

*Notes on Clauses*

Clause 2 read with the First Schedule to the Bill seeks to specify the rates at which income-tax is to be levied on income chargeable to tax for the assessment year 2026-2027 under the Income-tax Act, 1961.

Clause 3 read with the First Schedule to the Bill seeks to specify the rates at which income-tax is to be levied on income chargeable to tax for the tax year 2026-2027 under the Income-tax Act, 2025. Further, it lays down the rates at which tax is to be deducted at source during the financial year under the Income-tax Act, 2025; and the rates at which “advance tax” is to be paid, tax is to be deducted at source from, or paid on, income chargeable under the head “Salaries” or deducted under section 393(1) [Table: Sl. No. 8(iii)] of the Income-tax Act, 2025 and tax is to be calculated and charged in special cases for the financial year 2026-2027.

*A.—Income-tax under the Income-tax Act, 1961*

Clause 4 of the Bill seeks to amend section 92CA of the Income-tax Act, 1961 relating to reference to Transfer Pricing Officer.

The said section provides that where an assessee, has entered into an international transaction or specified domestic transaction in any previous year, the Assessing Officer may refer to the Transfer Pricing Officer for the computation of the arm's length price under section 92C in relation to the said international transaction or specified domestic transaction.

Sub-section (3A) of the said Act provides that the Transfer Pricing Officer is required to pass an order before sixty days prior to the date on which period of limitation specified in 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.

In this regard, it is proposed to insert sub-section (3AA) so as to provide that for the purpose of making order under sub-section (3), the calculation of sixty days shall be made and shall be deemed to have been made in the following manner, namely:—

- (a) where the period of limitation expires on 31st of March of any year (not being a leap year), the order under sub-section (3) may be made up to the 30th of January of that year;
- (b) where the period of limitation expires on 31st of March of any year (being a leap year), the order under sub-section (3) may be made up to the 31st of January of that year;
- (c) where the period of limitation expires on 31st of December of any year, the order under sub-section (3) may be made up to the 1st of November of that year.

This amendment will take effect retrospectively from 1st June, 2007.

*Clause 5* of the Bill seeks to amend section 139 of the Income-tax Act, 1961 relating to return of income.

*Explanation 2* to sub-section (1) of said section provides definition for “due date” to mean the last date for filing the return by different classes of assessee or person for the assessment year, with different conditions applied therein.

It is proposed to substitute the said *Explanation* so as to provide that for the purposes of this sub-section “due date” means in respect of the persons mentioned in column B of the Table below, subject to the conditions as mentioned in column C of the said Table, shall be the due date of assessment year as mentioned in column D thereof:

TABLE

Sl. No.	Person A	Conditions B	Due date C	D
1.	Assessee, including the partners of the firm or the spouse of such partner (if section 5A applies to such spouse).	Where provisions of section 92E apply.	the 30th November.	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 for the time being 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 (if section 5A applies to such spouse).	Where provisions of section 92E do not apply.	the 31st October.	31st October.
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	Where provisions of section 92E do not apply.	the 31st August.	31st August.

any other law for the time being 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 5A applies to such spouse).

4. Any other assessee.

31st July.

Sub-section (5) of the said section of the said Act deal with the revised return of income. It allows a person who has already furnished a return under sub-sections (1) and (4) of the said section to file a revised return, if any omission or wrong statement is discovered in the original or belated return. Such revised return must be furnished at any time before three months prior to the end of relevant assessment year or before completion of assessment, whichever is earlier.

It is further proposed to substitute said sub-section to provide that if any person, having furnished a return under sub-section (1) or sub-section (4), discovers any omission or any wrong statement therein, he may, subject to the provisions of section 234-I, furnish a revised return at any time before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

Sub-section (8A) of the said section provides for updated return of Income. It allows a taxpayer, whether or not a return was furnished earlier, to file an updated return within forty-eight 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.

It is proposed to provide for filing updated return for reducing the loss in specified circumstances. Also, 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, the assessee shall be precluded from filing return in pursuance of the said notice in any other manner.

These amendments will take effect retrospectively from 1st March, 2026.

Clause 6 of the Bill seeks to amend section 140B of the Income-tax Act, 1961 relating to tax on updated return.

Sub-section (3) of the said section provides that additional income-tax amounting to twenty-five per cent., fifty per cent., sixty per cent., seventy per cent. of the aggregate of tax and interest payable, shall be paid along with original tax and interest payable, for filing the

updated return in first, second, third and fourth year, respectively from the end of the relevant assessment year.

