1 & ITR-2, their due date for filing return of Income shall remain 31st July. In this regard, amendments proposed in section 263(1)(c) of the Act are as under:

Sl. No.	Person	Conditions	Due date
A	B	C	D
1.	Assessee, including the partners of the firm or the spouse of such partner (if section 10 applies to such spouse).	Where the provisions of section 172 apply	30th November.
2.	(i) Company; (ii) Assessee (other than a company) whose accounts are required to be audited under this Act or under any other law in force; (iii) Partner of a firm whose	Where the provisions of section 172 do not apply	31st October.

	accounts are required to be audited under this Act or under any other law in force; or the spouse of such partner (if section 10 applies to such spouse).		
3.	(i) Assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law in force; (ii) Partner of a firm whose accounts are not required to be audited under this Act or under any other law in force or the spouse of such partner (if section 10 applies to such spouse).	As above	31st August.
4.	Any other assessee	--	31st July.

4. Similar rationale as referred in para 2 has been applied to make similar amendments in Explanation-2 to sub-section (1) of section 139 of Income-tax Act, 1961 to extend the due date of filing return of Income for non-audit business cases and Trusts requiring no audits.

5. It is proposed that the amendments made in Income-tax Act, 2025 shall come into force from the 1st day of April, 2026 for tax year 2026-27 and subsequent tax years.

6. It is proposed that the amendments made in Income-tax Act, 1961 shall come into force from the 1st day of March, 2026 for assessment year 2026-27(previous year 2025-26).

[Clause 5, 57]

Extending the period of filing revised return

Section 263 of the Income-tax Act, 2025 deals with filing of Income-tax return by taxpayers. The said section prescribes the comprehensive framework that lays down class of persons who are required to file a return, the due dates, and the different types of returns that may be furnished. It covers the original return, belated return, revised return and updated return.

2. Further, section 263(5) of the Act provides for the revised return of income. It allows a person who has already furnished a return under section 263(1) and (4) to file a revised return, if any omission or wrong statement is discovered in the original or belated return.

Such revised return required to be furnished within nine months from the end of the relevant tax year or before completion of assessment, whichever is earlier.

3. Section 263(5) allows a taxpayer to revise an original or belated return to rectify any omission or wrong statement, relating to income, deductions, exemptions, losses, or any other particulars.

4. It is considered to increase the prescribed time limit for filing the revised return from existing 9 months to 12 months from the end of the relevant tax year. As presently, the timeline for revised and belated return coincides with each other which is nine months from the end of the relevant tax year. Hence, a person who is filing his belated return at the end was not having the opportunity to revise his return of income. The extension of time limit for filing revised return of income, will allow the taxpayers to file revised return where belated return is filed at the end.

5. In this regard, it is proposed to amend section 263(5) of the Act so as to increase the prescribed time limit for filing the revised return from its existing time limit of nine months to twelve months from the end of the relevant tax year. Further, a fee is also proposed under section 428(b), for revised returns which are filed beyond nine months from the end of relevant tax year.

6. These amendments will take effect from 1st day of April 2026 for tax year 2026-27 and subsequent years.

7. Further, section 263 corresponds to section 139 of the Income-tax Act, 1961. Therefore, similar amendments are also proposed in section 139(5) of the Income-tax Act, 1961. Further, a fee is also proposed under section 234I. It is proposed that these amendments shall come into force from the 1st day of March 2026 in Income-tax Act 1961 and shall be applicable for Assessment year 2026-27 (previous year 2025-26).

[Clause 5, 12, 57, 83]

Scope of filing of updated return in the case of reduction of losses – reg.

Section 263 of the Income Tax Act, 2025 ("the Act") provides for filing of Income Tax Return by taxpayers. The said section deals with the comprehensive framework that lays down class of persons who are required to file a return, the due dates, and the different types of returns that may be furnished. It covers the original return, belated return, revised return and the updated return.

2. Further, section 263(6) of the Act deals with the 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 financial year succeeding the relevant tax year. The said section further imposes certain restrictions on updating the return of Income. E.g. updated return cannot be a return of loss, cannot reduce tax liability, and cannot increase a refund. Filing an updated return requires payment of additional income-tax, as prescribed, and it is not

permitted in cases where assessment, reassessment, search, survey, or prosecution proceedings are pending or completed.

3. Furthermore, section 263(6)(b) provides that taxpayer may file the updated return in such cases where original return filed under section 263(1) of the Act is a return of loss and updated return being filed thereafter, is a return of income. However, section 263(6)(c)(i) of the Act had created a restriction that updated return cannot be furnished in such cases where updated return is a return of loss for the said tax year.

4. In this regard, suggestions were received from the stakeholders that updated return may also be allowed in such cases where taxpayer is reducing the amount of loss in comparison to the amount of loss claimed in the return of loss furnished within the due date specified under sub-section (1).

5. In view of the above, it is proposed to amend section 263(6) of the Act, so as to allow filing of updated return in such cases where taxpayer reduces the amount of loss in comparison to the amount of loss claimed in the return of loss furnished within the due date specified under sub-section (1).

6. It is further proposed that the above amendments in the Income-tax Act, 2025 shall come into force from the 1st day of April, 2026.

7. It is further proposed that similar amendment shall be made in the Income-tax Act, 1961 to align with the proposed amendments in the Income-tax Act, 2025.

8. It is also proposed that amendment in the Income-tax Act, 1961 shall come into force from 1st day of March, 2026.

[Clause 5, 57]

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

Section 263 of the Income Tax Act, 2025 ("the Act") makes the provisions for filing of Income Tax Return by taxpayers. The said section deals with the comprehensive framework that lays down class of persons who are required to file a return, the due dates, and the different types of returns that may be furnished. It covers the original return, belated return, revised return and the updated return.

2. Further, section 263(6) of the Act deals with the updated return of Income. It allows a taxpayer, regardless of whether the original return is filed, to file an updated return within 48 months from the end of the financial year succeeding the relevant tax year. This provision is meant to promote voluntary compliance on the part of taxpayer to offer the income for taxation. The said section further imposes certain restrictions on updating the return of Income. i.e. updated return cannot be a return of loss, cannot reduce tax liability, and cannot increase a refund. Filing an updated return requires payment of additional income-tax, as

prescribed, and it is not permitted in cases where assessment, reassessment, search, survey, or prosecution proceedings are pending or completed.

3. Furthermore, Section 263(6)(c)(v) of the Act prohibits the filing of updated return in such cases where any proceedings for assessment or reassessment or recomputation or revision of income is pending or has been completed for the said tax year. Accordingly, filing of update return was not allowed in such cases where proceedings of reassessment has been initiated.

4. Section 267(5) of the Act provides that additional income-tax amounting to 25%, 50%, 60% and 70% of the aggregate of tax and interest payable, shall be paid alongwith original tax and interest payable, for filing the updated return in first, second, third and fourth year, respectively from the end of the financial year succeeding the relevant tax year.

5. In this regard, it is considered that updated return may also be allowed in such cases where proceedings of reassessment have been initiated and notice of reassessment has been issued under section 280 of the Act as the same would reduce litigation.

6. In this regard, it is proposed to amend section 263 of the Act, so that an updated return may be furnished by a person for the relevant tax year in pursuance of a notice under section 280 within such period as specified in the said notice and in such a case assessee shall be precluded from filing return of income in pursuance of notice under section 280 in any other manner.

7. It is further proposed to amend the section 267 of the Act so as to prescribe that where an updated return is filed in pursuance of a notice issued under section 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 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 under section 439.

8. It is proposed that the above amendments 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.

9. It is also proposed that similar amendment shall be made in the Income-tax Act, 1961 to align with the proposed amendments in the Income-tax Act, 2025. This amendment in the Income-tax Act, 1961 is made so that an updated return may be furnished by a person for the relevant assessment year in pursuance of a notice under section 148 within such period as specified in the said notice, and in such a case assessee shall be precluded from filing return of income in pursuance of notice under section 180 in any other manner.

10. It is further proposed that amendment in the Income-tax Act, 1961 shall come into force retrospectively from 1st day of March, 2026.

[Clause 5, 57]

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

The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 was enacted to address the issue of undisclosed foreign income and assets held by resident taxpayers. At the time of its introduction, a one-time compliance window was provided from 1 July 2015 to 30 September 2015 to enable voluntary declaration of undisclosed foreign assets acquired up to 31 March 2015, subject to payment of tax and penalty.

It has been observed that non-compliance is particularly prevalent in cases involving legacy or inadvertent non-disclosures for small taxpayers, including holdings arising from foreign employment benefits such as ESOPs or RSUs, dormant or low-value foreign bank accounts of former students, savings or insurance policies of returning non-residents, and assets held by individuals on overseas deputation. Further, information received under the Automatic Exchange of Information framework indicates non-disclosure of foreign financial assets by a significant number of PAN holders.

In order to facilitate voluntary compliance and enable resolution of such legacy cases of small taxpayers, it is proposed to introduce 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

The proposed scheme shall form part of the Finance Bill, 2026 and shall come into force from the date to be notified by the Central Government.

[Clauses 114 to 128]

C. RATIONALISING PENALTY AND PROSECUTION

Relaxation of conditions for prosecution under the Black Money Act

The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 [the Black Money Act] provides for penal and prosecution measures in cases of wilful non-disclosure of foreign income and assets by residents. Sections 49 and 50 of the Black Money Act, prescribe prosecution, including rigorous imprisonment and fine, where a resident wilfully fails to furnish a return of income or wilfully omits to disclose foreign assets or income in the return of income.

In order to provide relief in cases of minor and inadvertent non-disclosures and to align the prosecution provisions with the penalty framework under the Black Money Act, it is proposed to amend sections 49 and 50 to provide that these provisions shall not apply in

respect of foreign assets, other than immovable property, where the aggregate value does not exceed twenty lakh rupees.

These amendments shall take effect retrospectively from the 1st day of October, 2024.

[Clause 144]

Rationalization of prosecution proceedings

Income-tax Act, 2025 (hereinafter referred as the 'Act') has various provisions in chapter XXII which imposes criminal liability on assessee and prescribes imprisonment including rigorous imprisonment which span from three months to seven years for various offences including falsification of books of accounts, failure to credit TDS/TCS deducted, tendering false statement, wilful attempt to evade tax, failure to furnish return within due time, abatement of false return, removal/concealment/transfer of property to evade recovery of tax, failure to follow certain directions of AO, etc.

2. Section 473 to 485 prescribe various offences on the part of assessee 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.

3. Section 473 deals with the contravention of order made under section 247(Search & Seizure) by the assessee in an attempt to derail the search proceedings and tamper with the evidence. At the same time, section 474 deals with the offence of not providing the necessary facility to inspect the books of account of other documents during search proceedings. Section 475 penalises the assessee in case of offence of removal, concealment, transfer or delivery of property to prevent tax recovery.

4. 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. In the similar manner, section 477 deals with tax collected at source but not credited to the account of Central Government.

5. Section 478 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. Section 479 criminalises the offence to failure to furnish return either by issuance of notice under this Act or otherwise. In the similar manner, section 480 penalises the offence of failure to furnish return in search cases.

6. In case, assessee failed to produce the books of accounts or other documents or failed to follow direction of Assessing Officer, section 481 criminalises this offence. In case, a person makes false statement or delivers an account which is false, section 482 prescribes punishment for this offence. Section 483 penalises the offence of falsification of books of

accounts or documents or made entry or statement which is false in books of account. 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. Further, section 485 deals with second and subsequent offences. Section 494 deals with disclosure of particulars by public servants.

7. In this regard, it is proposed to amend Section 473 to 485 & 494 of the Act in light of continued exercise of decriminalisation and to make the punishment for the offences mentioned in these sections proportionate to the crimes. The principles that are followed in the proposed decriminalization exercise are as follows:

(a) The nature of punishment is changed from rigorous imprisonment to simple imprisonment wherever prescribed in the sections mentioned above.

(b) Maximum punishment is proposed to be limited to 2 years from its current 7 year and for the subsequent offences, it is reduced to 3 years from its current 7 years.

(c) Wherever punishment of offences is prescribed based on certain grading of amount of tax evaded, new grading of offences and its corresponding punishment is prescribed.

(d) For amount of tax evaded does not exceeds ten lakh rupees, punishment of only fine is prescribed.

(e) Imposition of fine is introduced in lieu of or in addition of imprisonment.

(f) Certain offences are fully decriminalized.

8. Following changes in the nature and period of punishment in section 473 to 485 & 494 are proposed based on the principles of decriminalisation followed as discussed in para 7:

(a) In section 473, punishment for the offences mentioned under section 473 is proposed to be changed from its current “rigorous imprisonment for a term which may extend to two years and shall also be liable to fine” to “simple imprisonment upto two years and fine”.

(b) In section 474, punishment for the offences mentioned under section 474 is proposed to be changed from its current “rigorous imprisonment for a term which may extend to two years and shall also be liable to fine” to “simple imprisonment upto 6 months and/or fine”.

(c) In section 475, punishment for the offences mentioned under section 475 is proposed to be changed from its current “rigorous imprisonment for a term which may extend to two years and shall also be liable to fine” to “simple imprisonment upto two years and fine”.

(d) In case of offences related to tax deducted at source (TDS):

(i) If a person fails to pay the tax deducted at source or ensures the payment of such tax, in case of winnings from Lottery or crossword puzzle etc. as required under section 476(1)(b)(i) and if a person fails to pay and ensure payment of tax deducted at source in case of benefits or perquisite under section 476(1)(b)(ii) then the punishment for these offences is rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years, and with fine. These offences are proposed to be fully decriminalized.

(ii) Further, in similar manner, if a person fails to pay tax deducted at source or ensure payment of tax in case of winnings from online games under section 476(1)(b)(i) and consideration from virtual digital asset under section 476(1)(b)(ii) then these offences attract punishment of rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years, and with fine. In these cases, winnings from online games and consideration from virtual digital asset which are wholly in kind are also proposed to be excluded from criminal liability related to prosecution in case of failure to pay tax or ensure payment of tax. In any other case, punishment in these cases under section 476 is proposed to be changed in the manner given below:

(a) with simple imprisonment for a term upto two years, or with fine, or with both, in a case where amount of such tax exceeds fifty lakh rupees;

(b) with simple imprisonment for a term upto six months, or with fine, or with both, in a case where amount of such tax exceeds ten lakh rupees but does not exceed fifty lakh rupees;

(c) with fine, in any other case.

(e) In section 477, punishment for the offences mentioned under section 477 is rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years, and with fine. This punishment is proposed to be changed in the manner given below:

(i) with simple imprisonment for a term upto two years, or with fine, or with both, in a case where amount of such tax exceeds fifty lakh rupees;

(ii) with simple imprisonment for a term upto six months or with fine, or with both, in a case where amount of such tax exceeds ten lakh rupees but does not exceed fifty lakh rupees;

(iii) with fine, in any other case.

(f) In case of wilful attempt to evade tax,

(i) In section 478(1), punishment for the offences as mentioned under section 478(1) is proposed to be changed in the manner given below:

(a) with simple imprisonment for a term upto two years, or with fine, or with both, in a case where the amount sought to be evaded or tax on under-reported income exceeds fifty lakh rupees;

(b) with simple imprisonment for a term upto six months, or with fine, or with both, in a case where the amount sought to be evaded or tax on under-reported income exceeds ten lakh rupees but does not exceed fifty lakh rupees;

(c) with fine, in any other case.

(ii) In section 478(2), punishment of offences under section 478(2) is proposed to be changed in the manner given below:

(a) with simple imprisonment for a term upto two years, or with fine, or with both, in a case where the amount sought to be evaded exceeds fifty lakh rupees;

(b) with simple imprisonment for a term upto six months, or with fine, or with both, in a case where the amount sought to be evaded exceeds ten lakh rupees but does not exceed fifty lakh rupees;

(c) with fine, in any other case.

