



Dhadda & Co
CHARTERED ACCOUNTANTS

DCoD

UNION BUDGET 2026 – IMPACT
AND INSIGHTS

THE UNION BUDGET 2026

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DIRECT TAXES

The Direct Tax proposals under the Finance Bill, 2026 reflect a clear strategic pivot: stability in rates, rationalisation in compliance, and structured dispute containment.

This is not a rate-driven budget. There are no headline corporate tax cuts, no dramatic slab revisions, and no regime shifts. Instead, the emphasis is on:

- Litigation reduction and Compliance simplification
- Digital enablement
- Voluntary disclosure facilitation
- Welfare-aligned exemptions

The Government has chosen continuity over disruption.

Executive Summary



RATES OF INCOME-TAX FOR THE TAX YEAR 2026-27

Individual of age less than 60 years / HUF

Income Range	Old Regime	New Regime
Up to Rs. 250000/-	Nil	Nil
Rs. 250001 to 300000/-	5%	Nil
Rs. 300001 to 400000/-	5%	Nil
Rs. 400001 to 500000/-	5%	5%
Rs. 500001 to 800000/-	20%	5%
Rs. 800001 to 1000000/-	20%	10%
Rs. 1000001 to 1200000/-	30%	10%
Rs. 1200001 to 1600000/-	30%	15%
Rs. 1600001 to 2000000/-	30%	20%
Rs. 2000001 to 2400000/-	30%	25%
Above 2400000/-	30%	30%

PART A

Resident Individual – Age 60 years or more up to 80 years

Income Range	Old Regime	New Regime
Up to Rs. 250000/-	Nil	Nil
Rs. 250001 to 300000/-	Nil	Nil
Rs. 300001 to 400000/-	5%	Nil
Rs. 400001 to 500000/-	5%	5%
Rs. 500001 to 800000/-	20%	5%
Rs. 800001 to 1000000/-	20%	10%
Rs. 1000001 to 1200000/-	30%	10%
Rs. 1200001 to 1600000/-	30%	15%
Rs. 1600001 to 2000000/-	30%	20%
Rs. 2000001 to 2400000/-	30%	25%
Above 2400000/-	30%	30%

Resident Individual – Age 80 years or more

Income Range	Old Regime	New Regime
Up to Rs. 250000/-	Nil	Nil
Rs. 250001 to 300000/-	Nil	Nil
Rs. 300001 to 400000/-	Nil	Nil
Rs. 400001 to 500000/-	Nil	5%
Rs. 500001 to 800000/-	20%	5%
Rs. 800001 to 1000000/-	20%	10%
Rs. 1000001 to 1200000/-	30%	10%
Rs. 1200001 to 1600000/-	30%	15%
Rs. 1600001 to 2000000/-	30%	20%
Rs. 2000001 to 2400000/-	30%	25%
Above 2400000/-	30%	30%

The above-mentioned rates shall apply to all **individual** or **Hindu undivided family** or **association of persons** [other than a co-operative society], or **body of individuals**, whether incorporated or not, or an **artificial juridical person**, unless an option is exercised to opt for old regime.

Surcharge

Criteria	Old Regime	New Regime
Exceed 50 Lakhs but does not exceed 1 crore	10%	10%
Exceed 1 crore but does not exceed 2 crores	15%	15%
Exceed 2 crores but does not exceed 5 crores	25%	25%
Exceed 5 crores	37%	25%

Note:

1. Where the total income includes any income by way of dividend or capital gains u/s 196, 197 and 198 (of the 2025 Act), the rate of surcharge on the income-tax calculated on that part of income shall not exceed fifteen percent.
2. In the case of an association of persons consisting of only companies as its members, the rate of surcharge on the income-tax shall not exceed 15%.

For Co-operative Society

Range	Rate
Up to 10000	10%
Between 10000 and 20000	20%
In Excess of 20000	30%

Surcharge

Range	Rate
Exceeds 1 crore but does not exceed 10 crores	7% of tax
Exceeds 10 Crores	12% of tax

Note:

On satisfaction of certain conditions, a co-operative society resident in India shall have the option to pay tax at 22%. Surcharge in such case shall be 10 % of such tax.

For Partnership Firm / Local Authorities

A partnership firm and Local Authority is taxable at 30%.

Surcharge

12% of such tax where total income exceeds one crore rupees.