It is proposed to insert sub-section (3A) in the said section so as to provide that where an updated return is filed in pursuance of a notice issued under section 148 within the period specified in the said notice, the additional income-tax payable shall be increased by a further sum of ten per cent. of the aggregate of tax and interest payable on account of furnishing the updated return.

This amendment will take effect retrospectively from 1st March, 2026.

Clause 7 of the Bill seeks to amend section 144C of the Income-tax Act, 1961 relating to reference to Dispute Resolution Panel.

Section 144C of the said Act, *inter alia*, provides for the procedure and scheme for making a reference to the Dispute Resolution Panel in respect of certain eligible assessee. Section 153 of the said Act provides for the time limits for completion of assessment, reassessment, and recomputation proceedings and sets the time limit for concluding such proceedings.

The Dispute Resolution Panel mechanism, as provided under section 144C of the said Act provides for a specific procedure as below:—

- (i) filing of objections before the Dispute Resolution Panel — within thirty days from the date of receipt of the draft assessment order;
- (ii) issuance of directions by the Dispute Resolution Panel — within nine months from the end of the month in which the draft assessment order is forwarded to the eligible assessee; and
- (iii) passing of the final assessment order — notwithstanding anything contained in sections 153 or 153B of the said Act, within one month from the end of the month in which the directions of the Dispute Resolution Panel are received, as mandated under sub-section (13).

In cases where the assessee accepts the draft assessment order and does not file objections before the Dispute Resolution Panel, the Assessing Officer is required, notwithstanding anything contained in sections 153 or 153B of the said Act, as the case may be, to pass the final assessment order within one month from the end of the month in which the period specified for filing objections expires, in terms of sub-section (4) of section 144C of the said Act.

It is proposed to amend section 144C of the said Act so as to clarify the time-limits available to the Assessing Officer to pass the final assessment order upon receipt of direction issued by Dispute Resolution Panel. Therefore it is hereby clarified for the purposes of sub-section (4) that where a draft of the proposed order of assessment under sub-section (1) is

forwarded within the time period allowed under section 153/153B, further time period available to the Assessing Officer to complete the assessment under sub-section (3) shall be governed and shall always be deemed to have been governed by the provisions of sub-section (4).

Further, it is also clarified for the purposes of sub-section (13) that where a draft of the proposed order of assessment under sub-section (1) is forwarded within the time period allowed under section 153/153B, time period available for the Assessing Officer under sub-section (13) to pass the assessment order upon receipt of the direction issued under sub-section (5), shall be governed and shall always be deemed to have been governed by the provisions of sub-sections (12) and (13).

It is proposed to insert sub-section (4A), (4B), (13A) and (13B) in section 144C of the said Act so as to clarify the time period available to the Assessing Officer to complete the assessment under sub-section (3) and sub-section (13), as the case may be, of section 144C of the said Act.

These amendments will take effect retrospectively from 1st April, 2009 for sub-section (4A) and (13A) of section 144C of the said Act.

These amendments will take effect retrospectively from 1st October, 2009 for sub-section (4B) and (13B) of section 144C of the said Act.

Clause 8 of the Bill seeks to insert a new section 147A of the Income-tax Act, 1961 relating to Assessing Officer for the purposes of section 148 and 148A.

*Vide* the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020, sections 144B and 151A were inserted in the said Act. Section 144B provides for statutory procedure for faceless assessments with effect from the 1st day of April, 2021.

Section 147 of the Income-tax Act, 1961 empowers the Assessing Officer to assess, reassess, or recompute income if any income chargeable to tax has escaped assessment for a particular assessment year. Section 148 of the said Act provides that the Assessing Officer is mandated to issue a notice to the assessee so as to furnish a return of income where income chargeable to tax has escaped assessment.

The Finance Act, 2021 had inserted section 148A into the said Act with effect from 1st day of April, 2021 to introduce a mandatory pre-notice inquiry process and opportunity of hearing before issuance of a notice under section 148. The said section requires the Assessing Officer to conduct an inquiry, if required, with prior approval of the specified authority, provide the assessee with a show cause notice along with information suggesting escapement of income, and grant an opportunity of being heard. After considering the assessee's reply, the Assessing Officer is required to pass a reasoned order under sub-section (3) of section 148A, as the case may be, determining whether it is a fit case for issuance of notice under section 148. The said order under sub-section (3) of section 148A is issued with the prior approval of the specified authority.