(g) In section 479, punishment for the offences mentioned under section 479(1) is proposed to be changed in the manner given below:

(a) with simple imprisonment for a term upto two 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 fifty lakh rupees;

(b) with simple imprisonment for a term upto six 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 ten lakh rupees but does not exceed fifty lakh rupees;

(c) with fine, in any other case.

(h) In section 480, punishment for the offences mentioned under section 480 is proposed to be changed in the manner given below:

(a) with simple imprisonment for a term upto two years, or with fine, or with both, in a case where the amount of tax exceeds fifty lakh rupees;

(b) with simple imprisonment upto six months, or with fine, or with both, in a case where the amount of tax, exceeds ten lakh rupees but does not exceed fifty lakh rupees;

(c) with fine, in any other case.

(i) In section 481, punishment for the offences mentioned under section 481 is proposed to be changed in the manner given below:

(a) in the case where a person wilfully fails to produce, or cause to be produced, the accounts and documents as are referred to in the notice served on him under section 268(1) on or before the date specified in such notice, this provision under section 481 is proposed to be fully decriminalised.

(b) in the case where a person wilfully fails to comply with a direction issued to him under section 268(5), the punishment is proposed to be changed from its current "rigorous imprisonment for a term which may extend to one year and with fine" to simple imprisonment for a term upto six months, or with fine, or with both.

(j) In section 482, punishment for the offences mentioned under section 482 is proposed to be changed in the manner given below:

(a) with simple imprisonment for a term upto two 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 fifty lakh rupees;

(b) with simple imprisonment for a term upto six 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 ten lakh rupees but does not exceed fifty lakh rupees;

(c) with fine, in any other case.

(k) In section 483, punishment for the offences mentioned under section 483(1) is proposed to be changed from its current "rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and with fine" to "simple imprisonment for a term upto two years and shall also be liable to fine".

(l) In section 484, punishment for the offences mentioned under section 484 is proposed to be changed in the manner given below:

(i) with simple imprisonment for a term upto two 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 fifty lakh rupees;

(ii) with simple imprisonment for a term upto six 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 ten lakh rupees but does not exceed fifty lakh rupees;

(iii) with fine, in any other case.

(m) In section 485, punishment for the offences mentioned under section 485 is proposed to be changed from its current "rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years, and with fine" to "simple imprisonment for a term which shall not be less than six months but which may extend to three years and shall also be liable to fine".

(n) In section 494, punishment for the offences mentioned under section 494(1) is proposed to be changed from its current "imprisonment which may extend to six months, and shall also be liable to fine" to "simple imprisonment upto one month, or with fine, or with both".

9. Heading of sections in following sections of the Act is proposed to be aligned with the Act and further simplify the Act:

(a) In section 473, heading of the section is changed to "Contravention of order made during search action".

(b) In section 474, heading of the section is changed to "Failure to afford facility for inspection of books of account during search".

(c) In section 478, heading of the section is changed to "Failure to comply with a direction of special audit or valuation".

10. Similar principles as referred in para 7 has been followed to make amendments of similar nature as referred in para 8 & 9 in relevant prosecution provisions i.e. section 275A to 278A & 280 of Income-tax Act, 1961.

11. The amendments in section 473 to 485 & 494 of Income-tax Act, 2025 will take effect from the 1st day of April, 2026.

12. The amendments in section 275A to 278A & 280 of Income-tax Act, 1961 will take effect from the 1st day of March, 2026.

[Clause 17 to 25 and clause 93 to 105]

Rationalizing the period of block in case of other persons

Section 295 of the Act, provides, inter-alia, that where Assessing officer is satisfied that any undisclosed income belongs to or pertains to or relates to any person (herein after referred to as the 'other person'), other than the person (herein after referred to as the 'specified person') with respect to whom search was initiated under section 247 or requisition was made under section 248, then –

(a) any money, bullion, jewellery, virtual digital asset or other valuable article or thing or any books of account or other documents seized or requisitioned or any other material or information relating to the aforesaid undisclosed income will be handed over to the Assessing Officer having jurisdiction over such other person; and

(b) Assessing Officer of the other person shall proceed under section 294 against such other person and the provisions of this section will apply accordingly.

2. Furthermore, in the existing provisions of Block assessment, the block period is same for the specified person or other person.

3. In this regard, it has been considered that where undisclosed income pertaining to a third person relates only to a single tax year, the third person is nonetheless required to undergo the full block assessment procedure, resulting in an increased compliance burden on a person against whom no search or requisition was initiated.

4. Accordingly, it is proposed to amend the section 295(2) of the Act so as to limit the period of block in case of third party

5. This amendment will take effect from the 1st day of April, 2026, for search or requisition is initiated or made as the case maybe, on or after 1st day of April, 2026.

[Clause 64]

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

Section 296 of the Act, provides for time limit for completing a block assessment. An assessment or reassessment order under Section 294 (procedure for block assessment) must be completed within 12 months from the end of the quarter in which the last search authorization was executed or requisition was made**.**

2. Further, it is considered that use of last date of authorisations as reference for deciding date of limitation lead to different date of limitations in case of group being searched. As search and seizure proceedings are more often conducted in a group of cases which require coordinated investigation and assessments.

3. Accordingly, it is proposed to amend the section 296 of the Act so as to take the date of initiation of search as the reference point to decide the date of limitation for block

assessment where any search has been initiated or requisition is made in the case of any person and consequently, the period of twelve months is proposed to be to eighteen months to complete such assessment in case of such person.

4. This amendment will take effect from the 1st day of April, 2026, for search or requisition is initiated or made as the case maybe, on or after 1st day of April, 2026.

[Clause 65]

Rationalisation of Penalties into Fee

Section 446 of the Act, provides penalty for failure to get accounts audited. It further provides that, if any person fails, without reasonable cause, to get his accounts audited in respect of any previous year or years relevant to an assessment year or to obtain a report of such audit as required under the aforesaid provision, the Assessing officer may direct that such person shall pay, by way of penalty, lesser of –

i. 0.5% of the total sales, turnover or gross receipts, in the business, or the gross receipts in the profession, for such tax year or years, or
ii. ₹ 150000.

2. Further, section 447 provides penalty for failure to furnish report under section 172 of the Act, where section 172 relates to report from an accountant to be furnished by persons entering into international transaction or specified domestic transactions. Presently, a penalty of ₹ 1,00,000/- is levied for such failure.

3. Further, section 454 provides for penalty for failure to furnish statement of financial transactions or reportable account. Presently, a penalty of ₹ 500 is levied for everyday during which such failure continues. Further, 454(2) provides that if person referred to in sub-section (1), fails to furnish the statement within the period specified in the notice issued under section 508(7), then in that case a penalty of ₹ 1000 is levied for everyday during which the failure continues.

4. In this regard, it is considered that penalties for technical delays should be converted into mandatory fee as fee reduces litigation for technical faults.

5. In view of the above it is proposed to convert following penalties into fee:

I. Penalty under section 446 for failure to get accounts audited is converted to a fee under proposed section of 428(c). Accordingly, Graded fee of Rs. 75,000 and 1,50,000 is proposed depending upon the period of delay. It is pertinent to mention that this penalty under section 446 has been omitted but the same section has been replaced by the penalty for failure to furnish information or for furnishing inaccurate information on transactions of crypto asset.

II. Penalty under section 447 for failure to furnish report under section 172 is converted to a fee under section 428(4). Graded fee of Rs. 50,000 and 1,00,000 is provided depending upon the period of delay.

III. Penalty under section 454(1) for failure to furnish statement of financial transaction or reportable account is converted to a fee under section 427(3).

6. Further, an upper limit of Rs. 1,00,000/- is also proposed to be made in existing penalty under section 454(2) of the Act.

7. The above amendments will take effect from the 1st day of April, 2026 and shall apply for tax year 2026-27 and subsequent tax years.

[Clause 83, 88, 89]

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

Under the existing provisions of the Income-tax Act, first an assessment order is passed and based on the findings or additions made in it and subject to the status of appellate proceedings, penalty is initiated in the assessment order by the Assessing Officer. Subsequently, separate penalty proceedings are initiated by giving a show cause notice and a separate penalty order is passed after giving due opportunity to the assessee.

2. Section 274 of the Income-tax Act, 1961 (herein after as "1961 Act") prescribes the procedure for imposing penalties and mandates that no penalty shall be levied unless the assessee is given a reasonable opportunity of being heard. It requires the Assessing Officer to issue a show-cause notice for which the penalty is proposed, and in certain cases, prior approval of higher authorities is necessary before imposing the penalty. The section ensures adherence to the principles of natural justice and aims to prevent arbitrary or invalid penalty proceedings.

3. Section 220 of the 1961 Act, deals with the payment and recovery of tax demand, stating that any amount specified in a notice of demand under Section 156 must be paid within 30 days of service of the notice. If the assessee fails to pay within this period, they are deemed to be in default and become liable to interest under Section 220(2), along with possible recovery proceedings such as attachment of property. The Assessing Officer may, however, allow payment by instalments or extend the time for payment, subject to conditions, to provide relief in genuine cases.

4. Section 245MA of the 1961 Act, provides for the Dispute Resolution Committee (DRC)**.** It prescribes for the constitution of a DRC to resolve disputes of specified small and medium taxpayers in a cost-effective and expeditious manner. The Committee is empowered to reduce or waive penalties and grant immunity from prosecution**,** subject to conditions, with the objective of reducing litigation. The section lays down eligibility, procedure, and binding nature of the DRC's order, promoting voluntary compliance and speedy dispute resolution.

5. In this regard, it is considered that the above scheme leads to multiplicity of proceedings, as eventually penalty has to be imposed based on the findings of the assessment order and additions made in it and subject to the status of appellate proceedings. Further, taxpayer remains in uncertainty regarding the status of imposition of penalty as the appellate proceedings may stretch to multiple years. In this context, a common order for both assessment and penalty for under-reporting and misreporting of income will ensure avoiding multiplicity of proceedings which in turn would reduce the compliance of the tax payers apart from providing consistency in levying of penalty.

6. Accordingly, it is proposed to amend section 274, to provide that, penalty for under-reporting of income under levied under section 270A to be imposed within the assessment Order. Further, section 220 is also proposed to be amended for charging of interest under section 220(2) only after passing of the order by CIT(A) or ITAT (for appeal against DRP orders), as case maybe. Consequential amendment is also proposed in section 245MA.

The proposed amendments shall come into force in the Income-tax Act, 2025 from 1st day of April, 2026 and shall be effective from 1st day of April, 2027, where any draft of the proposed order of assessment under section 275 is made or assessment under section 270 or reassessment under section 279 is made on or after 1st of April, 2027.

7. Further, similar amendments are also proposed in Income-tax Act, 1961 in section 274, 220, 234MA. It is further proposed that these proposed amendments shall come into force in the Income-tax Act, 1961 from the 1st day of March, 2026 and shall be effective from 1st day of April, 2027, where any draft of the proposed order of assessment under section 144C is made or assessment under section 143 or reassessment under section 147 is made on or after 1st of April, 2027.

[Clause 11, 13, 14]

Increase in maximum amount of penalty in section 466 of the Act:

Section 254 of the Income-tax Act, 2025 (hereinafter referred as 'the Act') provides the power to the income-tax authorities to collect information from the premises where business or profession is carried out, by directing the proprietor or employee or any other person, who may at that time and place, be attending in any manner to, or helping in, or carrying on of such business or profession, to furnish certain information as authorized.

2. Further, section 466 of the Act provides for a penalty if any person fails to comply with the provision of section 254, i.e. power to collect information, and does not furnish the requisite information to the authorized income-tax authorities. The section further gives power to Joint Commissioner, Deputy Director or Assistant Director or the Assessing officer to impose maximum penalty amounting to Rs. 1000/-.

3. In this regard, it has been considered that the maximum amount of penalty should be proportionate to create adequate deterrence and voluntary compliances.

4. In view of the same, it is proposed to amend the section 466 of the Act so as to enhance the maximum amount of penalty to Rs. 25,000 from existing Rs. 1,000.

5. This amendment will take effect from the 1st day of April, 2026 and shall apply for tax year 2026-27 and subsequent tax years.

[Clause 90]

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

Section 195 of the Income-tax Act, 2025 (hereinafter referred as 'the Act') provides for tax on income referred to in section 102 to 106. Section 102 to 106 provides for income on account of, unexplained credits, unexplained investment, unexplained asset, unexplained expenditure and amount borrowed or repaid through negotiable instrument, hundi, etc.

2. Section 195(1) further provides that where total income of an assesse includes any income referred to in section 102 or 103 or 104 or 105 or 106, the income-tax calculated on such income will be charged at the rate of 60%.

3. Further, section 443 provides that, penalty amounting to 10% of the tax payable under section 195(1)(i), on an assessee if the income determined in his case for any tax year includes any income referred to in section 102,103,104,105 or 106.

4. With regard to the section 195 of the Act on the tax on income referred to in section 102 to 106, it is considered that the tax rate of 60% which is currently charged on income referred to in section 102 to 106 as per section 195, is not proportionate and need rationalisation. Therefore, to rationalise the same, the tax rate of 30% is proposed under section 195 of the Act.

5. Further, it is also proposed to bring the penalty rate on income determined by Assessing Officer which is in nature of income referred to in section 102 to 106 at par with the rate charged for misreporting of income under section 439. Accordingly, penalty provision under section 443 (penalty for income referred to in section 102 to 106) is proposed to be omitted and, in respect of such income, penalty is proposed to be included in the cases of under-reporting of income in consequence of misreporting under section 439(11) of the Act.

6. Therefore, it is proposed to amend section 195 to reduce the tax rate from 60% to 30%. Further, it is also proposed to omit penalty under section 443 and subsume this penalty under section 439(11) of the Act.

7. This amendment will take effect from the 1st day of April, 2026 and shall apply for tax year 2026-27 and subsequent tax years.

[Clause 46, 84, 86]

Expanding the scope of immunity from penalty or prosecution under section 440 of the Act-

Section 440 of the Act, provides, inter-alia, procedure of granting immunity by the Assessing Officer from imposition of penalty or prosecution, if assessee fulfils the following conditions, namely: –

(a) the tax and interest payable as per Assessment order, has been paid within the period specified in notice of demand;

(b) no appeal against the such assessment order has been filed.

2. Further, sub-section (2) provides that assessee shall file an application within one month from the end of the month in which said assessment order has been received by him. Furthermore, sub-section (3) provides that assessing officer shall, subject to the fulfilment of the aforementioned conditions, and after the expiry of the period of filing the appeal, grant the immunity from imposition of penalty under section 439 and initiation of prosecution proceedings under section 478 or section 479. Further, sub-section (4) provides that Assessing Officer shall pass an order accepting or rejecting the application, within a period of three months from the end of the month in which the application for requesting immunity is received.

3. Presently, immunity under section 440 can only be granted in the cases of under-reporting of income and not in the case of under-reporting of income in consequence of misreporting.

4. In this regard, it has been considered that provision of immunity should also be extended to such cases where under-reporting of income is in consequence of misreporting. However, the taxpayer is required to pay an additional income-tax to the extent of 100% of the amount of tax payable on such income in lieu of the penalty.

5. Additionally, as the separate penalty (existing penalty under section 443 of the Act) for income determined by AO, which is in the nature of income referred to in section 102 to 106 (unexplained credits, unexplained investment, unexplained asset etc) of the IT Act, 2025 is proposed to be omitted and subsumed in cases of misreporting of income under section 439(11), therefore immunity provision for the same is also proposed in section 440, to provide opportunity to the taxpayers to settle the disputes at an early stage on payment of additional-tax and reduce the burden of litigation and compliance. However, the taxpayer is required to pay an additional income-tax to the extent of 120% of the amount of tax payable on such income in lieu of penalty.

6. In view of the same, it is proposed to amend the section 440 of the Act so as to extend the scope of immunity to such cases where penalty is initiated for under-reporting of income in consequence of misreporting.