For Companies

For Domestic Company

Criteria	Rate
Where its total turnover or gross receipt during the tax year 2024-25 does not exceed Rs. 400 crore and where the companies continue under section 199 regime (115BA of 1961 Act)	25%
Any other domestic company	30%

Surcharge

Criteria	Rate
Exceed 1 crore but does not exceed 10 crores	7%
Exceed 10 crores	12%

Special Tax rates applicable to a domestic company

Scheme	Rate
Where it opted for section 199 regime (115BAA of 1961 Act)	22%
Where it opted for 115BAB of 1961 Act (201 of 2025 Act)	15%

Surcharge

The rate of Surcharge in under above sections shall be flat 10% irrespective of amount of total income.

Other than Domestic Company

Companies other than Domestic companies are taxable at 35%.

Surcharge

Criteria	Rate
Exceed 1 crore but does not exceed 10 crores	2%
Exceed 10 crores	5%

Marginal Relief

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

Health and Education Cess

“Health and Education Cess” 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.

OTHER AMENDMENTS TO THE ACT

3. FAST-DS 2026 – Foreign Assets of Small Taxpayers Disclosure Scheme Proposed Framework

Existing Position

The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 provides for:

- Tax at 30% on undisclosed foreign income/assets
- Penalty up to 300% of tax
- Rigorous prosecution in specified cases

A one-time compliance window was provided in 2015. Thereafter, no structured settlement framework existed for legacy or inadvertent non-disclosures.

With increased information flow under the Automatic Exchange of Information (AEOI) framework, non-disclosure of foreign financial assets—particularly lowvalue or technical omissions—has emerged as a significant compliance issue.

Proposed Amendment

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

The Scheme allows eligible assesseees to make a time-bound declaration of:

- Undisclosed foreign income; or
- Undisclosed asset located outside India

Two-Tier Payment Structure:

(A) Undisclosed Asset / Income (Aggregate \leq ₹1 Crore)

Amount payable:

- 30% tax on FMV of asset (as on 31st March 2026)
- 30% tax on undisclosed foreign income
- Penalty equal to 100% of such tax

Effective exposure: 60% of value (excluding interest)

(B) Technical / Procedural Non-Disclosure (Value ≤ ₹5 Crore)

Applies where:

- Asset acquired during non-resident period; or
- Income already taxed in India but asset not disclosed in Schedule FA

Amount payable:

- Flat fee of ₹1 lakh

Exclusions:

Scheme not applicable where:

- Asset represents proceeds of crime (PMLA cases); or
- Assessment already completed under Black Money Act.

Applicability

Comes into force from a date to be notified by the Central Government.
Declaration permitted from commencement date till notified “last date”.

DCO Insight

FAST-DS 2026 represents a calibrated compliance regularisation framework rather than a blanket amnesty.
It distinguishes between:

- Wilful concealment (tax + moderated penalty); and
- Technical reporting lapses (nominal fee).

The Scheme directly targets:

- ESOP/RSU foreign holdings
- Dormant foreign bank accounts
- Returning resident disclosures
- Overseas deputation asset positions

4. Relaxation of Prosecution under the Black Money Act

Existing Provisions

Sections 49 and 50 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 provided for prosecution (including rigorous imprisonment and fine) where a resident:

- Wilfully failed to furnish return of income; or
- Wilfully omitted to disclose foreign income or foreign assets.

No minimum monetary threshold existed under existing provisions.

Proposed Amendment

Sections 49 and 50 amended to provide that prosecution shall **not apply** in respect of foreign assets (other than immovable property) where the aggregate value does not exceed ₹20 lakh.

Applicability

Retrospective from 1 October 2024

DCO Insight

- Introduces materiality threshold.
- Decriminalises minor and inadvertent foreign asset non-disclosures.
- Does not eliminate tax or penalty exposure.
- Immovable property remains outside relaxation.

5. Buyback of Shares

Existing Provisions

Consideration received on buyback was included in the definition of “**dividend**” and is taxed as **dividend**, not capital gains.

Proposed Amendment

Section 2(40)(f) is proposed to be omitted which considered buyback at par with dividend. Consequential amendment in section 7 removing reference to clause (f) has also been proposed. Further, additional Tax on Promoters has been proposed under Section 69 i.e. promoters would pay:

- Normal capital gains tax; **plus**
- Additional income-tax at following rates:

Capital Gain Type	Domestic Company	Others
Short-term	2%	10%
Long-term	9.5%	17.5%

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

DCO Insight

- Buyback moves from dividend regime to capital gains framework.
- Promoter exits via buyback become more expensive.
- Capital distribution strategy (dividend vs buyback) must be re-evaluated from FY 2026–27 onward.

6. Rationalisation of Prosecution – Income-tax Act, 2025

Multiple sections amended to replace “rigorous imprisonment” with “simple imprisonment” and to restructure sentencing bands.

