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Summary of proposals made under Budget 2026-2027


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INDIA Chartered Accountant

UNION BUDGET | 2026

KEY HIGHLIGHTS AT A GLANCE

NEW INCOME TAX ACT
New Income Tax Act, 2025 to come into effect from April 2026.

TAX RATES
No change in income tax slab rates for FY 2026-27.

RETURN FILING DUE DATES
Due dates revised for certain taxpayers for convenience & compliance.

EASE OF COMPLIANCE
Simplified return filing, relaxed TDS rules & reduced penalties for taxpayers.

MAT REDUCED
Minimum Alternate Tax (MAT) for companies in old regime reduced from 15% to 14%.

BUSINESS BOOST
Support for startups, exports, investments & economic growth.

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OTHER IMPORTANT UPDATES

- GST refund process simplified
- TCS rates rationalized
- Surcharges on dividend & capital gains restricted to maximum 15%
- Extended deadline to revise returns
- One-time foreign asset disclosure scheme for small taxpayers

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Direct Taxes

New Income tax Act, 2025 to come into effect from April 2026. The simplified Income Tax Rules and Forms will be notified shortly. The forms are redesigned for easy compliance of ordinary citizens.

- **No change** in income tax slab rates,

Tax Slabs for Tax Year 2026-27 (Default New Regime)

Slabs	Tax Rates
Upto Rs. 4,00,000	Nil
From Rs. 4,00,001 to Rs. 8,00,000	5%
From Rs. 8,00,001 to Rs. 12,00,000	10%
From Rs. 12,00,001 to Rs. 16,00,000	15%

From Rs. 16,00,001 to Rs. 20,00,000	20%
From Rs. 20,00,001 to Rs. 24,00,000	25%
Above Rs. 24,00,000	30%

Proposed changes in the provisions of TCS

Sl. No	Nature of receipt	Section	Current Rate	Proposed Rate
1	Sale of alcoholic liquor for human consumption	206C (1)	1%	2%
2	Sale of tendu leaves	206C (1)	5%	2%
3	Sale of scrap	206C (1)	1%	2%
4	Sale of minerals, being coal, lignite or iron ore	206C (1)	1%	2%
5	Remittance under the Liberalised Remittance Scheme (LRS) of an amount or aggregate of the amounts exceeding 10 lakh rupees.	206C(1G)	(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.	206C(1G)	(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%

Changes in the Due Dates of filing Returns

Sl. No.	Person	Previous Due date	Proposed Due date
1	Individuals who are required to file ITR 1 & ITR 2	31st July	31st July
	(i) Assessee having income from profits and gains of business or profession whose accounts are not required		

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2	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	31st July	31st August
3	(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 accounts are required to be audited under this Act or under any other law in force, or the spouse of such partner.	31st October	31st October

- **Minimum alternate Tax (MAT)** for the Company in the old regime is lowered from **15% to 14%**.
- **Set-off** using available **MAT credit** to be allowed to an extent of **1/4th of the tax liability** in the new regime.
- **Surcharges on dividend income and capital gains** are restricted to a **maximum of 15%**.
- The finance minister proposed introducing a one-time **6-month foreign asset disclosure scheme** for **small taxpayers** below a certain size.
- The deadline for **revising returns** has been **extended from 31st December to up to 31st March**, with the payment of a nominal fee.
- **Individual Persons Resident Outside India (PROIs)** will be allowed to **invest in equity instruments of listed Indian companies** through the Portfolio Investment Scheme (PIS).
- FM Nirmala Sitharaman proposed a **TDS** on the supply of **manpower services** at a rate of either **1% or 2%**.
- Interest awarded by **the motor accident claim tribunal** to a natural person will be **exempt from Income Tax, and any TDS** on this account will be done away with.
- A new scheme for small taxpayers has been proposed, wherein a **rule-based automated process** will enable **obtaining a lower or nil deduction certificate** instead of filing an application with the assessing officer.

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- For the ease of **taxpayers holding securities in multiple companies**. FM has proposed to enable depositories to accept Form 15G or Form 15H from the investor and provide it directly to various relevant companies.
- Raising the **STT on Futures** from 0.02% to **0.05%**.
- **STT on options** premium and exercise of options to be **raised to 0.15%** from rate of 0.1% and 0.125%, respectively.
- From **1 April 2026**, employers can **claim deduction for employees' contribution** (PF/ESI etc.) if deposited **up to the due date of filing the income-tax return**, instead of the earlier strict statutory due date. This applies from TY 2026-27 onwards.
- In the interest of minority shareholders, buyback for all types of **shareholders to be taxed as Capital Gains**. Promoters to pay an additional **buyback tax, making effective tax 22 percent** for corporate promoters and **30 percent for non-corporate promoters**.
- TDS on the sale of immovable property by a non-resident to be deducted and deposited through resident buyer's PAN instead of TAN.

Rationalizing Penalty and Prosecution

- **IT assessment & penalty proceedings** are proposed to be **integrated** by way of common order for both.
- Taxpayers are allowed to **update their returns** even **after reassessment proceedings** have been initiated to reduce litigations, at an **additional 10 percent tax rate** over and above the rate applicable for the relevant year.
- **Immunity from Misreporting of Income:** The existing immunity framework for penalty and prosecution for under-reporting is extended to cases of **misreporting**, provided the taxpayer pays an additional income tax of **100%** (or **120%** for unexplained cash credits) over the tax and interest due.
- Prosecution framework under the Income Tax Act to be rationalized.
- **Non-production** of books of account and **documents**, and requirement of **TDS payment**, where payment is made in kind, to be **decriminalised**.