7. This amendment will take effect from the 1st day of April, 2026 for tax year 2026-27 and subsequent tax years.

[Clause 85]

Expanding the scope of immunity from imposition of penalty or prosecution under section 270AA-

Section 270AA of the Act, provides, inter-alia, procedure of granting immunity by the Assessing Officer from imposition of penalty or prosecution, if assessee fulfils the following conditions, namely: –

(a) the tax and interest payable as per Assessment order, has been paid within the period specified in notice of demand;

(b) no appeal against the such assessment order has been filed.

2. Further, sub-section (2) provides that assessee shall file an application within one month from the end of the month in which said assessment order has been received by him. Furthermore, sub-section (3) provides that assessing officer shall, subject to the fulfilment of the aforementioned conditions, and after the expiry of the period of filing the appeal, grant the immunity from imposition of penalty under section 270A and initiation of prosecution proceedings under section 276C or section 276CC. Further, sub-section (4) provides that Assessing Officer shall pass an order accepting or rejecting the application, within a period of three months from the end of the month in which the application for requesting immunity is received.

3. Presently, immunity under section 270AA can only be granted in the cases of under-reporting of income and not in the case of under-reporting of income in consequence of misreporting. However, the taxpayer is required to pay an additional income-tax to the extent of 100% of the amount of tax payable on such income in lieu of the penalty.

4. In this regard, it is considered that provision of immunity should also be extended to such cases where under-reporting of income is in consequence of misreporting.

5. In view of the same, it is proposed to amend the section 270AA of the Act so as to extend the scope of immunity to such cases where penalty is initiated for under-reporting of income in consequence of misreporting.

6. This amendment will take effect from the 1st day of March, 2026 for AY 2026-27 or any earlier Assessment years.

[Clause 15]

D. COOPERATIVES

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

The provisions of section 149(2)(d) of the Act provide for deduction on the income of a cooperative society that is received as interest or dividend from any other co-operative society. This deduction is allowed only in the old tax regime. The dividends received by a cooperative society from a company are taxed in the hands of the cooperative society.

It is proposed to allow deduction on dividends received by cooperative societies from other cooperative societies, to the extent such dividends are distributed to its members, in the new tax regime.

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

This amendment is proposed to take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-27 and subsequent tax years.

[Clauses 39, 40, 48 and 49]

Widening scope of deduction under section 149 by including ancilliary activities of cattle feed and cotton seeds

The existing provisions under section 149(2)(b) of the Act provide for deduction of whole of the amount of profits and gains of business in the case of a co-operative society, being a primary society engaged in supplying milk, oilseeds, fruits, or vegetables raised or grown by its members to a federal co-operative society, engaged in the same business or to the Government or a local authority; or to a Government company or a corporation engaged in the same business. There are similar activities such as supplying of cattle feed and cotton seeds which are also undertaken by the members of the primary co-operative society. It is proposed that the profits and gains of business from these activities shall be allowed as a deduction within the ambit of section 149(2)(b) of the Act.

This amendment is proposed to take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 39]

Inclusion of Cooperatives registered under Multi-State Cooperative Societies Act, 2002 in the definition of co-operative society'

A '*co-operative society'* is defined as a co-operative society registered under the Co-operative Societies Act, 1912, or under any other law in force in any State or Union territory for the registration of co-operative societies under the existing provisions of section 2(32) of the Act.

It is proposed to include the Co-operative societies which are registered under the "Multi-State Cooperative Societies Act, 2002," within the definition of co-operative society under the Act.

This amendment is proposed to take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-27 and subsequent years.

[Clause 27]

E. SUPPORTING IT SECTOR AS INDIA'S GROWTH ENGINE

Amendment of section 169 of the Income-tax Act, 2025 relating to providing effect to advance pricing agreements

The existing provisions of section 168(1) allow filing of a modified return of income only by the person who has entered into advance pricing agreement (APA) with the Board. The provisions do not allow for modifying the return of income or filing of return of income by the associated enterprise whose income and tax liability is correspondingly modified consequent to the APA. Hence, there is no provision in the existing law to enable such Associated Enterprise (who is not the person entering into an APA) for filing of return of income and claiming refund of any additional taxes paid by it or withheld from its income.

2. In order to rationalise the aforesaid provision, it is proposed to provide that where an income is modified as a result of advance pricing agreement entered into with any person then, such person shall, or any other person being an associated enterprise, may, furnish a return or a modified 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, in respect of tax year beginning from 1st April, 2026 and subsequent tax years.

3. These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 45]

F. ATTRACTING GLOBAL BUSINESS AND INVESTMENT

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

The existing provisions of section 11 read with Schedule IV of the Act specifies the eligible income, which shall not be included in the total income of the eligible non-residents, foreign companies and other such persons.

2. In order to attract investment in data centre and promote artificial intelligence data centre framework in India, it is proposed to amend the Schedule IV to provide exemption to a foreign company, on any income accruing or arising in India or deemed to accrue or arise in India by way of procuring data centre services from a specified data centre, for a period upto tax year ending on 31st March, 2047.

3. One of the conditions for exemption is that where services are provided to India users by the foreign company, it shall be routed through an Indian reseller entity.

4. For the purposes of above provisions, it is also proposed to define the following terms, namely: —

(a) "data centre" means a dedicated secure space within a building or centralised location where computing and networking equipment is concentrated for the purpose of collecting, storing, processing, distributing or allowing access to large amounts of data;

(b) "data centre services" means services provided by a data centre through the use of physical infrastructure including land, buildings, mechanical electrical power equipment's, cooling system, security and information technology infrastructure including servers, computers, storage systems, operating systems, security solutions, network and associated software platforms, networking and other equipment, human resource in India;

(c) "specified data centre" means a data centre which—

(i) is set up under an approved scheme and is notified in this behalf by the Central Government in the Ministry of Electronics and Information Technology; and

(ii) is owned and operated by an Indian company.

5. These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 109]

Allowing expenditure on prospecting of critical minerals as deduction

Section 51 of the Act provides for tax deductibility of expenses incurred by an Indian company or resident taxpayers (other than companies) engaged in any operations relating to prospecting or extraction or production of the minerals mentioned in Part A and Part B of the Schedule XII of the Act. This section allows deduction, on deferred basis (over a span of 10 years from the year of commercial production of any specified mineral), in respect of expenses incurred wholly and exclusively on operations relating to prospecting or on the development of mine or other natural deposit of specified minerals incurred at any time during the year of commercial production and any one or more of the four years immediately preceding the year of commercial production.

2. In order to incentivise the prospecting and exploration of the critical minerals, it is proposed to expand the list of minerals in Schedule XII of the Act, thereby making expenditure on prospecting and exploring of such critical minerals also eligible for deduction as per the provision of section 51 of the Act.

3. It is proposed to amend schedule XII of the Act.

4. This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 112]

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

The existing provisions of section 11 read with Schedule IV of the Income-tax Act specifies the eligible income, which shall not be included in the total income of the eligible non-residents, foreign companies and other such persons.

2. In order to promote manufacturing of electronic goods by a contract manufacturer and provide certainty on taxation of supply of capital equipment by a foreign company to such manufacturer, it is proposed to amend the Schedule IV to provide exemption to a foreign company for a period upto the tax year 2030-2031, on any income arising on account of providing capital goods, equipment or tooling to a contract manufacturer, being a company resident in India, who is located in a custom bonded area (warehouse referred to in section 65 of the Customs Act, 1962) and produces electronic goods on behalf of such foreign company for a consideration.

3. These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 109]

Exclusion of specified business of Non-residents which are under presumptive taxation from the applicability of Minimum Alternate Tax

Certain foreign companies are excluded from the application of Minimum Alternate Tax (MAT) under the present provisions. The income of non-residents derived from certain business who opt for presumptive rate of taxation under section 61 of the Act are also excluded. However, certain other businesses who have opted for presumptive taxation under section 61 have not been so excluded.

In order to ensure similar treatment among all the different specified businesses of non-residents opting for presumptive taxation, it is proposed that two other specified businesses (business of operation of cruise ships and the business of providing services or technology for the setting up an electronics manufacturing facility in India to a resident company) shall also be excluded from the applicability of MAT

This amendment is proposed to take effect from the 1st day of April, 2026, and will accordingly apply to tax year 2026-27 and subsequent tax years.

[Clause 50]

Exemption to non-residents for rendering services under a notified Scheme in India.

The existing provisions of section 11 read with Schedule IV of the Act specifies the eligible income, which shall not be included in the total income of the eligible non-residents, foreign companies and other such persons.

2. In order 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, it is proposed to amend the said Schedule to provide exemption to an individual, being a non-resident for a period of five consecutive tax years immediately preceding the tax year during which he visits India for the first time for rendering services, on any income which accrues or arises outside India, and is not deemed to accrue or arise in India, for five consecutive tax years commencing from the first tax year during which he visits India, if such person renders any service in India in connection with any Scheme as may be notified by the Central Government and fulfils such other conditions as may be prescribed.

3. These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 109]

Extension of period of deduction for units in IFSC and rationalization of tax rate

The provisions of section 147 provide for deduction of 100% on certain incomes to the units of IFSC and OBUs. This is available for 10 consecutive years out of 15 years for units in IFSC and 10 consecutive years for OBUs.

2. To increase the competitiveness of IFSC, it is proposed to increase the period of deduction to 20 consecutive years out of 25 years for units in IFSC and 20 consecutive years for OBUs. It is also proposed that the business income of these units from IFSC after the expiry of period of deduction will be taxed at rate of 15%.

3. These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 38 and 51]

Rationalisation of certain terms for treasury centres in IFSC

Exiting Clause (40) of the section 2 inter alia provides the definition of dividend. Sub-clause (v) to long line of clause (40) provides that dividend does not include any advance or loan between two group entities, where, —

(A) one of the group entities is a "Finance company" or a "Finance unit"; and

(B) the parent entity or principal entity of such group is listed on stock exchange in a country or territory outside India other than the country or territory outside India as may be specified by the Board in this behalf;

2. In order to rationalise the said provision, it is proposed to amend the sub-clause (v) to long line of clause (40) to inter alia provide that, the other group entity to the transaction shall also be located in a country or territory outside India which shall be a notified jurisdiction, Also, the parent entity or the principal entity of such group is listed on stock exchange in a country or territory outside India; and for such purposes the country or territory outside India shall be specified by the Central Government, by notification in the Official Gazette.

3. For the purposes of aforementioned provisions, it is also proposed to define the following terms, namely: —

(a) "group entity" shall have the same meaning as assigned to the expression "group entities" in clause (m) of sub-regulation (1) of regulation 2 of the International Financial Services Authority (Payment Services) Regulations, 2024 made under the International Financial Services Centres Authority Act, 2019 (50 of 2019);
(b) "parent entity" or "principal entity" in relation to one or more other group entities, shall be an entity of which other group entities are subsidiary and such entity, __
    (i) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiaries; or

(ii) controls the composition of the Board of Directors.

4. These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 27]

G. RATIONALISATION OF CORPORATE TAX REGIME

Rationalization of Minimum Alternate Tax provisions

The existing provisions under section 206 of the Income-tax Act, 2025 (the Act) provide for Minimum Alternate Tax (MAT) which is applicable for companies. This tax is charged on the Book profit of the assessee at the rate of 15% for corporates (other than units located in an International Financial Services Centre). In case the MAT is higher than the income-tax payable on the company's total income computed under normal tax provisions, the assessee pays MAT.

2. When a company pays MAT when it is higher than regular tax, the excess amount paid is allowed as a tax credit. This credit can be carried forward up to 15 years and set off in future years where the company's regular tax liability exceeds the MAT liability. The MAT regime is presently in place only for the old tax regime.

3. It is proposed that the tax paid under provisions of MAT be made as final tax in the old regime and no new MAT credit may be allowed. However, the tax rate of MAT has been reduced to 14% of book profit from the existing 15%. Further, set-off of MAT credit may be allowed only in the new tax regime for domestic companies to the extent of 25% of the tax liability. In the case of foreign companies, set off is proposed to be allowed to the extent of the difference between the tax on the total income and the minimum alternate tax, for the tax year in which normal tax is more than MAT.

4. These amendments will allow companies to make a smooth transition from the old tax regime (with deductions and exemptions) to the new tax regime.

5. This amendment is proposed to take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 50]

H. RATIONALISATION OF OTHER DIRECT TAX PROVISIONS

Rationalisation of TCS rates

Section 394(1) of the Act provides multiple rates for collection of tax at source (TCS). It is proposed to rationalize the rates of TCS by providing uniform rates to the extent possible. It is also proposed to reduce some of the rates so as to provide relief to the collectees.

2. Table: Sl. No. 1 of the said section provides that TCS on sale of alcoholic liquor for human consumption be collected at the rate of 1%. It is proposed that the rate shall be increased to 2%.

3. Table: Sl. No. 2 of the said section requires that 5% TCS be collected on sale of tendu leaves. It is proposed that the rate shall be reduced to 2%.

4. Table: Sl. No. 4 of the said section requires for collection of tax at source by the seller at the rate of 1% on sale of scrap. It is proposed that the rate shall be increased to 2%.

5. Table: Sl. No. 5 of the said section requires that TCS be collected at the rate of 1% on sale of minerals, being coal or lignite or iron ore. It is proposed that the rate shall be increased to 2%.

6. Table: Sl. No. 7 of the said sub-section requires for TCS on remittances made under Reserve Bank of India's Liberalised Remittance Scheme (LRS). At present, TCS at 5% is collected if remittance is for the purposes of education or medical treatment and the remittance amount is more than ten lakh rupees. It is proposed to reduce the rate of TCS to 2%

8. Table: Sl. No. 8 of the said sub-section requires TCS at the rate of 5% and 20% on sale of overseas tour programme package including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure. It is proposed to reduce the rate of TCS to 2%. It is further proposed that threshold for applicability of the provision be removed and TCS on sale of overseas tour programme package be collected at 2% irrespective of the amount. This will address the concern of shifting of business from domestic tour operators to overseas tour operators.

9. Therefore, rationalisation of TCS rates is proposed as follows:—

Sl. No	**Nature of receipt**	**Current Rate**	**Proposed Rate**
1.	Sale of alcoholic liquor for human consumption.	1%.	2%.
2.	Sale of tendu leaves.	5%.	2%.

3.	Sale of scrap.	1%.	2%.
4.	Sale of minerals, being coal or lignite or iron ore.	1%.	2%.
5.	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding ten lakh rupees—	(*a*) 5% for purposes of education or medical treatment; (*b*) 20% for purposes other than education or medical treatment.	(*a*) 2% for purposes of education or medical treatment; (*b*) 20% for purposes other than education or medical treatment.
6.	Sale of "overseas tour programme package" including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure.	(*a*) 5% of amount or aggregate of amounts up to ten lakh rupees; (*b*) 20% of amount or aggregate of amounts exceeding ten lakh rupees.	2%

9. The amendment will take effect from the 1st day of April, 2026.

[Clause 73]

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

Income-tax Act, 1961 provides a two-step procedure for carrying out reassessment under section 147. The first step provides for procedure before a notice under section 148 is issued for carrying out reassessment. This first step starts with a notice under section 148A which enables the Assessing Officer to carry out enquiries so as to determine whether the case is fit for issuance of notice under section 148. The notice under section 148 is accompanied with an reasoned order under section 148A(d)/148A(3) by the Assessing Officer.

2. With the notice under section 148, the case gets transferred to the National Faceless Assessment Centre (NaFAC) for carrying out the assessment in a faceless manner as per section 144B. The taxpayer does not know the identity of officers who are part of the assessment unit in NaFAC. All communications with the tax-payer at this stage are carried out by NaFAC. The assessment units is provided powers of the Assessing Officer by virtue of section 144B(3) which provides that "assessment unit" wherever used in said section shall refer to an Assessing Officer having powers so assigned by the Central Board of Direct Taxes (CBDT).