Nature of Offence	Earlier Position	Amendment Proposed
S. 473 – Contravention of order during search	Rigorous imprisonment up to 2 years + fine	Simple imprisonment up to 2 years + fine
S. 474 – Failure to afford facility for inspection during search	Rigorous imprisonment up to 2 years + fine	Simple imprisonment up to 6 months and/or fine
S. 475 – Removal / concealment / transfer of property to thwart recovery	Rigorous imprisonment up to 2 years + fine	Simple imprisonment up to 2 years + fine
S. 476 – Failure to credit TDS to Central Government	Rigorous imprisonment 3 months to 7 years + fine	Partial decriminalisation: Certain TDS defaults (lottery, perquisites etc.) fully decriminalised.
		Other cases – Slab based:
		> ₹50L – Simple imprisonment up to 2 yrs / fine / both
		₹10–50L – Simple imprisonment up to 6 months / fine / both
S. 477 – Failure to credit TCS to Central Government	Rigorous imprisonment 3 months to 7 years + fine	Slab based:
		> ₹50L – Simple imprisonment up to 2 yrs / fine / both
		₹10–50L – Simple imprisonment up to 6 months / fine / both
		≤ ₹10L – Fine only
S. 478 – Wilful attempt to evade tax / under-report income	(i) Serious cases: Rigorous imprisonment 6 months–7 years + fine (ii) Other cases: 3 months–2 years + fine	Slab based simple imprisonment:
		> ₹50L – Up to 2 yrs / fine / both
		₹10–50L – Up to 6 months / fine / both
		≤ ₹10L – Fine only
S. 479 – Failure to furnish return (general cases)	Rigorous imprisonment + fine (tenure linked to tax evasion thresholds)	Slab based:
		> ₹50L – Up to 2 yrs / fine / both
		₹10–50L – Up to 6 months / fine / both
		≤ ₹10L – Fine only

Nature of Offence	Earlier Position	Amendment Proposed
S. 480 – Failure to furnish return in search cases	Rigorous imprisonment + fine	Slab based:
		> ₹50L – Up to 2 yrs / fine / both
		₹10–50L – Up to 6 months / fine / both
		≤ ₹10L – Fine only
S. 481 – Failure to produce books / comply with AO direction	Rigorous imprisonment up to 1 year + fine	Two-part treatment:
		Failure to produce books (268(1)) – Fully decriminalised
		Failure to comply with direction (268(5)) – Simple imprisonment up to 6 months / fine / both
S. 482 – False statement / false account	Rigorous imprisonment + fine (graded)	Slab based:
		> ₹50L – Simple imprisonment up to 2 yrs / fine / both
		₹10–50L – Up to 6 months / fine / both
		≤ ₹10L – Fine only
S. 483 – Falsification of books	Rigorous imprisonment 3 months–2 years + fine	Simple imprisonment up to 2 years + fine
S. 484 – Abetment of false return / evasion	Rigorous imprisonment + fine	Slab based:
		> ₹50L – Simple imprisonment up to 2 yrs / fine / both
		₹10–50L – Up to 6 months / fine / both
		≤ ₹10L – Fine only
S. 485 – Second and subsequent offences	Rigorous imprisonment 6 months–7 years + fine	Simple imprisonment 6 months–3 years + fine
S. 494 – Unauthorised disclosure by public servant	Imprisonment up to 6 months + fine	Simple imprisonment up to 1 month / fine / both

Applicability

Income-tax Act, 2025: 1st April 2026, Applicable from Tax Year 2026–27 onwards. Income-tax Act, 1961: 1st March 2026, wef assessment year 2026-27

DCO Insight

This reform indicates a shift from treating procedural resistance as a hardened criminal act to treating it as a compliance offence. However, since custodial exposure remains (simple imprisonment up to 2 years), obstruction during search continues to carry significant risk. Everyone must still treat search non-cooperation as high-risk exposure.

7. Rationalising the Period of Block in Case of Other Persons

Existing Position

In search and requisition cases, the “block period” for assessment of “other persons” (i.e., persons other than the searched person) was not uniformly aligned with the searched person’s block period, which resulted in:

- Ambiguity in period coverage.
- Litigation on applicability of block years.
- Potential expansion beyond intended search window.

Proposed Amendment

The period of block for “other persons” is rationalised and aligned with the block period applicable to the searched person.

Applicability

Effective from the 1st day of April, 2026, for search or requisition initiated or made as the case maybe, on or after 1st day of April, 2026.

DCO Insight

- This amendment reduces procedural litigation and prevents excessive temporal extension of block assessments in third-party cases.
 - Remove interpretational disputes.
-

8. Referencing the Time Limit to Complete Block Assessment to the Initiation of Search or Requisition

Existing Position

Time limits for completing block assessments were not always clearly anchored to the precise date of initiation of search/requisition. This created disputes regarding:

- Limitation computation.
- Validity of assessment orders.

