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Budget 2026 – Key Income Tax & Compliance Highlights

Dear Client,

Please find below the **important highlights of Budget 2026** for your information 




Income Tax Law Updates

-  **New Income Tax Act, 2025** to be implemented from **April 2026**
 -  **No change** in income tax rates and slabs under both **Old & New Tax Regimes**
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ITR Filing Due Dates (Non-Audit Cases)

-  ITR-1 & ITR-2 → **31st July (Salaried)**
 -  ITR-3 & ITR-4 → **31st August (Non-Salaried)**
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Revising Returns

-  Time limit for **revising returns extended up to 31st March** (earlier 31st December)
-  Fees:
 - ₹1,000 – Income up to ₹5 lakh
 - ₹5,000 – Income above ₹5 lakh
-  Updated return allowed **even after reassessment proceedings**, with **additional tax @10%** to reduce litigation





Capital Gains & Exemptions

-  **Sovereign Gold Bonds (SGB):** Capital gains exemption on redemption **only if purchased directly from RBI and held till maturity**
-  **Motor Accident Claims Tribunal (MACT)** interest received by individuals **fully exempt from tax**
 No TDS applicable




TCS Rationalisation

-  Overseas tour package TCS reduced to **2%** (from 20%)
-   LRS remittances for **education & medical purposes** – TCS reduced to **2%** (from 5%)



Ease of Compliance

-  **Automated system** for **Lower/Nil TDS certificate** for small taxpayers (no manual application)
-  For **property purchase from NRI**, **TAN requirement removed** – PAN-based challan to be used
-   **Assessment & penalty proceedings** to be combined into a **single order**


Foreign Asset Disclosure – One Time Scheme (6 Months)

-  Category A: Undisclosed foreign income/assets up to **₹1 crore**
 -  Category B: Foreign assets up to **₹5 crore** (income disclosed earlier but assets not reported)
 -  **Immunity from prosecution** for non-disclosure of **non-immovable foreign assets up to ₹20 lakh**
(Applicable retrospectively from **1 Oct 2024**)
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Penalties & Immunities

-  Immunity from **misreporting penalty** available on payment of additional tax
 -  Many penalties converted into **fees**, payable **without any departmental order** (e.g. Tax Audit Report, TP Report, SFT non-filing)
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Demand Stay Relief

-  Stay of demand available by paying **10% of tax demand** (earlier 20%)
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Unexplained Income – Major Relief

-  Tax rate reduced from **60% to 30%**
 -  10% penalty removed
 -  Misreporting penalty of **200% continues**
 -  Immunity available by paying **120% of tax**
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Capital Market Changes

-  STT on **Futures** increased to **0.05%**
 -  STT on **Options premium** increased to **0.15%**
 -  STT on **exercise of options** increased to **0.15%**
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MAT (Minimum Alternate Tax)

-  MAT rate reduced from **15% to 14%**
-  MAT to be **final tax** for domestic companies (no new MAT credit)
-  MAT credit set-off allowed only on **transition to new regime**, limited to **25% of normal tax liability**
-  Balance MAT credit can be carried forward up to **15 years**

Buyback Taxation

-  Buyback proceeds to be taxed as **Capital Gains** for all shareholders
-  Promoters to pay **additional tax** on capital gains

Other Important Changes

-  Interest deduction on dividend income limited to **20%** (not allowed from FY 2026-27 onwards)
-  Employee PF/ESI contribution allowed if deposited **before ITR filing due date**
-  **PROIs (Persons Resident Outside India)** allowed to invest in listed Indian equity through **PIS route**

Disclaimer

This information is for general awareness only. Please do not take any action based on the above without consulting your Tax Advisor.