It is proposed to insert section 147A after the said section 147 of the Income-tax Act, 1961 so as to remove doubts and to clarify that the Assessing Officer for the purposes of sections 148 and 148A shall mean and shall always be deemed to have meant to be an Assessing Officer other than the National Faceless Assessment Centre or any assessment unit referred to in sub-section (3) of section 144B.

This amendment will take effect retrospectively from 1st April, 2021.

Clause 9 of the Bill seeks to amend section 153 of the Income-tax Act, 1961 relating to the time limit for completion of assessment, reassessment and recomputation.

Section 153 of the said Act provides for the time limits for completion of assessment, reassessment, and recomputation proceedings and sets the time limit for concluding such proceedings.

It is proposed to amend section 153 of the said Act by inserting sub-section (10) so as to clarify that in terms of provisions of sub-sections (1) to (4) of the said section, the draft of the proposed order of assessment referred to in sub-section (1) of section 144C shall be made, and shall always be deemed to have been made, at any time up to the time limit of assessment, reassessment or recomputation referred in the said sub-sections.

This amendment will take effect retrospectively from 1st April, 2009.

Clause 10 of the Bill seeks to amend section 153B of the Income-tax Act, 1961 relating to the time limit for completion of assessment, under section 153A .

Section 153B of the said Act provides for the time limits for completion of assessment and reassessment proceedings related to search initiated under section 132 and requisition made under section 132A and sets the time limit for concluding such proceedings.

It is proposed to amend section 153B of the said Act by inserting sub-section (1A) so as to clarify that in terms of provisions of this section, the draft of the proposed order of assessment referred to in sub-section (1) of section 144C shall be made, and shall always be deemed to have been made, at any time up to the time limit of assessment, reassessment or recomputation referred in this section.

This amendment will take effect retrospectively from 1st October, 2009.

Clause 11 of the Bill seeks to amend section 220 of the Income-tax Act, 1961 relating to when tax payable and when assessee deemed in default.

The said section provides the payment and recovery of tax demand, stating that any amount specified in a notice of demand under section 156 must be paid within thirty 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 sub-section (2) of section 220, 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.

In section 274, it is proposed to provide that, penalty for under-reporting of income under leivable under section 270A shall be imposed in the assessment order.

It is proposed to make consequential amendment in sub-section (2) of section 220 for charging of interest under the said sub-section in respect of any demand raised on account of penalty levied under section 270A only after passing of the order by the Commissioner of Income-tax (Appeals) or the Income-tax Appellate Tribunal (for appeal against the order passed in pursuance of directions issued by the Dispute Resolution Panel order), as the case may be.

This amendment will take effect retrospectively from the 1st March, 2026.

Clause 12 of the Bill seeks to insert section 234-I after section 234H of the Income-tax Act, 1961, relating to fee for default in furnishing revised return of income.

It is proposed to levy of fee amounting to five thousand rupees for revising the return after nine months from the end of relevant previous year where the total income is more than five lakh rupees, and a fee of one thousand rupees for revising the return after nine months from the end of relevant previous year where the total income is less than five lakh rupees.

This amendment will take effect retrospectively from 1st March, 2026.

Clause 13 of the Bill seeks to amend section 245MA of the Income-tax Act, 1961 relating to Dispute Resolution Committee.

The said section provides for the constitution of a Dispute Resolution Committee to resolve disputes of specified small and medium taxpayers in a cost-effective and expeditious manner. The said 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 Dispute Resolution Committee order, promoting voluntary compliance and speedy dispute resolution.

It is proposed to amend the said section so as to provide that penalty for under-reporting of income leivable under section 270A imposed in the assessment order may be waived by the Dispute Resolution Committee.

This amendment will take effect retrospectively from 1st March, 2026.

Clause 14 of the Bill seeks to amend section 270A of the Income-tax Act, 1961 relating to penalty for under reporting and misreporting of income.

It is proposed to insert a new sub-section (11A) in the said section so as to provide that where additional income-tax is paid in accordance with sub-section (3A) of section 140B, the income on which such additional income-tax is paid shall not form the basis of imposition of penalty.

This amendment will take effect retrospectively from 1st March, 2026.

Clause 15 of the Bill seeks to amend section 270AA of the Income-tax Act, 1961 relating to immunity from imposition of penalty, etc.