Proposed Amendment

The time limit for completion of block assessment is now expressly linked to the **date of initiation of search or requisition**.

Applicability

Effective from the 1st day of April, 2026, for search or requisition initiated or made as the case maybe, on or after 1st day of April, 2026.

DCO Insight

- Brings certainty in limitation computation.
- Reduces annulment risk due to technical limitation errors.
- Aligns assessment clock with enforcement trigger.

9. Rationalisation of Penalties into Fee

Existing Position

Certain procedural non-compliances attracted “penalty”, even where:

- No tax evasion element existed.
- Default was technical or delay-based.

Particulars	Existing	Proposed
Failure to get accounts audited	Section 446 – Penalty: Lesser of: • 0.5% of turnover/gross receipts • ₹1,50,000	Converted into Fee under section 428(c): • ₹75,000 – delay up to 1 month • ₹1,50,000 – delay beyond 1 month
Failure to furnish report under section 172 (Accountant’s report – International / Specified Domestic Transactions)	Section 447 – Fixed penalty of ₹1,00,000	Converted into Fee under section 428(d): • ₹50,000 – delay up to 1 month • ₹1,00,000 – thereafter
Failure to furnish Statement of Financial Transactions (SFT) / Reportable Account	Section 454(1) – ₹500 per day of default	Converted into Fee under section 427(3): • ₹200 per day • Maximum cap ₹1,00,000

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

DCO Insight

- Reduces stigma associated with minor compliance lapses.
- Converts punitive regime into cost-of-compliance model.
- Improves proportionality in enforcement.

10. Imposition of Penalty for Under-reporting or Misreporting within Assessment Order

Existing Position

Penalty proceedings for under-reporting/misreporting were initiated separately, leading to:

- Multiple proceedings.
- Procedural delays.
- Fragmented adjudication.

Proposed Amendment

Penalty for under-reporting or misreporting to be imposed within the assessment order itself.

Applicability

Effective 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 (144C of 1961 Act) is made or assessment under section 270 (143 of 1961 Act) or reassessment under section 279 (147 of 1961 Act) is made on or after 1st of April, 2027.

DCO Insight

- Consolidates assessment and penalty determination.
 - Reduces multiplicity of proceedings.
 - Enhances administrative efficiency.
 - Minimises prolonged litigation lifecycle.
-

11. Increase in Maximum Amount of Penalty in Section 466 of the Act

Existing Position

Section 466 prescribed a relatively lower monetary ceiling of Rs. 1000 for penalty in specified procedural defaults.

Proposed Amendment

Maximum penalty amount increased to Rs. 25000.

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

12. Rationalisation of Tax Rate under Section 195 and Penalty under Section 443

Existing Position

- Tax under Section 195 on account of, unexplained credits, unexplained investment, unexplained asset, unexplained expenditure and amount borrowed or repaid through negotiable instrument, hundi, etc.: 60% flat rate.
- Separate penalty under Section 443: 10% of tax payable.

This resulted in:

- Effective punitive rate structure.
- Dual penalty layering.

Proposed Amendment

- Tax rate under Section 195 reduced to 30%.
- Section 443 (separate penalty) omitted.
- Penalty treatment subsumed under Section 439(11) (misreporting framework).

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

DCO Insight

- Removes confiscatory tax effect and eliminates duplication of penalties.
- Integrates unexplained income into mainstream penalty architecture.

13. Expanding Scope of Immunity under Section 440 for under-reporting

Existing Position

Immunity available only in limited under-reporting cases; misreporting cases were excluded.

Provision	Existing	Proposed	Financial Condition
Section 440	Immunity available only for under-reporting (not misreporting)	Extended to cases of under-reporting in consequence of misreporting	Additional tax @ 100% of tax payable (misreporting cases)
Section 440 (income under 102–106)	Separate penalty under Section 443	Since 443 omitted, immunity extended with higher additional tax	Additional tax @ 120% of tax payable

Applicability

Income-tax Act, 2025: 1st April 2026, Applicable from Tax Year 2026–27 onwards.

Similar amendment at 100% additional tax in section 270AA of the Income-tax Act, 1961: 1st March 2026, for assessment year 2026-27 or any earlier assessment years

DCO Insight

- Converts prosecution-track cases into revenue recovery pathway.
- Enhances dispute closure efficiency.

14. Clarification – jurisdiction for section 148/148A (1961 Act) notices

Existing Position

Ambiguity whether NaFAC could conduct pre-assessment enquiries.