3. It is clear from the aforesaid scheme of the Act that the legislature has clearly demarcated the line between assessment and pre-assessment enquiry process which culminates in issuing of notice under section 148. The Assessing officer carries out pre-assessment enquiry and

therefore reaches a conclusion if it is a fit case of reassessment. This satisfaction is reflected in intimation to the assessee by way of notice under section 148. Thereafter, the proceedings are carried out in a faceless manner by NaFAC.

4. Accordingly, it was never the intention of the legislature to mandate the NaFAC or the Assessment Units in NaFAC to involve pre-assessment enquiry in any manner whether for issuance of notice under section 148A or under section 148. The faceless assessment for reassessment under section 147 was only required to be carried out to the extent provided under section 144B. The intended objective of the scheme framed under section 151A that is e-Assessment of Income Escaping Assessment Scheme, 2022 was also the same.

5. However, divergent views have been expressed on this issue by various High Courts, some in favour of the revenue and some in assessee's favour. The matter is now pending in Hon'ble Supreme Court. The present amendment seeks to achieve certainty and clarity and avoid litigation.

6. The Income-tax Act, 2025 is coming into force from the 1st of April, 2026. The objective of the new law has been to provide simplicity in language and provisions so as to avoid interpretational issues and prevent litigation. Therefore, there is an urgent need to clarify the position of law in the new Income-tax Act, 2025. The intention of the legislature also needs to be clearly laid out in the Income-tax Act, 1961 so that the intent is uniformly reflected in the two Acts.

7. Accordingly, it is proposed to clarify in the Income-tax Act, 1961 that notwithstanding anything contained in any judgment, order or decree of court, the Assessing Officer for the purposes of section 148 and section 148A shall mean and shall always be deemed to have meant Assessing Officer other than the National Faceless Assessment Centre or any of its assessment units. Suitable amendment is also carried out in the Income-tax Act, 2025 so that correct interpretation is taken and litigation is minimized and certainty is achieved.

8. The clarification in Income-tax Act, 1961 shall come into force with retrospective effect from 1st day of April, 2021. The amendment in Income-tax Act, 2025 shall come into force with effect from 1st day of April, 2026.

[Clause 8, 62]

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

Section 292B of the Income-tax Act, 1961 states that no return of income, assessment, notice, summons or other proceeding in pursuance of any of the provisions of this Act shall be invalid or shall be deemed to be invalid merely by reason of any mistake, defect or omission in such return of income, assessment, notice, summons or other proceeding if such return of income, assessment, notice, summons or other proceeding is in substance and effect in conformity with or according to the intent and purpose of this Act.

2. CBDT Circular 19 of 2019 dt. 14.8.2019 provided for quoting of a computer-generated document identification number (DIN), on inter-alia, assessment orders. There have been various judgments of High Courts where assessments have been held to be invalid on specious grounds like non-quoting of DIN on every page of the assessment order or non-quoting of DIN on the body of the order even where DIN was lawfully generated and quoted in communication accompanying the said orders. This has resulted in an interpretation where assessments have been annulled even though they were in conformity with the requirements of law and were duly protected by the provisions of section 292B as it saves all assessments which are in substance and effect in conformity with or according to the intent and purpose of the Act.

3. The Income-tax Act, 2025 is coming into force from the 1st of April, 2026. The objective of the new law has been to provide simplicity in language and provisions so as to avoid interpretational issues and prevent litigation. Therefore, there is an urgent need to clarify the position of law in the new Income-tax Act, 2025. The intention of the legislature also needs to be clearly laid out in the Income-tax Act, 1961 so that the intent is uniformly reflected in the two Acts.

4. Accordingly, it is proposed to clarify in section 292B that notwithstanding anything contained in any judgment, order or decree of court, no assessment in pursuance of any of the provisions of Income-tax Act, 1961 shall be invalid or shall be deemed to have been invalid on the ground of any mistake, defect or omission in respect of quoting of a computer generated Document Identification Number, if such assessment order are referenced by such number in any manner. Further, this amendment seeks to clarify as long as there is a reference of DIN in the assessment order, the same would be sufficient compliance even if there may be some minor mistakes, defects or omissions in notices or summons in relation to such assessment. Suitable amendments are also proposed to be carried out in the Income-tax Act, 2025 so that correct interpretation is taken, litigation is minimized and certainty is achieved.

5. The clarification in Income-tax Act, 1961 shall come into force with retrospective effect from 1st day of October, 2019. The amendment in Income-tax Act, 2025 shall come into force with effect from 1st day of April, 2026.

[Clause 26, 106]

Clarifying time-limit for completion of assessment under section 144C.

Section 144C of the Income-tax Act provides for a special procedure where assessment is made in cases 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, the Assessing Officer is required to forward a draft of the proposed order of assessment (draft order) to the eligible assessee.

2. The eligible assessee has two choices. He can accept the variation proposed in the draft order or file objections before the Dispute Resolution Panel (DRP). Where variations in the draft order are accepted, the Assessing Officer 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 one 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. Section 144C(4) 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.

3. 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.

4. Section 153 provides for time limit for completion of assessment, reassessment and recomputation. Section 153B provide time limit for completion of assessment in search cases.

5. On plain reading of section 144C and 153 or 153B, as the case maybe, 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.

6. In various judgements of courts, differing interpretations have been made regarding the intent of the legislature. 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. Even the apex court has rendered split verdict on this issue, thus, necessitating in bringing certainty and clarity to the legislative intent.

7. Further, the Income-tax Act, 2025 is coming into force from the 1st of April, 2026. The objective of the new law has been to provide simplicity in language and provisions so as to avoid interpretational issues and prevent litigation. Therefore, there is an urgent need to clarify the position of law in the new Income-tax Act, 2025. The intention of the legislature also needs to be clearly laid out in the Income-tax Act, 1961.

8. Accordingly, notwithstanding anything contained in any judgment, order or decree of court, it is proposed to clarify in section 153 and section 153B that time lines in these sections govern the draft order stage and the timelines provided in section 144C operate for finalization of assessments, notwithstanding the time limit provided in section 153 and section 153B.

9. Suitable amendments are also proposed to be carried out in the Income-tax Act, 2025 so that correct interpretation is taken, litigation is minimized and certainty is achieved.

10. The clarification in Income-tax Act, 1961 shall come into force with retrospective effect from 1.4. 2009 in respect of section 153 and from 1.10.2009 in respect of section 153B. The amendment in Income-tax Act, 2025 shall come into force with effect from 1st day of April, 2026.

[Clause 7, 9, 10, 61, 63]

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

Section 92CA of the Income-tax Act, 1961 deals with the case where assessee, has entered into an international transaction or specified domestic transaction in any previous year, and the Assessing Officer (AO) may refer the computation of the arm's length price in relation to the said international transaction or specified domestic transaction under section 92C to the Transfer Pricing Officer (TPO).

2. Section 92CA(3A) states that TPO is required to pass an order before 60 days prior to the date on which period of limitation under section 153, or as the case may be, in section 153B for making the order of assessment or reassessment or recomputation or fresh assessment, as the case may be, expires.

3. There has been considerable litigation in courts as to how the period of sixty days referred in section 92CA(3A) is required to be computed. The intent of the legislature has always been to include the date of limitation in the computation of sixty days. However, the courts have annulled number of assessments holding that period of sixty days does not include the date of limitation and therefore assessments which have lawfully made by the Transfer Pricing Officer with clearly sixty days remaining for completion of final assessment as per section 153 or 153B as the case may be, have been struck down, though the legislative intent is otherwise.

4. The Income-tax Act, 2025 is coming into force from the 1st of April, 2026. The objective of the new law has been to provide simplicity in language and provisions so as to avoid interpretational issues and prevent litigation. Therefore, there is an urgent need to clarify the position of law in the new Income-tax Act, 2025. The intention of the legislature also needs to be clearly laid out in the Income-tax Act, 1961 so that the intent is uniformly reflected in the two Acts.

5. Accordingly, notwithstanding anything contained in any judgment, order or decree of court, it is proposed to be clarified in section 92CA(3A) as to how the period of sixty days is required to be computed. Suitable amendments are also proposed to be carried out in the Income-tax Act, 2025 so that correct interpretation is taken, litigation is minimized and certainty is achieved.

6. The clarification in Income-tax Act, 1961 shall come into force with retrospective effect from 1st day of June, 2007. The amendment in Income-tax Act, 2025 shall come into force with effect from 1st day of April, 2026.

[Clause 4, 44]

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

Chapter XIII-G of the Act provides for special provisions relating to income of shipping companies. Vide Finance Act, 2025, benefit of tonnage tax scheme under the said Chapter was extended to Inland vessels registered under Inland Vessels Act, 2021 to promote the inland water transportation.

2. Certain modifications are required in provisions of the said Chapter for aligning them with the Inland Vessels Act, 2021, and rules made thereunder in order to give effect to Tonnage tax scheme extended to inland vessels.

3. In view of the above, it is proposed to make the following amendments: -

(I) Section 227 of the Act relates to computation of tonnage income. Sub-section 4 of the said section 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 sub-section (9) of the said section. It is proposed to replace the term "certificate" with "valid certificate" in sub-section (4)(a) of the said section for providing clarity.

(II) Section 227(9)(b)(iii) of the Act provides that in the case of inland vessel registered in India, valid certificate is defined as a certificate issued under the Inland Vessels Act, 2021. However, representation was received that no separate Tonnage Certificate is issued under the Inland Vessels Act, 2021 and "Certificate of registration" issued under the Inland Vessels Act, 2021 states the Net Tonnage of the vessel. Accordingly, the word "certificate" is proposed to be replaced with "certificate of registration" issued under the Inland Vessels Act, 2021 in the aforesaid provision.

(III) Section 228 of the Act relates to relevant shipping income and exclusion from book profit. Sub-section (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 company. It is proposed to amend the said provision to bring inland vessels under its purview.

(IV) Section 232 of the Act relates to certain conditions for applicability of tonnage tax scheme. Sub-section (12) of the said section 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. It is proposed to amend sub-section (12) to insert reference to guidelines related to minimum training requirements in case of inland vessels issued by Inland Waterways Authority of India and notified by the Central Government.

(V) Sub-section (13) of the section 232 of the Act 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. Since the designated authority for vessels under Merchant Shipping Act, 1958 and the Inland Vessels Act, 2021 differ, it is proposed to amend the said sub-section to refer to the designated authority in respect of inland vessels.

(VI) Sub-section (17) of the section 232 of the Act 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 sub-section (17) to add reference to Inland Waterways Authority of India, in case of inland vessels.

(VII) Section 235 relating to definitions pertaining to Chapter XIII-G is also proposed to be amended to provide for definition of "Inland Waterways Authority of India".

4. The amendment will take effect from the 1st day of April, 2026 and will, accordingly, apply to tax year 2026-27 and subsequent tax years.

[Clause Clauses 52,53,54,55]

Penalty provision for non-furnishing of statement or furnishing inaccurate information in a statement on transaction of crypto-assets

Section 509 of the Act provide for obligation to furnish information on transaction of crypto-asset. As per the said section, prescribed reporting entity has the obligation to furnish information in respect of transactions in a crypto asset in a statement.

2. To ensure compliance to the provisions of section 509 of the Act and create a deterrence for non-furnishing of such statement or for sharing inaccurate information in such statement, it is proposed to introduce penalty provision. Penalty of Rs. 200 per day for non-furnishing of statement and Rs. 50,000 for furnishing inaccurate particulars and failure to correct such inaccuracy is proposed to be levied.

3. Accordingly, it is proposed to amend section 446 of the Act to provide penalty provisions for non-furnishing of statement and for furnishing inaccurate information in the statement.

4. The amendment will take effect from the 1st day of April, 2026.

[Clause 87]

Providing definition of "commodity derivative"

Section 66(33) of the Act provides for definition of "specified derivative transaction". The said definition uses the term "commodity derivative". The term "commodity derivative" has been defined in the Income-tax Act, 1961, however, it is not defined in the Income-tax Act, 2025.

2. To align with the provisions of Income-tax Act, 1961, it is proposed to provide definition of "commodity derivative" as has been provided in the said Act.

3. It is proposed to amend section 66 of the Income-tax Act, 2025.

4. This amendment will take effect from 1st April, 2026.

[Clause 33]

Providing definition of "authorised person"

Section 402(27) of the Act provides for definition of "person responsible for paying". In case of payment to non-resident, for transfer of foreign exchange asset, "authorised person" is the person responsible for paying. The term "authorised person" has been defined in the Income-tax Act, 1961, however, it is not defined in the Income-tax Act, 2025.

2. To align with the provisions of Income-tax Act, 1961, it is proposed to provide definition of "authorized person" as has been provided in the said Act.

3. It is proposed to amend section 402(27) of the Income-tax Act, 2025.

4. This amendment will take effect from 1st April, 2026.

[Clause 78]

Correction of referencing error

Section 99(1)(a)(i) of the Act provides that income of individual to include income of spouse by way of salary, commission etc., from a concern in which the individual has a substantial interest.

2. Section 99(1)(a)(ii) provides that income of individual to include income arising to the spouse from assets transferred.

3. Section 99(2) deals with proportion of income to be included in the hands of individual where asset is transferred. However, in sec. 99(2) inadvertently reference of 99(1)(a)(i) has been given instead of 99(1)(a)(ii).

4. To correct the aforesaid referencing error, it is proposed to correct section 99(2) to give correct reference of 99(1)(a)(ii).

5. It is proposed to amend section 402(27) of the Income-tax Act, 2025.

6. This amendment will take effect from 1st April, 2026.

[Clause 37]

Correction of referencing error

Section 393(1) [Table: Sl. No. 3(i)], provides for TDS on sale of immovable property. Note 3 of the said section provides that in such cases TDS is to be done where sale consideration or stamp duty value is equal to or greater than fifty lakh rupees. 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)].

2. To correct the aforesaid referencing error, it is proposed to correct Note 3 of section 393(1) [Table: Sl. No. 3(i)] to convey correct intent of the Act.

3. It is proposed to amend Note 3 of section 393(1) [Table: Sl. No. 3(i)] of the Act.

4. This amendment will take effect from 1st April, 2026.

[Clause 72]

Correction in provisions relating to Income from House Property and Permanent Account Number

1. Correction is proposed to be made in section 21(5) of the Income-tax Act, 2025 to align with the corresponding provision of Income-tax Act, 1961 so as to provide that annual value of property held as stock-in-trade to be taken as nil upto two year from the end of the financial year in which certificate of completion of construction is obtained from the competent authority.

2. Section 22 of the Act deals with deductions in the case of income from house property. Further, section 22(2) provides that, the aggregate amount of deduction in the case of self-occupied property shall not exceed Rs. 2 lakh where property is acquired or constructed with borrowed capital. However, this ceiling of Rs. 2 lakhs has not included the deduction of prior-period interest payable for the acquisition or construction of property.

2.1 It is pertinent to mention that section 22 of the Act corresponds to section 24 of the Income-tax Act, 1961. In the Income-tax Act, 1961, aggregate amount of deduction for the interest on the borrowed capital was inclusive of prior period interest payable

2.2 In this regard, it is proposed to amend section 22(2) of the Act so as to provide that aggregate amount of deduction for interest on borrowed capital shall be inclusive of prior-period interest payable.

3. Section 262(10)(c) provides that Central Board of Direct Taxes (CBDT) may make rules for categories of documents pertaining to business or profession in which Permanent Account Number shall be quoted by every person. However, the said section 262(10)(c) does not

specify the power of the CBDT to make rules for quoting of Permanent Account Number (PAN) in such documents which does not relate to business or profession.

3.1 It is pertinent to mention that section 262(10)(c) of the Act corresponds to section 139A(5)(c) of the Income-tax Act, 1961 which provides that every person shall quote such number in all documents pertaining to such transactions as may be prescribed by the Board in the interest of revenue.

3.2 In this regard, it is proposed to amend section 262(10)(c) to enable Central Board of Direct Taxes (CBDT) to make rules for quoting of Permanent Account Number in documents related to such transactions which do not relate to business or profession.