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- **Honest taxpayers** willing to settle disputes will **now be able close cases** by paying an **additional amount in lieu of penalty**.
- **Reduced Pre-payment:** The quantum of **pre-payment required to file an appeal is reduced from 20% to 10%** and will be calculated only on the core tax demand.
- **Black Money Act Relief:** Immunity from prosecution is granted for the non-disclosure of non-immovable foreign assets with an aggregate value of less than **Rs. 20 lakhs**, with retrospective effect from **October 1, 2024**.
- **Small Taxpayer Disclosure:** Under the **FAST-DS 2026** scheme, small taxpayers disclosing undisclosed assets below Rs. 1 crore (Category A) or Rs. 5 crore (Category B) can receive immunity from prosecution upon payment of specified taxes or fees.

Search and Block Assessment Adjustments

- **Limited Block Period:** For "other persons" (third parties) whose undisclosed income relates to only a single tax year, the **block assessment period will be limited to that specific year to reduce their compliance burden**.
- **Time limit for completion of Block Assessments:** The time limit for completing a block assessment is extended from **12 to 18 months**, referencing the date of the initiation of the search.

Decriminalization and Prosecution Reform

- **Shift to Simple Imprisonment:** The nature of punishment for various offences under the Income-tax Act is being converted from rigorous imprisonment to **simple imprisonment**.
- **Reduced Maximum Punishment:** The maximum imprisonment for most offences is reduced from seven years to **two years** (except for repeated offences, which are reduced to three years).
- **Graded Offences:** Prosecution will now be graded based on the amount of tax evaded:
 - **Over Rs. 50 lakhs:** Simple imprisonment up to two years, a fine, or both.
 - **Rs. 10 lakhs to Rs. 50 lakhs:** Simple imprisonment up to six months, a fine, or both.
 - **Below Rs. 10 lakhs:** Punishable by **fine only**.
- **Decriminalized Defaults:** Technical defaults, such as the non-production of books of account and documents, or failure to ensure TDS payment when the payment is made in kind, are being **fully decriminalized**.

Indirect taxes:

CGST Act Amendments

- **Post-Sale Discounts (Section 15)** - The earlier requirement of linking post-sale discounts to a specific agreement tied to invoices has been removed. Now, the supplier simply needs to issue a credit note under Section 34, and the recipient must reverse the input tax credit attributable to the discount.
- **Credit Notes for Discounts (Section 34)** - A corresponding change to ensure credit notes can be issued specifically for post-supply discounts referred to under the amended Section 15, bringing coherence between the two provisions.
- **Provisional Refunds Extended to Inverted Duty Structure (Section 54(6))** - Previously, provisional refunds of 90% were limited to zero rated supplies. Now, taxpayers claiming refunds due to an inverted duty structure will also be eligible for provisional refunds.
- **Removal of Threshold for Export Refunds (Section 54(14))** - The threshold limit for sanctioning refund claims on goods exported with payment of tax has been removed.

Date of implementation of the above: On such date as the Central Government may, by notification in the Official Gazette

- **Interim Appellate Authority (Section 101A)** - Until the National Appellate Authority is formally set up, the government can empower an existing tribunal or authority to hear appeals under Section 101B.

Date of implementation: This change takes effect from 1 April 2026.

IGST Act Amendment

- **Place of Supply for Intermediary Services (Section 13)** - The special rule that determined the place of supply for intermediary services based on the location of the supplier has been removed. It will now follow the default rule under Section 13(2), making the place of supply the location of the recipient.

Date of implementation: On such date as the Central Government may, by notification in the Official Gazette.

Tax administration

- A Joint Committee of **Ministry of Corporate Affairs** and **Central Board of Direct Taxes** to be constituted for incorporating the requirements of **Income Computation and Disclosure Standards (ICDS)** in the **Indian Accounting Standards (Ind AS)** itself. Separate accounting requirement based on ICDS will be done away with **from the tax year 2027-28.**

Export opportunities & Customs Rationalisation

- Fish catch by an Indian fishing vessel in Exclusive Economic Zone (EEZ) or on the High Seas to be made free of duty, Landing of such fish on foreign port will be treated as export of goods.
- Complete removal of the current value cap of ₹10 lakh per consignment on courier exports-supports aspirations of India's small businesses, artisans and start-ups to access global markets through e-commerce.
- Increase the limit for **duty-free imports** of specified inputs used for **processing seafood products for export**, from the current 1 per cent to **3 per cent** of the **FOB value of the previous year's export turnover**.
- Proposes to remove **exemptions on customs duties** on items **manufactured in India or have negligible import**.

Attracting global business and investment

- Any **foreign company** that provides **cloud services** to customers globally by using data centre services from India to be provided **Tax holiday till 2047**.
- A safe harbour of **15 percent on cost to be provided** if the company providing **data centre services from India is a related entity**.
- **Exemption from income tax for 5 years** to be provided to any **non-resident** who provides **capital goods, equipment or tooling**, to any **toll manufacturer** in a **bonded zone**.
- **Exemption** to global (non-India sourced) income of a **non-resident expert**, for a stay period of **5 years under notified schemes**
- **Exemption** from **Minimum Alternate Tax (MAT)** to **all non-residents** who pay tax on **presumptive basis**.

Thanking You.

Disclaimer: This Highlight has been prepared solely for general information purposes and is not intended to constitute a recommendation, offer or advice.