The said section, *inter alia*, provides the procedure for granting immunity by the Assessing Officer from imposition of penalty or initiation of prosecution, if assessee fulfils certain conditions, specified therein.

Under the said section immunity is granted only in the cases of under-reporting of income and not in the case of under-reporting of income in consequence of misreporting.

It is proposed to amend the said section so as to extend such immunity to cases where penalty is initiated for under-reporting of income in consequence of misreporting, on payment of the tax and interest payable as per the order of assessment under sub-section (3) of section 143 or reassessment under section 147, along with additional income-tax amounting to one hundred per cent. of the aggregate of such tax payable.

This amendment will take effect retrospectively from 1st day of March, 2026.

Clause 16 of the Bill seeks to amend section 274 of the Income-tax Act, 1961 relating to procedure.

The said section 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.

It is proposed to amend the said section so as to provide that penalty for under-reporting of income leviable under section 270A shall be imposed in the assessment order made on or after the 1st April, 2027 for assessment year 2026-2027 or any earlier assessment year.

This amendment will take effect retrospectively from 1st March, 2026.

Clause 17 of the Bill seeks to amend section 275A of the Income-tax Act, 1961 (hereinafter referred as the 'Act') relating to contravention of order made under sub-section (3) of section 132.

The said section provides that whoever contravenes any order referred to in the second proviso to sub-section (1) or sub-section (3) of section 132 shall be punishable with rigorous imprisonment which may extend to two years and shall also be liable to fine.

It is proposed to amend the said section so as to change the nature of punishment from “imprisonment which may extend to two years and shall also be liable to fine” to “simple imprisonment for term which may extend to two years and with fine”.

This amendment will take effect retrospectively from 1st March, 2026.

Clause 18 of the Bill seeks to amend section 275B of the Income-tax Act, 1961 relating to failure to comply with the provisions of clause (iib) of sub-section (1) of section 132.

The said section provides that if a person who is required to afford the authorised officer the necessary facility to inspect the books of account or other documents, as required under clause (iib) of sub-section (1) of section 132, fails to afford such facility to the authorised officer, he shall be punishable with rigorous imprisonment for a term which may extend to two years and shall also be liable to fine.

It is proposed to amend the said section so as to change the punishment from “rigorous imprisonment for a term which may extend to two years and shall also be liable to fine” to “simple imprisonment for a term which may extend to six months or with fine or with both”.

This amendment will take effect retrospectively from 1st March, 2026.

Clause 19 of the Bill seeks to amend section 276 of the Income-tax Act, 1961 relating to removal, concealment, transfer or delivery of property to thwart tax recovery.

The said section provides that whoever fraudulently removes, conceals, transfers or delivers to any person, any property or any interest therein, intending thereby to prevent that property or interest therein from being taken in execution of a certificate under the provisions of the Second Schedule shall be punishable with rigorous imprisonment for a term which may extend to two years and shall also be liable to fine.

It is proposed to amend the said section so as to change the punishment from “rigorous imprisonment for a term which may extend to two years and shall also be liable to fine” to “simple imprisonment for a term which may extend to two years and with fine”.

This amendment will take effect retrospectively from 1st March, 2026.

Clause 20 of the Bill seeks to substitute sections 276B, 276BB, 276C, 276CC, 276CCC and 276D of the Income-tax Act, 1961 relating to failure to pay tax to the credit of Central Government under Chapter XII-D or XVII-B, failure to pay the tax collected at source, wilful attempt to evade tax, etc., failure to furnish returns of income, failure to furnish return of income in search cases and failure to produce accounts and documents, respectively with new sections.

The offences under section 276B are proposed to be fully decriminalized, as below:

- (i) with simple imprisonment for a term which may extend to 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 which may extend to 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.

Section 276BB provides that if a person fails to pay to the credit of the Central Government, the tax collected by him as required under the provisions of section 206C, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.

In this regard, it is proposed to amend section 276BB of the Act as below:

- (i) with simple imprisonment for a term which may extend to 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 which may extend to 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.

Section 276C(1) provides that if a person wilfully attempts in any manner whatsoever to evade any tax, penalty or interest chargeable or imposable, or under reports his income, under this Act, he shall, without prejudice to any penalty that may be imposable on him under any other provision of this Act, be punishable,— (i) in a case where the amount sought to be evaded or tax on under-reported income exceeds twenty-five hundred thousand rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine; (ii) in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and with fine. Further, section 276C(2) states that if a person wilfully attempts in any manner whatsoever to evade the payment of any tax, penalty or interest under this Act, he shall, without prejudice to any penalty that may be imposable on him under any other provision of this Act, be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and shall, in the discretion of the court, also be liable to fine.