4. These amendments will take effect from 1st April, 2026.

[Clause 29, 30, 56]

Guidelines to be binding on income-tax authorities and person liable to deduct or collect income-tax

Section 400(2) of the Act provides that the Board with the previous approval of Central Government, may issue guidelines to remove any difficulties arising in giving effect to provisions of TDS/TCS chapter and such guidelines shall be laid before each House of Parliament.

2. Corresponding provisions in the Income-tax Act, 1961 also provided that such guidelines shall be binding on income-tax authorities and on the person liable to deduct or collect income-tax. However, section 400(2) of the Act does not contain aforesaid clause which binds the guidelines.

3. In order to align with the intent of the provisions of the Income-tax Act, 1961, it is proposed that any guidelines issued to remove difficulties in giving effect to provisions of TDS/TCS chapter shall be binding on income-tax authorities and on the person liable to deduct or collect income-tax.

4. It is proposed to amend section 400(2) of the Act.

5. This amendment will take effect from 1st April, 2026.

[Clause 77]

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

Section 536(2)(h) of the Act provides that where any deduction has been allowed or any amount has not been included in the total income under the repealed Income-tax Act, 1961, subject to fulfilment of certain conditions, then on violations of such conditions, such amount will be deemed to be income in the tax year in which violation takes place.

2. However, there are provisions in the repealed Act, where any deduction allowed or any income which has not been included in the total income under the repealed Income-tax Act, 1961 may have to be included as income as per the provisions of the Income-tax Act, 1961 under the provisions of Income-tax Act, 2025, even without violations of any conditions. Section 536(2)(h) presently does not cover these cases.

3. Thus, to include such situations, it is proposed that where any sum has been allowed as deduction or has not been included in the total income under the repealed Income-tax Act, 1961, such sum will be deemed to be income under Income-tax Act, 2025, even without violations of any conditions, if it was to be included in the total income under the provisions of Income-tax Act, 1961 had it not been repealed.

4. It is proposed to amend section 536(2)(h) of the Act.

5. The amendment will take effect from the 1st day of April, 2026 and will, accordingly, apply to tax year 2026-27 and subsequent tax years.

[Clause 107]

Amendment in the definition of the specified fund

Existing provisions of Sl. No.1 to 4 of the Schedule VI applies to any specified fund and "specified fund" has been defined in Note 1(g) to said Schedule.

In order to provide clarity, it is proposed to amend the Note1(g) to said Schedule so as to align the definition of "specified fund" with the definition provided under section 10(4D) of the Income-tax Act, 1961.

These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply to the tax year 2026-27 and subsequent tax years.

[Clause 110]

Amendment in the provision relating to merger of non-profit organisations (NPOs)

Existing provisions of section 352(4) [Table: Sl. No. 8.B] inter alia provides that the specified person shall be liable to pay the tax on accreted income where it has merged with any other entity other than a registered non-profit organisation having the same or similar objects. However, the said provision does not capture the situation where a registered non-profit organisation has merged with any other registered non-profit organisation having same or similar objects as was provided under section 12AC of the Income-tax Act, 1961.

In order to provide for the provisions similar to section 12AC of the Income-tax Act, 1961 it is proposed to insert a new Section 354A in the Income-tax Act to provide that where any registered nonprofit organisation has merged with any other registered nonprofit organisation, the provisions of section 352 shall not apply if, —

(a) the other registered non-profit organisation has same or similar objects; and

(b) the said merger fulfils such conditions as may be prescribed.

Further, in order to align the existing provisions with the provisions of Income-tax Act, 1961 it is proposed to amend said serial number 8 of Table below section 352(4) so as to provide that the specified person shall be liable to pay the tax on accreted income where it has merged with, any other —

(a) entity other than a registered non-profit organisation;
(b) registered non-profit organisation having objects same or similar to it but the said merger does not fulfil such conditions, as may be prescribed; or
(c) registered non-profit organisation that does not have same or similar objects.

These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply to the tax year 2026-27 and subsequent tax years.

[Clauses 69 and 70]

Amendment in the provisions relating to the violations by a registered NPO

Existing provisions of section 351 inter alia specifies activities which constitute 'specified violation' by a registered non-profit organisation, and it includes violation on account of commercial activities by registered non-profit organisation carrying out advancement of any other object of general public utility. Such violation is also included in the 'other violation' under section 353.

As inclusion of such violation under section 351 as 'specified violation' may lead to cancellation of registration, which was not the intent under the Income-tax Act, 1961, it is proposed to remove the reference of such violation from section 351 of the Income-tax Act so as to align it with the Income-tax Act, 1961.

These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply to the tax year 2026-27 and subsequent tax years.

[Clause 68]

Amendment of section 332(1)(f) of the Income-tax Act, 2025 to remove certain funds from the requirement of registration

Section 332 inter alia specifies the persons who may apply for registration as a registered non-profit organisation. The aforesaid provision also includes the persons referred to in Schedule VII (Table: Sl. No. 10) to (Table: Sl. No. 16), who were not required to register themselves under the Income-tax Act, 1961 to claim benefit of exemption under section 10 of the Income-tax Act, 1961.

In order to align the said provision with the Income-tax Act, 1961 and provide clarity it is proposed to remove the reference of aforesaid persons from section 332(1)(f) of the Income-tax Act, 2025, so that such person shall not be required to registered themselves under section 332 of the Act.

These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply to the tax year 2026-27 and subsequent tax years.

[Clause 66]

Amendment in section 349 of the Income-tax Act, 2025 to provide for filing of belated return by NPO

Existing section 349 inter alia provides furnishing of return by a registered non-profit organisation within the time limit allowed under section 263(1)(c).

In order to enable furnishing of belated return by registered non-profit organisation as was there in the Income-tax Act, 1961, it is proposed to amend the provisions of section 349 to provide reference of section 263(4) in the said section.

These amendments will take effect from the 1st day of April, 2026 and shall accordingly, apply to the tax year 2026-27 and subsequent tax years.

[Clause 67]

Non-allowability of Interest as a deduction against Dividend Income

Dividend income and income from units of mutual funds constitute passive investment receipts taxable under the head “Income from other sources” under the Income-tax Act, 2025. Section 93 of the Act provides for allowing certain deductions against such income, i.e interest expenditure incurred for earning such income, subject to a ceiling of twenty per cent of the gross dividend or income from units of mutual funds.

It is 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.

The amendment will take effect from the 1st day of April, 2026 and shall accordingly apply for tax year 2025-26 onwards.

[Clause 36]

Rationalisation of Schedule XI relating to Provident Funds

The provisions relating to recognised provident funds contained in Schedule XI to the Act carry forward certain legacy concepts that need alignment with the framework under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the Employees' Provident Fund Scheme, 1952. In view of the evolution of the provident fund regulatory regime and the introduction of an absolute monetary cap on employer contributions under section 17(1)(h) of the Act, it is proposed to rationalise and align the income-tax provisions governing recognised provident funds with the prevailing EPF framework.

2. The provisions of paragraph 4(c) of Part A of Schedule XI of the Act restrict employer contributions by reference to parity with employee contributions and mandates annual crediting of such contributions. As a unified monetary ceiling of ₹7.5 lakh on aggregate employer contributions has been prescribed under section 17(1)(h), it is proposed to omit Paragraph 4(c).

3. The provisions of paragraph 4(f) of Part A of Schedule XI govern eligibility for recognition of provident funds with reference to exemption from the EPF Scheme. It is proposed to amend Paragraph 4(f) to clarify that only provident funds which have obtained exemption under section 17 of the EPF Act may apply for recognition under the Income-tax Act.

4. The provisions of paragraph 5(4) of Part A of Schedule XI permit discretionary relaxation of employer–employee contribution parity based on a salary threshold of ₹500 or contingent bonus structures. As a unified monetary ceiling of ₹7.5 lakh on aggregate employer contributions has been prescribed under section 17(1)(h), it is proposed to omit Paragraph 4(c).

5. The provisions of paragraph 6(a) of Part A of Schedule XI deem employer contributions in excess of twelve per cent of salary as income of the employee. This percentage-based restriction overlaps with the unified monetary ceiling prescribed under section 17(1)(h), resulting in a parallel limitation. Therefore, it is proposed to omit Paragraph 6(a).

6. The provisions of paragraph 1(d) of Part C of Schedule XI prescribe differentiated limits for employees who are also shareholders of the employer company. Such a distinction is not recognised under the EPF Act or the EPF Scheme and overlaps with the unified monetary ceiling prescribed under section 17(1)(h). It is accordingly proposed to omit Paragraph 1(d) of Part C.

7. The provisions of paragraph 1(e) of Part C of Schedule XI restrict investment of provident fund monies in Government securities to fifty per cent. This ceiling is inconsistent with the current investment norms prescribed by the Ministry of Labour and Employment and the Employees' Provident Fund Organisation, which permit higher exposure. It is proposed to

amend Paragraph 1(e) to remove the rigid statutory cap, while retaining regulatory oversight through subordinate legislation under the EPF framework.

These amendments shall take effect from the 1st day of April, 2026, and shall apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 111]

Exemption for Sovereign Gold Bond

The provisions of section 70(1)(x) of the Act provide an exemption from capital gains tax in respect of income arising from redemption of Sovereign Gold Bonds issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015. Sovereign Gold Bonds have been issued by the Reserve Bank of India on a recurring basis through multiple series notified from time to time, each constituting a separate issuance.

2. In order to ensure uniform application of the exemption across all such issuances and to align the provision with its intended scope, it is proposed to amend section 70(1)(x) to provide that the exemption shall be available only where the Sovereign Gold Bond is subscribed to by a subscriber at the time of original issue and is held continuously until redemption on maturity, for all Sovereign Gold Bonds issued by the Reserve Bank of India from time to time.

3. These amendments shall take effect from the 1st day of April, 2026, and shall apply in relation to the tax year 2026-27 and subsequent tax years.

[Clause 35]

Increase in tax rates of Securities Transaction Tax

Securities Transaction Tax (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. Under the STT framework, the obligation to collect and deposit the tax is placed on recognised stock exchanges, mutual funds in respect of equity-oriented schemes, insurance companies, or lead merchant bankers, as applicable. Over time, STT has become an integral component of the securities market ecosystem and supports the policy objective of promoting transparent, exchange-traded transactions.

2. The rates of STT have been revised periodically to reflect changes in market structure and trading behaviour. In view of the scale and depth achieved by the derivatives market, it is considered appropriate to undertake a calibrated revision of the applicable rates of STT on options and futures transactions.

3. It is proposed to increase the rate of STT on sale of an option in securities from 0.1 per cent to 0.15 per cent of the option premium, on sale of an option where the option is exercised from 0.125 per cent to 0.15 per cent of the intrinsic price, and on sale of a future in

securities from 0.02 per cent to 0.05 per cent of the traded price. This will address issue of disproportionate increase in speculation in futures and options trading.

4. These amendments shall take effect from the 1st day of April, 2026, and the revised rates shall apply to transactions in options and futures in securities entered into on or after that date.

[Clause 143]

Taxation of buyback of shares

Under the existing provisions of the Income-tax 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) of the Act and taxed accordingly, while the cost of acquisition of the shares extinguished on buy-back is recognised separately as a capital loss under section 69.

2. It is proposed to rationalise the taxation of share buy-backs by providing that consideration received on buy-back shall be chargeable to tax under the head "Capital gains" instead of being treated as dividend income. Further, having regard to the distinct position and influence of promoters in corporate decision-making, particularly in relation to buy-back transactions, it is proposed that, in the case of promoters, the effective tax liability on gains arising from buy-back shall be thirty per cent, comprising tax payable at the applicable rates together with an additional tax. In case of promoter companies, the effective tax liability will be 22%.

3. These amendments shall take effect from the 1st day of April, 2026, and shall apply in relation to the tax year 2026-27 and subsequent tax years.

[Clauses 27 and 34]

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

Section 393(4) of the Act provides for the conditions where tax is not required to be deducted at source under corresponding provision of the Act.

2. In order to align the provisions of the Act with the Income-tax Act, 1961, section 393(4) [Table: Sl. No. 7, Column C (a)(i)] is proposed to be amended to provide that deduction of tax at source shall not be made on interest income (other than interest on securities) credited or paid to any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank).

3. The amendment will take effect from the 1st day of April, 2026.

[Clause 72]

In case of divergence of interpretation, the English text shall prevail.

EXPLANATORY MEMORANDUM TO THE FINANCE BILL, 2026

CUSTOMS

Note:

(a) "Basic Customs Duty (BCD)" means the customs duty levied under the Customs Act, 1962.
(b) "Agriculture Infrastructure and Development Cess (AIDC)" means a duty of customs that is levied under Section 124 of the Finance Act, 2021.
(c) "Social Welfare Surcharge (SWS)" means a duty of customs that is levied under Section 110 of the Finance Act, 2018.
(d) Clause Nos. in square brackets [ ] indicate the relevant clause of the Finance Bill, 2026.
(e) Amendments carried out through the Finance Bill, 2026, will come into effect on the date of its enactment, unless otherwise specified.

I. AMENDMENT TO THE CUSTOMS ACT, 1962

Sl No	Amendment	Clause of Finance Bill,2026
These changes will come into effect from the date of assent of the Finance Bill, 2026		
1.	Sub-section (2) of section 1 of the Customs Act, 1962 is being amended to extend the jurisdiction of the said Act beyond the territorial waters of India, for the purpose of fishing and fishing related activities.	[129]
2.	In section 2, a new clause is being inserted to define the expression 'Indian-flagged fishing vessel'.	[130]
3.	Sub-section (6) of section 28 is being amended so as to provide that the penalty paid under sub-section (5) of section 28, on determination under sub-section (6) thereof, shall be deemed to be a charge for non-payment of duty.	[131]
4.	Sub-section (2) of section 28J is being amended so as to provide that advance ruling under sub-section (1) of that section shall remain valid for a period of five 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 to the said sub-section is also being substituted so as 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.	[132]

5.	A new section 56A is being inserted to provide special provisions for fishing and fishing related activities by an Indian-flagged fishing vessel beyond territorial waters of India. It also provides that fish harvested beyond the territorial waters of India may be brought into India free of duty and to treat fish that has landed at foreign port as export of goods in such manner as may be provided by rules. It also provides to make regulations to provide for the form and manner of making an entry in respect of fish harvested by an Indian-flagged fishing vessel including its declaration, custody, examination, assessment of duty, clearance, transit or transhipment.	[133]
6.	In the Customs Act, for section 67, the following section shall be substituted, namely: - "67. The owner of any warehoused goods may remove them from one warehouse to another, subject to such conditions as may be prescribed.". The proposed section seeks to do away with the requirement of prior permission of the proper officer under the said section for removal of warehoused goods from one custom bonded warehouse to another.	[134]
7.	In section 84 of the Customs Act, in clause (b), for the words "the examination", the words "the custody, examination" shall be substituted. The amendment seeks to enable the Board to make provisions for the custody of goods imported or to be exported under the regulations framed under this section.	[135]

II. AMENDMENTS TO THE CUSTOMS TARIFF ACT, 1975

(a) The First Schedule to the Customs Tariff Act, 1975 is proposed to be amended to carry out changes as under-

A.	**Modification in Tariff rate (to be effective from 02.02.2026) * [Clause 136(a) of the Finance Bill, 2026]** ***** *Will come into effect immediately through a declaration under the Provisional Collection of Taxes Act, 2023*		**Rate of Basic Customs Duty**	
S. No.	**Heading, sub-heading, tariff item**	**Commodity**	**From (per cent)**	**To (per cent)**
		MSME sector		
1.	6601 91 00, 6601 99 00	Umbrellas (other than garden umbrellas)	20%	20% or Rs. 60 per piece, whichever is higher

