

# **Budget Circular**

## **Finance Bill, 2026**

**JAIN SARAOGI & CO LLP**  
CHARTERED ACCOUNTANTS

## DIRECT TAX

The Hon'ble Finance Minister has presented The Finance Bill, 2026 on 01.02.2026. The broad proposals are set out as below:

- **Rates of Income tax**

There is no change in the rate of Corporate Income-Tax.

There is no change in the rate of Personal Income-Tax under the Old Tax Regime and New Tax Regime.

- **Due Date for Filing of Return of Income**

Individuals who files ITR-1 and ITR-2 – Due date of filing of Return of Income shall remain 31<sup>st</sup> July.

Assessees 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 shall be 31<sup>st</sup> August.

- **Period of Filing Revised Return**

It is proposed to amend section 263(5) of the Act so as to increase the prescribed time limit for filing the revised return 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. The fee shall be (i) a sum of ₹ 1000, if the total income of such person does not exceed ₹ 500000; and (ii) a sum of ₹ 5000, in any other case.

- **Filing of Updated Return after issuance of notice of reassessment**

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 of reassessment 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.

It is further proposed in such cases 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.

▪ **Due date to credit employee contribution by the employer**

It is proposed to amend the definition of “due date” by which the amount of employee contribution is required to be credited to the account of the employee in the relevant fund by the employer. The “due date” shall now be the due date of filing of return of income under section 263(1) of the Act.

▪ **Relaxation from requirement to obtain TAN in cases where seller of the immovable property is a non-resident**

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).

▪ **Taxation of Buyback of shares**

The consideration received on buyback of shares shall be taxable under the head “Capital Gains” instead of being treated as dividend income.

It is further proposed that, in the case of promoters, the effective tax liability on gains arising from buy-back shall be comprising of tax payable at the applicable rates of capital gain together with an additional tax.

Additional Tax for promoters in case of capital gain on buyback of shares:

Particulars	Rate, where the promoter is a domestic company	Rate, where the promoter is other than a domestic company
Short-term capital gains referred to in section 196 arising from the transfer of such securities	2%	10%
Long-term capital gains referred to in section 197 or section 198 arising from the transfer of such securities	9.5%	17.5%

Promoters shall mean in the case of a company whose shares are listed on a recognised stock exchange in India, 'promoter' shall have the same meaning as assigned to it in regulation 2(k) of the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 made under the Securities and Exchange Board of India Act, 1992.

In any other case 'promoter' shall mean a "promoter" as defined in section 2(69) of the Companies Act, 2013; or a person who holds, directly or indirectly, more than 10% of the shareholding in the company.

▪ **Non-allowability of Interest as a deduction against Dividend Income**

No deduction shall be allowed in respect of any interest expenditure incurred for earning dividend income or income from units of mutual funds.

▪ **Penalties converted to Mandatory Fee**

Section 428(c) - Graded fee of Rs. 75,000 and 1,50,000 is proposed depending upon the period of delay for failure to get accounts audited.

Section 428(d) - Graded fee of Rs. 50,000 and 1,00,000 is provided depending upon the period of delay for failure to furnish report under section 172 which relates to report from an accountant to be furnished by persons entering into international transaction or specified domestic transactions.

▪ **TDS on Supply of Manpower**

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) [tax deduction at source (TDS) in the case of payments made to contractors for carrying out any work] shall apply in such case.

▪ **Revision of TCS Rates**

Section	Present TCS Rate	Proposed TCS Rate
Sale of alcoholic liquor for human consumption	1%	2%
Sale of tendu leaves	5%	2%
Sale of scrap	1%	2%
Sale of minerals, being coal or lignite or iron ore	1%	2%

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Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding ten lakh rupees— for purposes of education or medical treatment	5%	2%
for purposes other than education or medical treatment	20%	20%
Sale of “overseas tour programme package” including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure	5% - <10 Lakhs 20% - >10 Lakhs	2%

▪ **Increase in amount of Penalty in Section 466**

It is proposed to increase the penalty amount to Rs. 25,000 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.

▪ **Reduction in tax rates in cases covered under Section 195**

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.

It is proposed to reduce the tax rate from 60% to 30% under Section 195.

It is further proposed that the penalty on income in such cases shall now be included in the cases of under-reporting of income in consequence of misreporting under section 439(11) of the Act.

▪ **Imposition of penalty for under-reporting and misreporting of income**

It is proposed that a common order to be issued for both assessment and penalty for under-reporting and misreporting of income which will ensure avoiding multiplicity of proceedings.

▪ **Granting of Immunity from imposition of penalty or prosecution**

It is proposed to grant immunity under Section 440 from imposition of penalty or prosecution to cases where under-reporting of income is in consequence of misreporting by payment of additional income-tax to the extent of 100% of the amount of tax payable on such income in lieu of the penalty.

Further for nature of income referred to in section 102 to 106 (unexplained credits, unexplained investment, unexplained asset, etc.) of the Act, immunity shall be granted by payment of additional income-tax to the extent of 120% of the amount of tax payable on such income in lieu of the penalty.

▪ **Minimum Alternate Tax Provisions**

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.

▪ **Increase in STT on F&O**

It is proposed to increase the STT to 0.15% in case of sale of option in securities and to 0.05% in case of sale of futures in securities. The revised rates shall apply to transactions entered into on or after 01.04.2026.

▪ **Electronic verification for certificate of Lower Rate or No Deduction of Income Tax**

It is proposed to provide 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.

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

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.

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.

▪ **Assessments not to be invalid on ground of any mistake, defect or omission on account of computer-generated DIN**

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.

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.

▪ **Rationalising the period of block in case of other persons**

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. 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.

▪ **Relaxation of conditions for prosecution under the Black Money Act**

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.

▪ **Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026**

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.

## GOODS & SERVICES TAX

- **Linking of post-sale discount with an agreement removed**

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.

- **Issuing Credit Notes for post-supply discounts**

Section 34 of the Central Goods and Services Tax Act, 2017 is being amended so as to include the reference of discount referred under clause (b) of sub-section (3) of section 15 in the said section for issuing credit notes for post-supply discounts.

- **Refund related amendments**

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.

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.



**THANK YOU**

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