Proposed Amendment

Clarifies that pre-assessment powers rest with jurisdictional AO, retrospectively from 1.4.2021.

Applicability

Income-tax Act, 2025: 1st April 2026, Applicable from Tax Year 2026–27 onwards.

Income-tax Act, 1961: With retrospective effect from 1st April 2021

DCO Insight

Retrospective clarification is litigation-containment strategy. Assess exposure in ongoing reassessment matters.

15. Rationalising the Due Date to Credit Employee Contribution by Employer

Existing Position

Section 29(1)(e)(i) allows deduction of employee contribution only if credited to the relevant fund by the due date prescribed under the respective Act.

This resulted in disallowances even where contribution was deposited before filing of return but after due date of payment under the respective Act.

Proposed Amendment

Section 29(1)(e) amended to provide that the due date shall be the due date of filing return under section 263(1).

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

DCO Insight

- This is a litigation-neutralising amendment.
 - Past assessments saw aggressive disallowances under strict interpretation. This reform signals a shift from punitive timing interpretation to economic substance approach.
-

16. Rationalising Due Dates for Filing Return

Category	Existing Due Date	Proposed Due Date
Cases under section 172 (Transfer Pricing)	30 November	30 November
Audit cases	31 October	31 October
Non-audit business / partner	31 July	31 August
Others	31 July	31 July

Applicability

Income-tax Act, 2025: 1st April 2026, Applicable from Tax Year 2026–27 onwards.

Income-tax Act, 1961: 1st March 2026, wef assessment year 2026-27

DCO Insight

- Segmented compliance calendar.
- Reduced congestion in July.
- Better documentation preparation time for business taxpayers.

17. Extension of Time Limit for Filing Revised Return

Proposed Amendment

Time limit increased from 9 months to 12 months from end of tax year. Fee introduced for revised return filed beyond 9 months of Rs. 1000 if the total income of such person does not exceed ₹ 500000 and Rs. 5000 for others.

Applicability

Income-tax Act, 2025: 1st April 2026, Applicable from Tax Year 2026–27 onwards.

Income-tax Act, 1961: 1st March 2026, wef assessment year 2026-27

DCO Insight

- Encourages corrective compliance.
 - Reduces harsh consequences of late discovery errors
-

18. Scope of Updated Return – Reduction of Loss

Proposed Amendment

Updated return allowed where taxpayer reduces loss declared earlier.

Applicability

Income-tax Act, 2025: 1st April 2026, Applicable from Tax Year 2026–27 onwards.

Income-tax Act, 1961: 1st March 2026, wef assessment year 2026-27

DCO Insight

- Promotes accurate carry-forward.
 - Avoids artificial inflation of losses.
 - Reduces assessment-stage correction disputes.
-

19. Updated Return After Reassessment Notice

Proposed Amendment

Updated return allowed pursuant to notice under section 280. A further sum of 10% tax over aggregate tax and interest would be payable. Income on which such additional income-tax is paid shall not form the basis of imposition of penalty under section 439.

Applicability

Income-tax Act, 2025: 1st April 2026, Applicable from Tax Year 2026–27 onwards.

Income-tax Act, 1961: 1st March 2026, wef assessment year 2026-27

DCO Insight

- Structured settlement option.
- This is a strategic litigation management tool.

20. Advance Pricing Agreements – modified return by associated enterprise

Existing Position

Only the person entering into APA could file modified returns.

Proposed Amendment

Associated enterprises (AEs) whose income is impacted may also file or modify returns within three months from end of month of APA signing (for agreements post 1.4.2026).

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

DCO Insight

This materially reduces litigation risk in cross-border TP adjustments. Groups should design coordinated APA implementation frameworks immediately.

21. Exemption to foreign company – data centre servic

Existing Position

No specific exemption for data centres

Proposed Amendment

Foreign companies procuring services from specified Indian data centres receive exemption up to tax year ending 31 March 2047, subject to routing Indian user services via Indian reseller.

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards

Applicability

This is a long-horizon infrastructure play. Structuring reseller entities correctly will determine eligibility. Expect aggressive inbound structuring around this window.

22. Prospecting of critical minerals – deduction expansion

Existing Position

Section 51 allows deferred deduction over 10 years for specified minerals.

Proposed Amendment

Critical minerals are added to Schedule XII 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.

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

23. Capital equipment to electronics manufacturer in bonded area

Existing Position

No specific exemption

Proposed Amendment

Foreign companies supplying capital goods to Indian contract manufacturers in bonded warehouses get exemption up to tax year 2030–31.

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

24. Exclusion from MAT – additional presumptive businesses

Existing Position

Certain presumptive businesses were excluded, however, cruise ships and electronics tech service providers not covered.