2.	6603 20 00, 6603 90 10, 6603 90 90	Parts, trimmings and accessories of articles of heading 6601 to 6602	10%	10% or Rs. 25 per kg., whichever is higher
B.	**Decrease in Tariff rate (to be effective from 01.04.2026) [Clause 136(b) of the Finance Bill, 2026]**		**Rate of Basic Customs Duty**	
1.	9804	All dutiable goods, imported for personal use	20%	10%
C.	**Tariff rate changes (without any change in effective rate of duty) [to be effective from 01.05.2026, unless otherwise specified] * [Clause 136(c) of the Finance Bill, 2026]** ***Note**: 1. The current applied rate of Basic Customs Duty on these commodities operate through their respective exemption/concessional duty notification(s). Such corresponding entries would be omitted from the concerned notification(s) with effect from 01.05.2026, as the same would operate through the Customs Tariff Act, 1975, in the manner as detailed below. It is an exercise for simplification of the Customs tariff structure and applicable Basic Customs Duty rate on these items would remain unchanged. 2. Heading and sub-heading referred in column (2) shall include all tariff items under such heading or sub-heading. 3. The said changes are to be read with consequent amendments related to Social Welfare Surcharge (SWS) and Agriculture Infrastructure and Development Cess (AIDC).		**Rate of Duty**	
S. No.	**Heading, sub-heading tariff item**	**Commodity**	**From**	**To**
(1)	**(2)**	**(3)**	**(4)**	**(5)**
1.	0207 25 00, 0207 27 00	Meat and edible offal of turkeys, frozen	30%	5%

2.	0306 36 60	Artemia	5%	Nil
3.	0511 91 40	Artemia cysts	5%	Nil
4.	0802 11 00	Almonds, in shell	Rs.42 per kg	Rs.35 per kg
5.	0802 12 00	Almonds, shelled	Rs.120 per kg	Rs. 100 per kg
6.	0802 31 00	Walnuts, in shell	120%	100%
7.	1209 (other than those falling under sub headings 1209 91 and 1209 99)	Seeds, fruit and spores, of a kind used for sowing	30%	15%
8.	1505	Wool grease and fatty substances derived therefrom (including lanolin)	30%	15%
9.	2008 19 21, 2008 19 22, 2008 19 29, 2008 19 91	Makhana, other roasted nuts and seeds	150%	30%
10.	2008 19 92	Other nuts, otherwise prepared or preserved	150%	30%
11.	2309 90 31	Prawn and shrimps feed	15%	5%
12.	2504	Natural graphite	5%	2.5%
13.	2505	Natural sands of all kinds, whether or not coloured, other than metal bearing sands of chapter 26 of the Customs Tariff Act, 1975	5%	Nil
14.	2506	Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	5%	2.5%
15.	2530 90 91	Strontium sulphate (natural ore)	5%	Nil

16.	2701, 2702, 2703	Coal; briquettes, ovoids and similar solid fuels manufactured from coal; Lignite, whether or not agglomerated, excluding jet; Peat (including peat litter), whether or not agglomerated	5%	2.5%
17.	2709 00 10	Petroleum crude	5%	Re 1 per tonne
18.	2804 50 20	Tellurium	5%	Nil
19.	2804 61 00	Silicon, containing by weight not less than 99.99% of silicon	5%	Nil
20.	2804 69 00	Silicon, other	5%	Nil
21.	2804 90 00	Selenium	5%	Nil
22.	2805 30 00	Rare-earth metals, scandium and yttrium, whether or not intermixed or inter alloyed	5%	Nil
23.	2809 20 10	Phosphoric Acid	7.5%	5%
24.	2811 22 00	Silicon dioxide	7.5%	2.5%
25.	2816 40 00	Oxides, hydroxides and peroxides, of strontium or barium	7.5%	Nil
26.	2822 00 10	Cobalt oxides	7.5%	Nil
27.	2822 00 20	Cobalt hydroxides	7.5%	Nil
28.	2822 00 30	Commercial cobalt oxides	7.5%	Nil
29.	2825 20 00	Lithium oxide and hydroxide	7.5%	Nil
30.	2825 30	Vanadium oxides and hydroxides	7.5%	Nil
31.	2825 60 10	Germanium oxides	7.5%	Nil
32.	2825 70	Molybdenum oxides and hydroxides	7.5%	Nil

33.	2825 80 00	Antimony Oxides	7.5%	Nil
34.	2825 90 20	Cadmium oxide	7.5%	Nil
35.	2827 35 00	Chlorides of Nickel	7.5%	Nil
36.	2827 39 30	Strontium chloride	7.5%	Nil
37.	2833 24 00	Sulphates of Nickel	7.5%	Nil
38.	2834 21 00	Nitrates of potassium	7.5%	Nil
39.	2836 91 00	Lithium carbonates	7.5%	Nil
40.	2836 92 00	Strontium carbonate	7.5%	Nil
41.	2910 20 00	Methyloxirane (propylene oxide)	5%	2.5%
42.	2918 15 30	Bismuth citrate	7.5%	Nil
43.	3102 30 00	Ammonium nitrate, whether or not in aqueous solution	10%	5%
44.	3801	Artificial Graphite; colloidal or semi-colloidal graphite; preparations based on graphite or other carbon in form of pastes, blocks, plates or other semi-manufactures	7.5%	2.5%
45.	3808 93 30	Gibberellic acid	10%	5%
46.	3904	Polymers of vinyl chloride or of other halogenated olefins, in primary forms	10%	7.5%
47.	4906	Plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, being originals drawn by hand; hand-written texts; photographic reproductions on sensitised paper and carbon copies of the foregoing	10%	Nil

48.	5201 00 25	Other cotton of staple length exceeding 32.0 mm	5%	Nil
49.	7202 60 00	Ferro-nickel	2.5%	Nil
50.	7402 00 10	Blister copper	5%	Nil
51.	7802	Lead waste and scrap	5%	Nil
52.	7902	Zinc waste and scrap	5%	Nil
53.	8105 20 30	Cobalt powders	5%	Nil
54.	8419 89 12, 8419 89 13, 8419 89 14, 8419 89 15, 8419 89 16, 8419 89 17, 8419 89 19	Reactors, columns or towers or chemical storage tanks	10%	7.5%
NEW TARIFF LINES HAVE BEEN CREATED				
S. No.	**Chapter/ heading/sub-heading/tariff item mentioned in notification**	**Commodity**	**New tariff item being created w.e.f. 01.05.2026**	**Rate of duty**
(1)	**(2)**	**(3)**	**(4)**	**(5)**
55.	0306 19 00	Krill, frozen	0306 19 10	15%
56.	0802 99 00	Pecan Nuts	0802 99 10	30%
57.	0810 40 00	Cranberries, fresh	0810 40 10	10%
58.	0810 40 00	Blueberries, fresh	0810 40 20	10%
59.	0811 90	Cranberries, frozen	0811 90 11 0811 90 91	10%
60.	0811 90	Blueberries, frozen	0811 90 12 0811 90 92	10%

61.	0813 40 90	Cranberries, dried	0813 40 30	10%
62.	0813 40 90	Blueberries, dried	0813 40 40	10%
63.	1207 99 90	Shea Nuts	1207 99 50	15%
64.	2008 93 00	Cranberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	2008 93 10	5%
65.	2008 99	Blueberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	2008 99 15	10%
66.	2106 90	Other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade	2106 90 *(other than 2106 90 51)*	50%
67.	2202 99	Cranberry products	2202 99 21, 2202 99 31, 2202 99 91	10%
68.	2529 22 00	Acid grade fluorspar containing by weight more than 97% of calcium fluoride	2529 22 10	2.5%
69.	2615 90	Hafnium ores and concentrates	2615 10 10	Nil
70.	2841	Ammonium metavanadate	2841 90 10	2.5%
71.	29	Gibberellic acid	2932 20 40	5%
72.	29	Triethyl orthoformate	2915 90 96	5%
73.	29	Diethyl malonate	2917 19 22	5%
74.	29	DL-2 Aminobutanol	2922 19 30	5%

75.	29	Aceto butyrolactone	2932 20 50	5%
76.	29	Artemisinin	2932 99 30	5%
77.	29	Thymidine	2934 99 50	5%
78.	3302 10	Mixtures of odoriferous substances of a kind used in food or drink industries other than compound alcoholic preparations of a kind used for manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at 20 degrees centigrade	3302 10 19, 3302 10 99	10%
79.	4104 11 00, 4104 19 00, 4105 10 00, 4106 21 00, 4106 31 00, 4106 91 00	Wet blue leather (hides and skin)	4104 11 10, 4104 19 10, 4105 10 10, 4106 21 10, 4106 31 10, 4106 91 10	Nil
80.	4702	Rayon grade wood pulp	4702 00 10	2.5%
81.	4823 90 90	All goods other than kites	4823 90 90 *(kites fall under new tariff item 4823 90 40)*	10%
82.	8101 99 90	Tungsten (wolfram) bars and rods, other than those obtained simply by sintering, profiles, plates, sheets, strip and foil	8101 99 20	5%
83.	8415 90 00	All goods other than indoor or outdoor units of split-system air conditioner	8415 90 90	10%
84.	8421 99 00	All goods other than Reverse Osmosis (RO) membrane element for household type filters	8421 99 90	7.5%
85.	8507 90	Battery separators	8507 90 20	5%
86.	8529 10 99, 8529 90 90	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527	8529 10 93, 8529 90 30	10%
87.	8609 00 00	Refrigerated containers	8609 00 10	5%

(b) In addition to the above, the First Schedule to the Customs Tariff Act, 1975 has also been amended to create new tariff items which will, inter-alia, help in better product identification; getting actual transaction data of precursor chemicals and help in their effective monitoring; facilitating, tracking exports and deciding policy measures for plant-based extract products. **These changes will be effective from 1.05.2026, unless otherwise specified**.

III. AMENDMENT TO RULES UNDER CUSTOMS ACT, 1962

(a) Baggage Rules, 2016 is being superseded by the Baggage Rules, 2026 to rationalize the baggage provisions and addressing passenger related concerns at airports and resolution of interpretational issues; provide clarity in temporarily carriage of goods brought in or taken out to avoid unnecessary detention of goods, and restructure Transfer of Residence benefits for Indian residents and foreign professionals based on duration of stay. These changes shall come into effect from midnight of 02.02.2026.

(b) Deferred duty payment is being made monthly from the existing 15 days and a new class of 'eligible importers' is being created. This is being done by amending the existing Deferred Payment of Import Duty Rules, 2016.

IV. OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES IN NOTIFICATIONS

Changes in Basic Customs Duty (to be effective from 02.02.2026)			**Rates of Duty**	
Sl. No.	**Chapter, Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**
1.	2612 20 00	Monazite *[vide insertion of S. No. 84A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]*	2.5%	Nil
2.	2841 90 00	Sodium antimonate for use in manufacture of solar glass *[vide insertion of S. No. 110A in TABLE I of notification No. 45/2025-Customs*	7.5%	Nil

		dated 24.10.2025]		
3.	2815 20 00	Potassium hydroxide *[vide omission of S.No. 21 in notification No. 36/2024-Customs dated 23.07.2024]*	Nil	7.5%
4.	8401 30 00	All goods for generation of nuclear power *[vide insertion of S.No. 227A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]*	7.5%	Nil
5.	8401 40 00	Control and Protector Absorber Rods, and Burnable Absorber Rods, for generation of nuclear power *[vide insertion of S.No. 227B in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]*	7.5%	Nil
6.	8501 10 20, 8504 31 00, 8516 80 00, 8516 90 00	Specified goods for use in the manufacture of Microwave Ovens falling under tariff item 8516 50 00 *[vide insertion of S.No. 278A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]*	As applicable	Nil

Note: Description of entries is indicative. Notification may be referred to for complete description.

V. OTHER CHANGES PROPOSED IN THE CUSTOM NOTIFICATIONS:

1. S. No. 69A of notification No. 25/2002 dated 1st March, 2002 is being modified to extend the BCD exemption currently available on capital goods for use in the manufacturing of Lithium-Ion Cells for batteries of Electrically Operated Vehicles, to cover batteries for stationary energy storage applications i.e. Battery Energy Storage Systems (BESS) also. This change is being made effective from 02.02.2026.

2. S. No. 334A is being introduced in TABLE I of notification No. 45/2025-Customs dated 24.10.2025 to extend BCD exemption to raw materials for manufacture of parts of aircraft for maintenance, repair, or overhauling of aircraft or components or parts of aircraft, including engines, provided that the goods are imported by Public Sector Units under the Ministry of Defence. This exemption is subject to following the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 (IGCRS Rules 2022). Further, the importer has to produce an end-use certificate from an officer not below the rank of Joint Secretary in the Ministry of Defence. This change is being made effective from 02.02.2026.

3. S. No. 335A is being introduced in TABLE I of notification No. 45/2025-Customs dated 24.10.2025 to extend BCD exemption to components or parts, including engines, of aircraft, for the manufacture of aircraft and parts thereof, provided that the importer adheres to the procedure set out in the IGCRS Rules 2022. This change is being made effective from 02.02.2026.

4. The exemption under S.No. 66 of TABLE II in notification No. 45/2025-Customs has been modified to cover goods required for setting up of specified Nuclear Power Project, irrespective of their capacity, as certified by an officer not below the rank of a Joint Secretary to the Government of India in the Department of Atomic Energy. Further, the validity of this exemption is being extended from 30.09.2027 to 30.09.2035. The eligibility of contracts covered under the scope of this exemption is also being extended to all contracts registered with the Customs Houses concerned on or before 30.09.2035. This change is being made effective from 02.02.2026.

5. The List 3 appended to TABLE I of notification No. 45/2025-Customs dated 24.10.2025 has been modified to include 17 new drugs/medicines for extending BCD exemption. This change is being made effective from 02.02.2026.

6. The List 22 appended to TABLE I of notification No. 45/2025-Customs dated 24.10.2025 has been modified to include 7 rare diseases that are a part of National Policy for Rare Disease (NPRD), 2021 for extending custom duty exemption on drugs, medicines and food for special medical purposes, when imported for personal use. This change is being made effective from 02.02.2026

7. Notification No. 36/2024-Customs dated 23.07.2024 was issued to exempt 55 groups of critical minerals from Basic Customs Duty and Social Welfare Surcharge. As a simplification measure, 29 entries of this notification are being been omitted with effect from 01.05.2026 by shifting the effective rates to the Tariff itself. Further, 22 redundant entries are being omitted from this notification with effect from 02.02.2026. In addition, the following three entries are being merged in notification No. 45/2025-Customs dated 24.10.2025, with effect from 02.02.2026. As a consequence, notification No. 36/2024-Customs is proposed to be rescinded with effect from 01.05.2026.

Sl. No.	**S. No. of notification No. 36/2024-Customs**	**Description**
1.	38	Salts of oxometallic or peroxometallic acids of Beryllium and Rhenium *[vide insertion of S.No. 110B in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]*
2.	39	Compounds, inorganic or organic of rare earth metals *[vide insertion of S.No. 111A in TABLE I of notification No.*

Sl. No.	S. No. of notification No. 36/2024-Customs	Description
		45/2025-Customs dated 24.10.2025]
3.	55	Unwrought; waste and scrap; powders of: — (i) Gallium (ii) Germanium (iii) Indium (iv) Niobium (v) Vanadium *[vide insertion of S.No. 226A in TABLE I of notification No. 45/2025-Customs dated 24.10.2025]*

Note: Effective BCD rates will remain the same.

VI. REVIEW OF CUSTOMS DUTY EXEMPTIONS

A. Review of exemptions/concessional rates of BCD prescribed in notification No. 45/2025-Customs dated 24.10.2025:

A comprehensive review has been undertaken in respect of 124 conditional exemptions/concessional duty rate entries in notification No. 45/2025-Customs dated 24.10.2025 whose validity is expiring on 31.03.2026. After review, 102 entries are being continued, with or without modification, for two years, i.e. upto 31.03.2028. Further, 22 entries are being allowed to lapse on the end-date of 31.03.2026.