It is proposed to amend section 276C as below:

(a) with simple imprisonment for a term which may extend to 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 which may extend to 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.

Further, punishment of offences under section 276C(2) is proposed to be changed as below:

(a) with simple imprisonment for a term which may extend to 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 which may extend to 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.

Section 276CC provides that if a person wilfully fails to furnish in due time the return of fringe benefits which he is required to furnish under sub-section (1) of section 115WD or by notice given under sub-section (2) of the said section or section 115WH or the return of income which he is required to furnish under sub-section (1) of section 139 or by notice given under clause (i) of sub-section (1) of section 142 or section 148 or section 153A, he shall be punishable,— (i) in a case where the amount of tax, which would have been evaded if the failure had not been discovered, exceeds twenty-five hundred thousand rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine; (ii) in any other case, with imprisonment for a term which shall not be less than three months but which may extend to two years and with fine

It is proposed to amend section 276CC of the Act so as to change the punishment as below:

(a) with simple imprisonment for a term which may extend to 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 which may extend to 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.

Section 276CCC provides that if a person wilfully fails to furnish in due time the return of total income which he is required to furnish by notice given under clause (a) of sub-section (1) of section 158BC, he shall be punishable with imprisonment for a term which shall not be less than three months but which may extend to three years and with fine.

It is proposed to amend section 276CCC so as to change the punishment as below:

- (a) with simple imprisonment for a term which may extend to two years, or with fine, or with both, in a case where the amount of tax exceeds fifty lakh rupees;
- (b) with simple imprisonment which may extend to 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.

Section 276D provides that if a person wilfully fails to produce, or cause to be produced, on or before the date specified in any notice served on him under sub-section (1) of section 142, such accounts and documents as are referred to in the notice or wilfully fails to comply with a direction issued to him under sub-section (2A) of that section, he shall be punishable with rigorous imprisonment for a term which may extend to one year and with fine.

It is proposed to amend section 276D of the Act so as to change the punishment as below:

- (a) in the case where a person wilfully fails to produce, or cause to be produced, on or before the date specified in any notice served on him under sub-section (1) of section 142, such accounts and documents as are referred to in the notice. This offence is proposed to be decriminalised.
- (b) in the case where a person wilfully fails to comply with a direction issued to him under sub-section (2A) of section 142, he shall be punishable with rigorous imprisonment for a term which may extend to one year and with fine. This punishment is proposed to be changed to “simple imprisonment for a term which may extend to six months or with fine”.

These amendments will take effect retrospectively from 1st March, 2026.

Clause 21 of the Bill seeks to amend section 277 of the Income-tax Act, 1961 relating to false statement in verification, etc.

The said section provides that if a person makes a statement in any verification under this Act or under any rule made thereunder, or delivers an account or statement which is false, and which he either knows or believes to be false, or does not believe to be true, he shall be punishable,— (i) in a case where the amount of tax, which would have been evaded if the statement or account had been accepted as true, exceeds twenty-five hundred thousand

rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine; (ii) in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and with fine.

It is proposed to amend the said section so as to change the as below:

- (a) with simple imprisonment for a term which may extend to 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 which may extend to 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.

This amendment will take effect retrospectively from 1st March, 2026.

Clause 22 of the Bill seeks to amend section 277A of the Income-tax Act, 1961 relating to falsification of books of account or document, etc.

The said section, *inter alia*, provides that if any person wilfully and with intent to enable any other person to evade any tax or interest or penalty chargeable and imposable under this Act, makes or causes to be made any entry or statement which is false and which the first person either knows to be false or does not believe to be true, in any books of account or other document relevant to or useful in any proceedings against the first person or the second person, under this Act, the first person shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and with fine.

It is proposed to amend the said section of the Act so as to change the punishment from “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 which may extend to two years and shall also be liable to fine”.

This amendment will take effect retrospectively from 1st March, 2026.

Clause 23 of the Bill seeks to amend section 278 of the Income-tax Act, 1961 relating to abetment of false return, etc.