Proposed Amendment

These two businesses have been excluded from the applicability of MAT.

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

25. Exemption for non-residents rendering services under notified scheme

Existing Position

No such structured exemption.

Proposed Amendment

Five-year exemption on foreign income for non-residents rendering services under notified schemes. Applicable to 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.

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards

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

Existing Position

Section 147 provides a 100% deduction on certain income for units located in an International Financial Services Centre (IFSC) and Offshore Banking Units (OBUs). The deduction is available for 10 consecutive years out of 15 years (for IFSC units) and 10 consecutive years (for OBUs). Post expiry of the deduction period, such units are subject to normal corporate tax rates.

Proposed Amendment

The deduction window is significantly expanded to 20 consecutive years out of 25 years for IFSC units and 20 consecutive years for OBUs. Further, after the expiry of the deduction period, business income of such IFSC units will be taxed at a concessional rate of 15%.

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

DCO Insight:

This is a decisive signal that IFSC is being positioned as a permanent global financial gateway, not a temporary incentive zone. Entities evaluating relocation or greenfield set-ups must now reassess the optimal timing of commencement to maximize the 20-year window. Additionally, group treasury centralisation into IFSC becomes economically compelling when combined with long-term concessional taxation. Strategic planning should incorporate substance requirements and regulatory alignment to avoid anti-abuse exposure.

27. MAT Rationalisation

Existing Position

MAT at 15% with 15-year carry-forward credit (old regime only).

Proposed Amendment

MAT reduced to 14% and becomes final tax in old regime (no new credit). Limited set-off in new regime (25% cap on tax liability for domestic companies).

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

DCO Insight:

This is a decisive push toward new regime adoption. Companies sitting on MAT credit stockpiles must stress-test cash tax models immediately.

28. Rationalisation of TCS rates

Existing Position

Multiple rates (1%, 5%, 20%) across items.

Proposed Amendment

Broad rationalisation to 2% in many cases (alcohol, scrap, minerals, LRS education/medical, overseas tour packages).

Nature of Receipt	Existing	Proposed
Sale of alcoholic liquor for human consumption	1%	2%
Sale of tendu leaves	5%	2%
Sale of scrap	1%	2%
Sale of minerals (coal, lignite, iron ore)	1%	2%
Remittance under LRS – for education or medical treatment (exceeding ₹10 lakh)	5%	2%
Remittance under LRS – for purposes other than education or medical treatment	20%	20%
Sale of overseas tour programme package	5% (up to ₹10 lakh) 20% (exceeding ₹10 lakh)	2%

Applicability

1st April 2026

29. No TDS on Interest Awarded by Motor Accidents Claims Tribunal

Existing Position

No TDS where interest does not exceed ₹50,000.

Proposed Amendment

No tax deduction at source irrespective of quantum.

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

DCO Insight

- Removes refund dependency.
- Simplifies compliance for tribunals and insurers.
- Prevents hardship to victims awaiting settlement.
- Operationally significant for insurance companies.

30. Enabling Electronic Verification for Lower/Nil TDS Certificate

Existing Position

Application required before Assessing Officer physically.

Proposed Amendment

Application may be filed electronically before prescribed authority. Authority may issue or reject subject to prescribed conditions.

Applicability

Effective 1st April 2026.

DCO Insight

- Reduces administrative friction.
 - Accelerates certificate issuance.
 - Improves ease of compliance for startups and consultants
 - Digital processing may reduce dependency on discretionary officer interaction, improving predictability in tax planning.
-

31. Relaxation from TAN Requirement for Resident Buyer (NRI Seller)

Existing Position

Buyer required to obtain TAN when purchasing immovable property from nonresident.

Proposed Amendment

Resident individual or HUF not required to obtain TAN for TDS under section 393(2) [Table SI. No. 17].

Applicability

Effective 1st October 2026

DCO Insight

- Removes one-time registration burden.
 - Simplifies high-value property transactions.
 - This reform reduces psychological compliance barriers for individual home buyers.
-

32. Filing Declaration for No TDS via Depository

Existing Position

Separate declaration required for each payer.

Proposed Amendment

Declaration may be filed with depository. Depository will transmit declaration to payer. Quarterly reporting has been allowed instead of monthly. Only applicable where securities are:

- Held in depository
- Listed on recognised stock exchange

Applicability

Effective 1st April 2027.

33. Application of TDS on Supply of Manpower

Existing Ambiguity

Uncertainty whether manpower supply falls under:

- Contractual work (1% / 2%)
- Technical services (2% / 10%)

Proposed Amendment

Supply of manpower included under definition of “work” in section 402(47). Therefore section 393(1)[Table Sl. No. 6(i)/(ii)] applies and this will be considered as a contractual payment instead of professional or technical.