(a) The details of exemptions/concessional rates being extended, with or without modifications, are as under:

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
In TABLE I of notification No. 45/2025-Customs			
1.	5	Meat and edible offal of ducks, frozen	**31.03.2028**
2.	14	Planting materials, namely, oil seeds, seeds of vegetables, flowers and ornamental plants, tubers and bulbs of flowers, cuttings or saplings of flower plants, seeds or plants of fruits and seeds of pulses	**31.03.2028**
3.	58	Algal oil for manufacturing of aquatic feed	**31.03.2028**

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
4.	61	Lactose for use in the manufacture of homeopathic medicine	**31.03.2028**
5.	69	Specified goods used in the processing of sea-food	**31.03.2028**
6.	84	Gold ores and concentrates for use in the manufacture of gold	**31.03.2028**
7.	85	Specified bunker fuels for use in ships or vessels	**31.03.2028**
8.	98	Electrical energy supplied to DTA by power plants of 1000MW or above, and granted formal approval for setting up in SEZ prior to 19th July, 2012	**31.03.2028**
9.	99	Electrical energy supplied to DTA from power plants of less than 1000MW, and granted formal approval for setting up in SEZ prior to 19th July, 2012	**31.03.2028**
10.	111	Medical use fission Molybdenum-99 (Mo-99) for use in the manufacture of radio pharmaceuticals	**31.03.2028**
11.	112	Pharmaceutical Reference Standard	**31.03.2028**
12.	114	Specified goods used for the manufacture of ELISA Kits	**31.03.2028**
13.	119	Anthraquinone or 2-Ethyl Anthraquinone, for use in manufacture of Hydrogen Peroxide	**31.03.2028**
14.	134	Specified goods for use in the manufacture of sheets or backsheet, which are used in the manufacture of solar photovoltaic cells or modules *[The entry has been modified]*	**31.03.2028**
15.	138	Specified goods for use in the manufacture of Brushless Direct Current (BLDC) motors	**31.03.2028**
16.	140	Tags, labels, stickers, belts etc. imported by *bona fide* exporters	**31.03.2028**
17.	141	Specified goods imported by *bona fide* exporters for use in the manufacture of handicraft items, for export	**31.03.2028**
18.	142	Specified goods imported by *bona fide* exporters for use in the manufacture of textile or leather garments, for export	**31.03.2028**
19.	143	Specified goods imported by *bona fide* exporters for use in the manufacture of leather or synthetic footwear, or other leather products, for export [*The entry has been modified]*	**31.03.2028**
20.	144	Specified goods for the manufacture of orthopedic implants or other artificial parts of the body	**31.03.2028**

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
21.	146	Capacitor grades polypropylene granules or resins for the manufacture of capacitor grade plastic film	**31.03.2028**
22.	148	Super absorbent polymer (SAP) imported for use in the manufacture of specified goods	**31.03.2028**
23.	150	Polytetramethylene ether glycol (PT MEG) for use in the manufacture of spandex yarn	**31.03.2028**
24.	155	New or retreaded Pneumatic tyres of rubber of a kind used in aircrafts	**31.03.2028**
25.	156	New or retreaded Pneumatic tyres of rubber of a kind used in aircrafts	**31.03.2028**
26.	160	Pulp of wood or of other fibrous cellulosic material for the manufacture of newsprint, paper and paperboard, adult diapers, and goods falling under heading 9619	**31.03.2028**
27.	162	All goods imported for use in manufacture of paper, paperboard, or newsprint	**31.03.2028**
28.	163	Specified goods used in the printing of newspapers	**31.03.2028**
29.	164	Lightweight coated paper weighing upto 70g/m^2, imported by actual users for printing of magazines	**31.03.2028**
30.	173	Pile fabrics for the manufacture of toys	**31.03.2028**
31.	174	Moulds, tools and dies, for the manufacture of parts of electronic components or electronic equipment	**31.03.2028**
32.	175	Graphite Felt for growing silicon ingots, and thin steel wire used in wire saw for slicing of silicon wafers	**31.03.2028**
33.	184	Simply Sawn Diamonds	**31.03.2028**
34.	185	Seeds for use in manufacturing of rough lab-grown diamonds	**31.03.2028**
35.	205	Ferrous Scrap	**31.03.2028**
36.	208	Magnesium Oxide (MgO) coated cold rolled steel coils for use in manufacture of cold rolled grain oriented steel (CRGO).	**31.03.2028**
37.	209	Specified goods for the manufacture of cold rolled grain-oriented steel	**31.03.2028**
38.	220	Forged steel rings for manufacture of special bearings for use in wind operated electricity generators *[The entry is being merged with S.No. 230 in TABLE I of notification No. 45/2025-Customs dated*	**31.03.2028**

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
		24.10.2025.]	
39.	222	Copper wire of refined copper or copper rod for manufacture of photovoltaic ribbon for solar photovoltaic cell or modules [*The entry has been modified]*	**31.03.2028**
40.	227	Dies for drawing metal, when imported after repairs from abroad, in exchange of similar worn-out dies exported out of India for repairs	**31.03.2028**
41.	228	Parts and raw materials for manufacture of goods to be supplied in connection with the purposes of off-shore oil exploration or exploitation	**31.03.2028**
42.	229	Specified goods when imported by a specified person, in relation with various petroleum operations or coal bed methane operations	**31.03.2028**
43.	230	Goods for manufacture or the maintenance of wind operated electricity generator components. [*The entry has been modified after merger of entry S. No. 220 in TABLE I of notification No. 45/2025-Customs]*	**31.03.2028**
44.	232	Parts of catalytic converters and goods for use in the manufacture of catalytic convertors or its parts	**31.03.2028**
45.	233	Platinum or Palladium for use in the manufacture of Noble Metal Compounds and Noble Metal Solutions	**31.03.2028**
46.	234	Ceria zirconia compounds for use in the manufacture of wash coat for catalytic converters	**31.03.2028**
47.	235	Cerium compounds for use in the manufacture of wash coat for catalytic converters	**31.03.2028**
48.	237	Machinery, electrical equipment, other instruments and their parts except populated PCBs for use in fabrication of semiconductor wafer and Liquid Crystal Display	**31.03.2028**
49.	238	Machinery, electrical equipment, other instruments and their parts except populated PCBs for use in assembly, testing, marking and packaging of semiconductor chips	**31.03.2028**
50.	239	Specified goods for the manufacture of certain goods and their parts	**31.03.2028**
51.	246	Bushings made of Platinum and Rhodium alloy when	**31.03.2028**

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
		imported in exchange of worn out or damaged bushings exported out of India	
52.	247	Parts and components for manufacture of tunnel boring machines	**31.03.2028**
53.	256	Evacuated tubes with three layers of solar selective coating for use in the manufacture of solar water heater and system	**31.03.2028**
54.	267	Ball screws for use in the manufacture of CNC Lathes	**31.03.2028**
55.	268	Linear Motion Guides for use in the manufacture of CNC Lathes	**31.03.2028**
56.	269	CNC Systems for use in manufacture of CNCL lathes	**31.03.2028**
57.	270	Certain goods for use in manufacture of plastic processing machineries	**31.03.2028**
58.	272	Parts and components for use in the manufacture of goods like Micro ATMs, Fingerprint reader/scanner, Iris scanner, miniaturized POS card reader	**31.03.2028**
59.	273	All parts for use in the manufacture of LED lights or fixtures including LED Lamps	**31.03.2028**
60.	274	All inputs for use in the manufacture of LED (Light Emitting Diode) driver or Metal Core Printed Circuit Board for LED lights and fixtures or LED lamps	**31.03.2028**
61.	277	Goods imported for being tested in specified test centers	**31.03.2028**
62.	280	Specified goods for use in the manufacturing of Microphones	**31.03.2028**
63.	292	(i) Parts, components and accessories for manufacture of Digital Video Recorder (DVR)/ Network Video Recorder (NVR) falling under 8521 90 90, other than the following items, namely (*a*) populated printed circuit boards; (*b*) charger or power adapter; (*ii*) Sub-parts for use in manufacture of items mentioned at (*i*) above *[Only clause (ii) is being continued while clause (i) is being allowed to lapse on the end-date of 31st March, 2026]*	**31.03.2028**
64.	293	Parts, components and accessories for use in manufacture of reception apparatus for television	**31.03.2028**

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
65.	294	Parts, components and accessories for manufacture of CCTV Camera	**31.03.2028**
66.	295	Parts, components and accessories except Lithium-ion cell and PCBA for use in manufacture of Lithium-ion battery and battery pack	**31.03.2028**
67.	296	Inputs, parts or sub-parts for use in the manufacturing of PCBA of Lithium-ion battery and battery pack	**31.03.2028**
68.	297	Open cell for use in the manufacture of LCD and LED TV panels	**31.03.2028**
69.	302	Specified goods for use in the manufacture of LCD and LED TV panels	**31.03.2028**
70.	306	Magnetron of up to 1.5 KW used for the manufacture of domestic microwave ovens	**31.03.2028**
71.	314	Parts, sub-parts, inputs or raw material for use in manufacture of Lithium-ion cells	**31.03.2028**
72.	319	Lithium-ion cell for use in manufacture of battery or battery pack other than for cellular phone or EV	**31.03.2028**
73.	320	Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone	**31.03.2028**
74.	321	Lithium-ion cell for use in the manufacture of battery or battery pack of EV or hybrid motor vehicle	**31.03.2028**
75.	333	Parts of gliders or simulators of aircrafts (excluding rubber tyres and tubes of gliders)	**31.03.2028**
76.	334	Raw materials for manufacture of aircrafts and parts of aircrafts	**31.03.2028**
77.	335	Components or parts including engines, of aircraft for manufacture of air craft	**31.03.2028**
78.	336	Parts, testing equipment, tools and tool-kits for MRO of aircraft, components or parts of aircraft	**31.03.2028**
79.	337	Other Aircrafts	**31.03.2028**
80.	338	Components or parts, including engines, of aircraft	**31.03.2028**
81.	339	Satellites and payloads, ground equipment brought for testing and ground installations for satellite including its spares and consumables	**31.03.2028**
82.	340	Scientific and technical instruments, apparatus, equipment etc., required for launch vehicles and satellites and payloads	**31.03.2028**
83.	341	All goods under heading 8802 (except CTH 8802 60	**31.03.2028**

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
		00)	
84.	342	All goods under heading 8802 (except CTH 8802 60 00)	**31.03.2028**
85.	343	All goods under heading 8802 (except CTH 8802 60 00)	**31.03.2028**
86.	345	Parts (other than rubber tubes), of aircraft of heading 8802	**31.03.2028**
87.	348	Parts (other than rubber tubes), of aircraft of heading 8802	**31.03.2028**
88.	350	Barges or pontoons imported along with ships for the more speedy unloading of imported goods and loading of export goods	**31.03.2028**
89.	355	Fishing vessels, tugs and pusher crafts, light vessels, excluding vessels and other floating structures as are imported for breaking up	**31.03.2028**
90.	375	Stainless steel tube and wire, cobalt chromium tube, etc. required for manufacture of Coronary stents/coronary stent system and artificial heart valve	**31.03.2028**
91.	376	Ostomy products for managing Colostomy, Ileostomy, Ureterostomy, Ileal Conduit Urostomy Stoma cases	**31.03.2028**
92.	377	Medical and surgical instruments, apparatus and appliances including spare parts and accessories thereof	**31.03.2028**
93.	382	Hospital Equipment for use in specified hospitals	**31.03.2028**
94.	386	Raw materials, parts or accessories for the manufacture of Cochlear Implants	**31.03.2028**
95.	387	X-Ray Baggage Inspection Systems and parts thereof	**31.03.2028**
96.	388	Portable X-ray machine / system	**31.03.2028**
97.	392	Parts and cases of braille watches, for the manufacture of Braille watches	**31.03.2028**
98.	396	Parts of electronic toys for manufacture of electronic toys	**31.03.2028**
99.	415	All items of machinery, and auxiliary equipment required for initial setting up of a project for generation of power or generation of compressed bio-gas (Bio-CNG) using non-conventional materials	**31.03.2028**
100.	440	All items of machinery, and auxiliary equipment for	**31.03.2028**

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
		setting up of fuel cell-based system for generation of power or for demonstration purposes or balance of systems operating on biogas or bio-methane or by-product hydrogen	
In TABLE II of notification No. 45/2025-Customs			
101.	1	Security fibre, security threads, Paper Based Taggant, including M-feature, for use in the manufacture of security paper by Security Paper Mill, Hoshangabad and Bank Note Paper Mill India Private Limited, Mysore	**31.03.2028**
102.	2	Raw materials for use in manufacture of security fibre and security threads for supply to Security Paper Mill, Hoshangabad and Bank Note Paper Mill India Private Limited, Mysore for use in manufacture of security paper	**31.03.2028**

Note: *Description of entries is indicative. Notification may be referred to for complete description*.

(b) The following 22 conditional exemption entries of notification no. 45/2025-Customs dated 24.10.2025 are being allowed to **lapse on the 31.03.2026**:

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
In TABLE I of notification No. 45/2025-Customs			
1.	93	Naphtha, for use in the manufacture of fertilisers	**31.03.2026**
2.	95	Liquified petroleum gases (LPG), in excess of the quantity of petroleum gases and other gaseous hydrocarbons consumed in the manufacture of polyisobutylene by the unit located in the Domestic Tariff Area (DTA), received from the unit located in Special Economic Zone (SEZ) and returned by the DTA unit to the SEZ unit from where such LPG were received.	**31.03.2026**

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
3.	107	Silicon in all forms for the manufacture of un-diffused silicon wafers; and un-diffused silicon wafers for the manufacture of solar cells or solar cell modules	**31.03.2026**
4.	117	Maltol, for use in the manufacture of deferiprone	**31.03.2026**
5.	145	Specified goods imported for the manufacture of Copper-T contraceptives	**31.03.2026**
6.	154	Ethylene – Propylene – Non-Conjugated Diene Rubber (EPDM) for use in the manufacture of insulated wires and cables	**31.03.2026**
7.	172	Hydrophilic non-woven, hydrophobic non- woven, imported for use in the manufacture of adult diapers	**31.03.2026**
8.	201	Spent catalyst or ash containing precious metals	**31.03.2026**
9.	218	Metal parts for use in the manufacture of electrical insulators	**31.03.2026**
10.	219	Pipes and tubes for use in manufacture of boilers	**31.03.2026**
11.	231	Permanent magnets for manufacture of synchronous generators above 500KW for use in wind operated electricity generators	**31.03.2026**
12.	236	Zeolite for use in the manufacture of wash coat for catalytic converters	**31.03.2026**
13.	243	High speed cold-set or high-speed heat set web offset rotary printing machines along with mail room equipment	**31.03.2026**
14.	271	Cash dispenser or automatic banknote dispenser and its parts and components	**31.03.2026**
15.	275	Television equipment, cameras and other equipment for taking films, imported by a foreign film unit or television team	**31.03.2026**
16.	276	Photographic, filming, sound recording of foreign origin, if imported into India after having been exported there from	**31.03.2026**
17.	291	Parts and Components of digital still image video cameras	**31.03.2026**

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date
18.	309	Raw materials or parts for use in manufacture of e-Readers	**31.03.2026**
19.	370	X-Ray tubes used in manufacture of X ray machines for medical, surgical or veterinary use	**31.03.2026**
20.	372	Flat panel detector for use in manufacture of X-Ray machine for medical, surgical or veterinary use	**31.03.2026**
21.	397	Parts of video games for the manufacture of video games	**31.03.2026**
In TABLE IV of notification No. 45/2025-Customs			
22.	1	Motion pictures, music, gaming software for use on gaming consoles printed or recorded on media	**31.03.2026**

Note: Description of entries is indicative. Notification may be referred to for complete description.