The said section, *inter alia*, provides that if a person abets or induces in any manner another person to make and deliver an account or a statement or declaration relating to any income or any fringe benefits chargeable to tax which is false and which he either knows to be false or does not believe to be true or to commit an offence under sub-section (1) of section

276C, he shall be punishable,— (i) 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 twenty-five hundred thousand rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine; (ii) in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and with fine.

It is proposed to amend the said section so as to change the punishment as below:

- (i) with simple imprisonment for a term which may extend to 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 which may extend to 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.

This amendment will take effect retrospectively from 1st March, 2026.

Clause 24 of the Bill seeks to amend section 278A of the Income-tax Act, 1961 relating to punishment for second and subsequent offences.

The said section provides that if any person convicted of an offence under section 276B or section 276BB or sub-section (1) of section 276C or section 276CC or section 276DD or section 276E or section 277 or section 278 is again convicted of an offence under any of the aforesaid provisions, he shall be punishable for the second and for every subsequent offence with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine.

It is proposed to amend the said section so as to change the from “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”.

This amendment will take effect retrospectively from 1st March, 2026.

Clause 25 of the Bill seeks to amend section 280 of the Income-tax Act, 1961 relating to disclosure of particulars by public servants.

The said section 280(1), *inter alia*, that if a public servant furnishes any information or produces any document in contravention of the provisions of sub-section (2) of section 138, he shall be punishable with imprisonment which may extend to six months, and shall also be liable to fine.

It is proposed to amend the said section so as to change the punishment from “imprisonment which may extend to six months, and shall also be liable to fine” to “simple imprisonment which may extend to one month, or with fine, or with both”.

This amendment will take effect retrospectively from 1st March, 2026.

Clause 26 of the Bill seeks to insert a new section 292BA of the Income-tax Act, 1961 relating to return of income, etc., not to be invalid on certain grounds.

It is proposed to insert a new section 292BA so as to clarify that no assessment under any of the provisions of the said Act 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 the assessment order is referenced by such number in any manner.

This amendment will take effect retrospectively from 1st October, 2019.

#### *B.—Income-tax under the Income-tax Act, 2025*

Clause 27 of the Bill seeks to amend section 2 of the Income-tax Act, 2025 relating to definitions of the expressions.

Clause (32) of the said section provides for the definition of the expression “co-operative society”.

However, co-operative societies registered under the Multi-State Cooperative Societies Act, 2002, are not explicitly recognised in the definition presently provided in the said clause.

It is proposed to amend the said clause so as to include the co-operative societies registered under the Multi-State Co-operative Societies Act, 2002, within the scope of the definition of the expression “co-operative society”.

Clause (40) of the said section, *inter alia*, provides the definition of the expression “dividend”.

It is further proposed to omit sub-clause (f) of the said section so as to exclude consideration received on buyback of shares from the scope of dividend.

Sub-clause (v) to the first long line of the said clause 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.

It is also proposed to substitute the said sub-clause, *inter alia*, so as to provide that the other group entity to the transaction is located in a country or territory outside India, 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.

It is also proposed to provide definition of the expressions “group entity”, “parent entity” and “principal entity”.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 28 seeks to amend section 7 of the Income-tax Act, 2025 relating to income deemed to be received and dividend deemed to be income in a tax year.

Clause (a) of sub-section (2) of the said section provides for the year of taxability of dividend income by reference to the definition of dividend under section 2(40)(a) to (f). It is proposed to amend clause (a) of the said sub-section so as to omit the reference of clause (f) of section 2(40).

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 29 of the Bill seeks to amend section 21 of the Income-tax Act, 2025 relating to determination of annual value.

Sub-section (5) of the said provides that where a property is held as stock-in-trade and is not let wholly or partly at any time during the tax year, the annual value of such property or part thereof shall be nil for two years from the end of the financial year in which the certificate for completion of construction is obtained from the competent authority.

It is proposed to amend the said sub-section so as to change the annual value of property or part thereof to be treated as nil “for two years” instead of “up to two years”.

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

Clause 30 of the Bill seeks to amend section 22 of the Income-tax Act, 2025 relating to deductions from income from house property.

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

It is proposed to amend the said sub-section so as to provide that aggregate amount of deduction for interest on borrowed capital shall be inclusive of prior-period interest payable.

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

Clause 31 of the Bill seeks to amend section 29 of the Income-tax Act, 2025 relating to deductions related to employee welfare.

Sub-clause (i) of clause (e) 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.

Sub-clause (ii) of clause (e) of sub-section (1) of the said section provides that “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.