Applicability

Effective 1st April 2026.

DCO Insight

- Reduces classification disputes.
 - Lowers TDS rate exposure in certain scenarios.
-

34. Exemption on Interest Income under Motor Vehicles Act, 1988

Existing Position

Exemption existed for compensation; ambiguity persisted regarding taxability of interest component.

Proposed Amendment

Schedule amended to exempt income in nature of interest awarded under Motor Vehicles Act to individual or legal heir.

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

DCO Insight

- Eliminates interpretational ambiguity.
- Removes refund cycles triggered by TDS.

35. Exemption on Compulsory Acquisition under RFCTLARR Act

Existing Position

CBDT Circular clarified exemption; Act lacked explicit alignment.

Proposed Amendment

Schedule amended to exempt income in respect of award or agreement made under Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act) (excluding section 46 cases) for compulsory acquisition carried out on or after 1st April 2026.

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

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

Existing Provision

Section 149(2)(d) allows deduction to a cooperative society in respect of interest or dividend received from another cooperative society, but only under the old tax regime. Dividends received from companies are taxable in the hands of the cooperative society.

Proposed Amendment:

The deduction for dividends received from other cooperative societies is extended to the new tax regime to the extent such dividends are distributed to members. Additionally, notified federal cooperatives will be allowed deduction for dividends received from companies for three years (up to tax year 2028–29), limited to investments made up to 31.01.2026 and distributed to members.

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

DCO Insight

This is a structural correction promoting capital circulation within the cooperative chain. However, documentation discipline around dividend tracing will be mission-critical.

37. Widening scope of deduction under section 149 – cattle feed and cotton seeds

Existing Provision

Section 149(2)(b) allows 100% deduction to primary cooperatives supplying specified agricultural produce (milk, oilseeds, fruits, vegetables) to federal cooperatives or government entities.

Proposed Amendment

Profits from supplying cattle feed and cotton seeds are included within the eligible ambit.

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

38. Inclusion of Multi-State Cooperative Societies in definition**Existing Provision**

Section 2(32) excludes societies registered under the Multi-State Cooperative Societies Act, 2002.

Proposed Amendment:

Such societies are now included within the definition of “co-operative society”.

Applicability

Effective 1st April 2026, Applicable from Tax Year 2026–27 onwards.

39. DIN-related assessment validity.**Existing Provision**

Section 292B (1961 Act) saves technical defects; courts invalidated orders for DIN omissions.

Proposed Amendment:

Assessment not invalid if DIN referenced in any manner.

Applicability

Income-tax Act, 2025: 1st April 2026, Applicable from Tax Year 2026–27 onwards.

Income-tax Act, 1961: With retrospective effect from 1st October 2019.



CONSOLIDATED KEY TAKEAWAYS

a. Key Takeaways for Corporates

1. No change in corporate tax rates, planning assumptions remain intact.
2. Concessional 22% regime continues without modification.
3. Surcharge structure unchanged, threshold planning remains relevant.
4. Updated return post reassessment provides litigation exit route.
5. Revised return window extended; internal error correction flexibility enhanced.
6. TDS clarification on manpower reduces classification disputes.
7. FAST-DS 2026 may impact cross-border employees and foreign subsidiary disclosures.

b. Key Takeaways for SMEs / Non-Audit Businesses

1. Return filing due date extended to 31st August.
2. Employee contribution deduction aligned with return filing date.
3. Updated return flexibility increased.
4. Revised return time extended to 12 months.
5. Reduced procedural burden in certain TDS and property transactions.

c. Key Takeaways for Individuals

1. No change in slab rates.
2. Surcharge cap continues under new regime.
3. Disability pension exemption clarified and extended for armed personnel.
4. Relief in revised and updated return timelines.

d. Key Takeaways for Advisors and CA Firms

1. Reassessment strategy must now include updated return evaluation.
2. Loss carry-forward corrections can be structured through updated returns.
3. FAST-DS 2026 advisory should be done for foreign asset disclosures.
4. Filing calendar restructuring required due to staggered due dates.
5. Increased emphasis on proactive compliance reviews rather than reactive litigation



INDIRECT TAXES

The Union Budget introduces targeted GST amendments aimed at improving flexibility, liquidity, and certainty for taxpayers. Key proposals include rationalisation of post-sale discount, expansion of the scope of credit notes, and enhancement of refund provisions, including provisional refunds for inverted duty structures. The establishment of a National Appellate Authority for Advance Rulings seeks to ensure consistency and reduce disputes. Further, changes to the place of supply for intermediary services are proposed to align GST treatment with international trade practices and promote ease of doing business.