(c) Further, upon review, the following unconditional exemption/ concessional duty rate entries of notification no. 45/2025-Customs dated 24.10.2025 are also being lapsed by omitting the respective entries **with effect from 02.02.2026**:

Sl. No.	S. No. of TABLE I in notification No. 45/2025-Customs	Brief Description
1.	1	Animals and birds imported by Zoo
2.	113	Alpha pinene
3.	123	Artificial plasma
4.	128	Ammonium phosphate or ammonium nitro-phosphate, for use as manure or for the production of complex fertilisers
5.	132	Potassium sulphate, containing not more than 52% by weight of potassium oxide*
6.	137	Other diagnostic or laboratory reagents falling under tariff item 3822 90 90*
7.	213	INVAR
8.	258	Coffee roasting, brewing or vending machines for use in the manufacture or processing of coffee
9.	285	Parts of radio trunking terminals

Sl. No.	S. No. of TABLE I in notification No. 45/2025-Customs	Brief Description
10.	287	CD-ROMs containing books of an educational nature, journals, periodicals (magazines) or newspapers
11.	310	Loco simulators

**Effective BCD rate will remain the same for Sl.No. 5 and 6.*

Note: Description of entries is indicative. Notification may be referred to for complete description.

(d) Other changes in the exemption entries of notification No. 45/2025-Customs:

(i) Sunset-clause for the following entries is being removed **with effect from 02.02.2026**:

Sl. No.	S. No. of TABLE I in notification No. 45/2025-Customs	Brief Description
1.	303	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527. **The said entry is being omitted w.e.f 1st May, 2026 as the applicable rates will be incorporated in Tariff itself.*
2.	353	All goods (excluding vessels and other floating structures as are imported for breaking up) (CTH 8901)
3.	356	All goods (excluding vessels and other floating structures as are imported for breaking up) (CTH 8906)

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

(ii) Sunset-date of **31.03.2027** for the following entries is being prescribed:

Sl. No.	S. No. of TABLE I in notification No. 45/2025-Customs	Brief Description	End date prescribed
1.	192	Gold dore bar, having gold content not exceeding 95%	**31.03.2027**
2.	193	Silver dore bar having silver content not exceeding 95%	**31.03.2027**

3.	194	(i) Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units, and gold coins having gold content not below 99.5%, imported by the eligible passenger (ii) Gold in any form other than (i), including tola bars and ornaments, but excluding ornaments studded with stones or pearls	**31.03.2027**
4.	195	Silver, in any form including ornaments, but excluding ornaments studded with stones or pearls, imported by the eligible passenger	**31.03.2027**

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

(iii) The following entries of notification No. 45/2025-Customs are being modified as under, **with effect from 02.02.2026**:

Sl. No.	**S. No. of TABLE I in notification No. 45/2025-Customs**	**Particulars**
1.	69	The value limit of duty-free imports of specified goods imported for use in processing of sea-food has been increased from 1% to 3% of the FOB value of seafood products exported during the preceding financial year
2.	134	The modified description covers specified goods for use in the manufacture of sheets/encapsulants of EVA (Ethylene Vinyl Acetate), PoE (Polyolefin Elastomer) or combinations thereof or backsheet, which are used in the manufacture of solar photovoltaic cells or modules
3.	12, 140, 142	The time period of export of value-added products manufactured from specified inputs imported at concessional rate of duty is being extended from six months to twelve months.
4.	143	The benefit of duty exemption on specified inputs for manufacture of leather/synthetic footwear for export is being extended to exporters of shoe-uppers also. The time period of export of value-added products manufactured from specified inputs imported at concessional rate of duty is being extended from six months to twelve months.
5.	222	The modified description covers copper wire of refined copper of which the maximum cross-sectional dimension exceeds 6 mm or copper rods of refined copper, for the manufacture of photovoltaic ribbon, or tinned copper interconnect or cell interconnect or string

		interconnect or the photovoltaic connect or photovoltaic ribbon or solar ribbon or manufacture of solar photovoltaic cell or modules.
6.	220 & 230	S.No. 220 pertaining to *"Forged steel rings for manufacture of special bearings for use in wind operated electricity generators"* is being merged with S.No. 230. Subsequently, the description of S.No. 230 covering goods for manufacture or the maintenance of wind operated electricity generator components, has been modified.

Note: Description of entries is indicative. Notification may be referred to for complete description.

(iv) The following exemption entries of notification No. 45/2025-Customs are being omitted **with effect from 02.02.2026** as these are redundant. The effective BCD rate would remain the same and will apply from First Schedule of the Customs Tariff Act, 1975. The details are as under:

Sl. No.	**S. No. of TABLE I in notification No. 45/2025-Customs**	**Brief Description**
1.	139	Ethylene vinyl acetate (EVA)
2.	157	New Pneumatic tyres, of rubber, of a kind used on aircrafts (other than goods covered under S.Nos. 155 and 156 of the notification No. 45/2025-Customs)
3.	217	Other screws and bolts, nuts and other non-threaded articles falling under tariff items 7318 15 00, 7318 16 00, 7318 29 90

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

B. Review of exemptions prescribed by other notifications:

(a) The validity of the BCD exemption for the goods covered under the following notifications is being **extended for two years, i.e. upto 31.03.2028**:

Sl. No.	**Notification No.**	**Brief Description**	**End date**
1.	248-Customs dated 2nd August 1976	Exemption to precious stones imported by posts on approval or return' basis	**31.03.2028**

2.	32/1997-Customs dated 1st April 1997	Exemption to goods imported for execution of an export order for jobbing	**31.03.2028**
3.	24/2001-Customs dated 1st March 2001	Exemption to copper cathodes, wire bars and wire rods produced out of copper reverts	**31.03.2028**
4.	25/2001-Customs dated 1st March 2001	Exemption on gold and silver produced out of copper anode slime which were exported out of India for toll smelting and processing	**31.03.2028**

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

(b) The following standalone notification is being allowed **to lapse on the 31.03.2026**:

Sl. No.	Notification No.	Brief Description	End date
1.	113/2003-Customs dated 22nd July 2003	Exemption to castor oil cake and castor de-oiled cake manufactured from indigenous castor oil seeds on indigenous plant and machinery by unit in SEZ and brought to DTA	**31.03.2026**

Note: Description is indicative. Notification may be referred to for complete description.

(c) For the following standalone notification, a **sunset date of 31.03.2028** is being prescribed:

Sl. No.	Notification No.	Brief Description	End date prescribed
1.	29/2025-Customs dated 9th May, 2025	Exemption to works of art and antiques intended for public exhibition	**31.03.2028**

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

(d) The following exemption entries of notification No. 36/2024-Customs are being **omitted with effect from 02.02.2026** as these are redundant. The effective BCD rate would remain the same and will operate through the First Schedule of the Customs Tariff Act, 1975. The details are as under:

Sl. No.	S. No. of notification No. 36/2024-Customs	Description
1.	5	Copper ores and concentrates
2.	6	Cobalt ores and concentrates
3.	7	Tin ores and concentrates
4.	8	Tungsten ores and concentrates
5.	9	Molybdenum ores and concentrates
6.	10	Zirconium ores and concentrates
7.	12	Vanadium ores and concentrates
8.	13	Niobium or tantalum ores and concentrates
9.	14	Antimony ores and concentrates
10.	42	Unwrought Tin
11.	43	Unwrought tungsten, including bars and Rods obtained simply by sintering
12.	44	Unwrought molybdenum, including bars and rods obtained simply by sintering
13.	45	Unwrought tantalum, including bars and rods obtained by sintering, powders
14.	46	Cobalt, unwrought
15.	47	Bismuth, unwrought
16.	48	Unwrought zirconium, powders, containing less than 1 part hafnium to 500 parts zirconium by weight
17.	49	Unwrought antimony, powders
18.	50	Beryllium unwrought, powders
19.	51	Hafnium unwrought, waste and scrap, powders
20.	52	Rhenium unwrought
21.	53	Cadmium unwrought, Powders
22.	54	Cadmium, wrought

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

VII. SOCIAL WELFARE SURCHARGE (SWS)

(a) Specified goods are exempted from SWS *vide* notification No. 11/2018-Customs. The following changes have been made in notification No. 11/2018-Customs, consequent to omission of certain entries from exemption notifications. The effective duty incidence is unchanged and the following goods continue to remain exempted from levy of Social Welfare Surcharge (SWS). **The changes are technical in nature.**

(i) Sl. No. 1 of notification No. 11/2018-Customs is being amended to include natural graphite (heading 2504), quartz and quartzite (heading 2506), silicon dioxide (tariff item 2811 22 00), and artificial graphite (heading 3801). Presently, the said goods are exempted from SWS *vide* Sl. No. 1, 3, 20 and 41 of notification No. 36/2024-Customs

dated 23.07.2024. Subsequent to the omission of these exemption entries from the notification No. 36/2024-Customs, the said goods will continue to remain exempt from SWS *vide* modified Sl. No. 1 of notification No. 11/2018-Customs. This change will come into **effect from 01.05.2026.**

(ii) Presently, all goods under sub-heading 2106 90, excluding compound alcoholic preparations of a kind used for the manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% vol., determined at a temperature of 20 degrees centigrade, attract concessional BCD rate of 50% *vide* S. No. 67 of TABLE I in notification No. 45/2025-Customs (along with SWS). The exemption entry is being omitted from notification No. 45/2025-Customs and the concessional BCD rate will be shifted to the First Schedule, with effect from 01.05.2026. As a part of consequential changes, Sl. No. 7 of notification No. 11/2018-Customs is being omitted and Sl. No. 1 of notification No. 11/2018-Customs is being amended to include tariff item 2106 90 51 covering compound alcoholic preparations. Incidence of SWS for goods under sub-heading 2106 90 will remain unchanged. This change will come into **effect from 01.05.2026.**

(iii) Spent catalyst and ash containing precious metals falling under heading 7112 is exempt from SWS *vide* Sl. No. 54A of notification No. 11/2018-Customs. The description of the entry at Sl. No. 54A is being modified **with effect from 01.04.2026** to omit the reference to S.No. 201 of TABLE I of notification No. 45/2025-Customs which is being lapsed on **31.03.2026**. The exemption from SWS, *vide* modified Sl. No. 54A of notification No. 11/2018-Customs, will continue unchanged for spent catalyst or ash containing precious metals.

(b) Social Welfare Surcharge (SWS) will be levied on all goods falling under heading 9804 (all dutiable goods imported for personal use) **with effect from 01.04.2026**.

(c) Parts of electronic toys for manufacture of electronic toys under S.No. 396 of TABLE I in notification No. 45/2025-Customs are being exempted from SWS **with effect from 02.02.2026**. Henceforth, all goods under heading 9503 will be exempt from the levy of SWS.

VIII. AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC)

New pneumatic tyres, of rubber, of a kind used on aircraft falling under tariff item 4011 30 00 (other than goods covered under S.Nos. 155 and 156 of TABLE I of notification No. 45/2025-Customs), attract 0.5% AIDC *vide* Sl. No. 13A of notification No. 11/2021-Customs. The description of the entry at Sl. No. 13A is **being modified with effect from 02.02.2026** to omit the reference to S. No. 157 of TABLE I of notification No. 45/2025-Customs, following the omission of the said exemption entry **with effect from 02.02.2026**. The AIDC rate will continue unchanged at 0.5% for New pneumatic tyres, of rubber of a kind used on aircraft (other than those attracting NIL BCD).

EXCISE

Note: (a) "Basic Excise Duty" means the excise duty set forth in the Fourth Schedule to the Central Excise Act, 1944.

(b)"NCCD" means National Calamity Contingent Duty levied under Finance Act, 2001, as a duty of excise on specified goods at rates specified in Seventh Schedule to Finance Act, 2001

(c) Clause Nos. in square brackets [ ] indicate the relevant clause of the Finance Bill, 2026.

(d) Amendments carried out through the Finance Bill, 2026 come into effect on 01.05.2026, unless otherwise specified.

I. AMENDMENT TO SEVENTH SCHEDULE TO THE FINANCE ACT, 2001

The Seventh Schedule to the Finance Act, 2001 is being amended to revise the NCCD Schedule rates on chewing tobacco (HS 2403 99 10), jarda scented tobacco (HS 2403 99 30) and other tobacco products including gutkha (HS 2403 99 90) w.e.f 01.05.2026, as detailed below. The effective rate will remain unchanged*. [Clause 142 read with Sixth Schedule of the Finance Bill, 2026]

Tariff item	Description	NCCD Rates	
		From	To
(1)	(2)	(3)	(4)
2403 99 10	Chewing tobacco	25%	60%
2403 99 30	Jarda scented tobacco	25%	60%
2403 99 90	Other	25%	60%

**The effective rate will be maintained at 25% vide notification.*

II. EXEMPTION FROM CENTRAL EXCISE DUTY ON VALUE OF BIOGAS/COMPRESSED BIOGAS (CBG) CONTAINED IN BLENDED COMPRESSED NATURAL GAS (CNG)

The value of Biogas/Compressed Biogas (CBG) and the appropriate Central Tax, State Tax, Union Territory Tax or Integrated Tax, as the case may be, paid on Biogas or CBG contained in blended CNG, is being excluded from the transaction value for the purpose of computation of central excise duty on such blended CNG. To this effect, notification No. 11/2017-Central Excise dated 30.06.2017 is being suitably amended vide notification No. 02/2026-Central Excise dated 01.02.2026. This change will come into effect from 02.02.2026. Notification No. 05/2023-Central Excise, dated 01.02.2023, vide which Central Excise duty was exempted only on the GST amount paid on biogas/CBG contained in such blended CNG is being rescinded with effect from

02.02.2026.

III. DEFERMENT OF DATE OF IMPLEMENTATION OF HIGHER EXCISE DUTY ON SALE OF UNBLENDED DIESEL

The implementation of levy of additional excise duty of Rs. 2 per litre on unblended diesel is being deferred till 31.03.2028, by amending notification No. 11/2017-Central Excise dated 30.06.2017 *vide* notification No. 02/2026-Central Excise dated 01.02.2026.

GOODS AND SERVICE TAX

Note: (a) (i) CGST Act means Central Goods and Services Tax Act, 2017

(ii) IGST Act means Integrated Goods and Services Tax Act, 2017

(b) Unless otherwise specified, amendments carried out through the Finance Bill, 2026 will come into effect from the date when the same will be notified concurrently, as far as possible, with the corresponding amendments to the similar Acts passed by the States & Union territories with legislature

I. AMENDMENTS IN THE CGST ACT, 2017:

S.No.	Amendment	Clause of the Finance Bill, 2026
1.	Sub-section (3) of section 15 of the Central Goods and Services Tax Act, 2017 is being amended to do away with the requirement of linking the post-sale discount with an agreement and to refer to issuance of credit note under section 34 where the input tax credit is reversed by the recipient.	[137]
2.	Section 34 of the Central Goods and Services Tax Act, 2017 is being amended so as to include the reference of section 15 in the said section.	[138]
3.	Sub-section (6) of Section 54 of the Central Goods and Services Tax Act, 2017 is being amended to extend the provisions of provisional refund to refunds arising out of inverted duty structure.	[139]
4.	Sub-section (14) of Section 54 of the Central Goods and Services Tax Act, 2017 is being amended to remove the threshold limit for sanction of refund claims in case of goods exported out of India with payment of tax.	[139]
5.	Sub-section (1A) is being inserted in Section 101A of the Central Goods and Services Tax Act, 2017 to provide that the Central Government may, pending the constitution of the National Appellate Authority, by notification empower an existing Authority, for hearing appeals under section 101B of the CGST Act, 2017; and to provide that the provisions of sub-sections (2) to (13) shall not be applicable where a Tribunal has been so empowered under sub-section (1A). An explanation to sub - section (1A) is also being inserted to clarify that the existing Authority also includes a tribunal. This will come into effect from **01.04.2026**.	[140]

II. AMENDMENTS IN THE IGST ACT, 2017:

S. No.	Amendment	Clause of the Finance Bill, 2026
1.	Clause (b) of sub-section (8) of section 13 of the Integrated Goods and Services Tax Act, 2017 is being omitted so as to provide that the place of supply for "intermediary services" will be determined as per the default provision under section 13(2) of the IGST Act.	[141]

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