Executive Summary

1. Section 15: Valuation of Taxable Supply

1.1 Existing Provision

As per existing provision, post-sale discounts can be deducted from the value of supply only if the following conditions are satisfied:

- The discount is given as per the established terms of an agreement entered into at or before the time of such supply, and is specifically linked to relevant invoices; and
- The input tax credit (ITC) attributable to such discount, on the basis of a document issued by the supplier, has been reversed by the recipient.

1.2 Proposed Amendment

It is proposed to do away with the requirement of pre-agreement for allowing post-sale discounts. Under the amended provision, deduction of post-sale discounts from the value of supply will be permissible if:

- A credit note is issued by the supplier under Section 34 of the CGST Act; and
- The recipient reverses ITC corresponding to such discount.

1.3 Analysis and Effective date

This brings greater flexibility and aligns with commercial realities.

The above changes shall come into force from such date as may be notified by the Government.

2. Section 34: Credit Notes

2.1 Existing Provision

As per existing provision, a credit note may be issued by a supplier only in the following situations:

- When the taxable value or tax charged in tax invoice is found to exceed the taxable value or tax payable in respect of such supply,
- When the goods are returned by the recipient; or
- When the goods or services are found to be deficient.

2.2 Proposed Amendment

It is proposed to expand the scope of Section 34 to also cover credit notes for post-sale discounts issued pursuant to Section 15. Due to this amendment, all provisions contained in Section 34 including the mandatory requirement of declaration of such credit notes in return within specified timeline and adjustment of tax liability in prescribed manner shall be applicable for post-supply discounts.

2.3 Analysis and Effective date

- The benefit of post-sale credit notes shall be available only if corresponding ITC reversal is made by the recipient.
- This ensures revenue neutrality and prevents double benefit.
- The amendment will take effect from a date to be notified by the Government.

3. Section 54: Refund of Taxes

3.1 Existing Provision

As per existing provisions of refund,

- Provisional refund of 90% of the total refund claimed is available only for zero-rated supplies of goods (exports).
- Refund is not payable if the amount is less than ₹1,000.

3.2 Proposed Amendment

The Finance Bill proposes to:

- Extend provisional refund benefit to cases where refund arises on account of inverted duty structure; and
- Remove the ₹1,000 threshold limit for sanctioning refunds in respect of exports of goods with payment of tax.

3.3 Effective date

The amendments will take effect from a date to be notified by the Government.

4. Insertion of New Subsection (1A) in Section 101A: National Appellate Authority for Advance Ruling

- This provision empowers the Government to notify an existing Authority or Tribunal as the National Appellate Authority for Advance Rulings to hear appeals under Section 101B of the CGST Act.
- This measure is aimed at strengthening the dispute resolution framework, ensuring consistency in rulings, and providing greater certainty to taxpayers.

Effective date

This will come into effect from 01.04.2026.

5. Place of Supply in case of Intermediary Services – Section 13(8) of IGST Act

5.1 Existing Provision

As per existing provision, under Section 13(8)(b) of IGST Act, the place of supply in respect of intermediary services is the location of the supplier.

5.2 Proposed

- It is proposed to omit Section 13(8)(b).
- Consequently, the residuary rule under Section 13(2) shall apply, according to which, the place of supply in case of intermediary services would be the location of the recipient of services.

5.3 Impact and Insight

Pre-amendment:

(A) Cross Border Intermediary Services provided by Indian suppliers are not treated as 'export of services' even if:

- the supplier is in India,
- the recipient is outside India, and
- payment is received in foreign exchange,

Even after fulfilment of above conditions, the place of supply of intermediary services provided by Indian suppliers was still falling in India and thus the transaction faced denial of export benefits and caused tax burden on suppliers only.

(B) Import of Intermediary Services not taxable in India

- the supplier was outside India, and
- the recipient was in India

the place of supply was considered outside India and therefore tax liability under Reverse Charge not arises.

Post-amendment:

(A) Cross Border Intermediary Services provided by Indian suppliers will now qualify as Export if:

- In case of intermediary services, where
- the supplier is in India,
- the recipient is outside India, and
- payment was received in foreign exchange,

the place of supply will be outside India i.e. location of recipient and the service will qualify as export of service (Zero Rated Supply).

(B) Import of Intermediary Services in India will now be taxable under RCM

In case of intermediary services, where

- the supplier is outside India, and
- the recipient is in India

the place of supply will be in India i.e. location of recipient and the recipient will be liable to pay GST under the Reverse Charge Mechanism (RCM).

5.4 Effective date

The above change shall be effective from the date of enactment of Finance Bill, 2026.



Dhadda & Co

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Thank You