It is proposed to substitute the said clause so as to provide that due date for the purposes of the said section shall be on or before the due date of filing of return of income under section 263(1) for the assessee.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 32 seeks to amend section 58 of the Income-tax Act, 2025 relating to special provision for computing profits and gains of business or profession on presumptive basis in case of certain residents.

It is proposed to amend this section omit the reference of section 144 and consequentially to omit sub-clause (i) of clause (a) of sub-section (11) of the said section.

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

Clause 33 of the Bill seeks to amend section 66 of the Income-tax Act, 2025 relating to interpretation of certain expression in Part D of Chapter IV.

It is proposed to provide the definition of commodity derivative therein.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 34 seeks to amend section 69 of the Income-tax Act, 2025 relating to capital gains on purchase by company of its own shares or other specified securities.

It is proposed to substitute sub-section (2) so as to provide that in respect of capital gains referred to in sub-section (1), where the shareholder or holder of other specified securities is a promoter, the aggregate income-tax payable on such capital gains shall be,—

(a) the income-tax payable on such capital gains in accordance with the provisions of the Act; and

(b) an additional income tax in respect of capital gains specified in column B of the Table below, computed at the rate specified in column C or column D of the said Table;

TABLE

Sl. No	Income	Rate, where the promoter is a domestic company	Rate, where the promoter is other than a domestic company
A	B	C	D
1.	Short-term capital gains referred to in section 196 arising from the transfer of such securities.	2%	10%
2.	Long-term capital gains referred to in section 197 or section 198 arising from the transfer of such securities.	9.5%	17.5%

It is further proposed to substitute sub-section (3) so as to provide definitions to certain expressions.

These amendments will take effect from the 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 35 of the Bill seeks to amend section 70 of the Income-tax Act, 2025 relating to transactions not regarded as transfer.

It is proposed to substitute clause (x) of sub-section (1) of the said section so as to provide that the exemption will be applicable only to those Sovereign Gold Bonds issued by the

Reserve Bank of India that are subscribed to by an individual at the time of original issue and are held continuously by such individual until redemption upon maturity, and to provide that this exemption shall apply uniformly to all Sovereign Gold Bonds issued by the Reserve Bank of India.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 36 seeks to amend section 93 of the Income-tax Act, 2025 relating to deductions.

The said section provides for deduction of interest expenditure, subject to a specified limit, while computing dividend income and income from units of mutual funds.

It is proposed to amend sub-section (1) and substitute sub-section (2) of the said section so as to provide that no deduction shall be allowed in respect of any expenditure against dividend income and income from units of mutual funds.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 37 of the Bill seeks to amend section 99 of the Income-tax Act, 2025 relating to income of individual to include income of spouse, minor, child, etc.

It is proposed to make consequential amendment in the said section regarding cross reference.

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

Clause 38 of the Bill seeks to amend section 147 of the Income-tax Act 2025 relating to deductions for income of Offshore Banking Units and Units of International Financial Services Centre.

Sub-section (1) of the said section allows deduction to certain entities specified therein. Sub-section (2) of the said section provides the time period for such deduction.

It is proposed to amend sub-section (2) of the said section so as to extend the tax holiday for twenty consecutive years from ten years and twenty consecutive years out of twenty-five years respectively to entities under clauses (a) and (b) of sub-section (1) of the said section.

It is further proposed to substitute sub-sections (5) so as to provide that the units referred to in sub-section (1) shall be entitled to benefit if such unit is not formed by splitting up, reconstruction, reorganisation or transfer a business.

It is also proposed to insert sub-section (6) to the said section so as to explain the expression “relevant tax year”, and to define the expressions “Unit” and “aircraft and ship”.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 39 of the Bill seeks to amend section 149 of the Income-tax Act, 2025 relating to deduction in respect of income of co-operative societies.

Clause (b) of sub-section (2) of the said section, *inter alia*, provides 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 certain entities.

It is proposed to include cotton seeds and cattle feed also within the ambit of the said clause.

Clause (d) of sub-section (2) of the said section allows for deduction of income by way of dividends received by the co-operative society from any other co-operative society in the old tax regime.

It is further proposed to amend said clause so as to provide that the inter-cooperative societies dividend shall also be allowed as a deduction under the new tax regime under sections 203 and 204 of the Act, for the co-operative societies, to the extent such dividend is distributed by the co-operative society to its members.

It is also proposed to insert a new sub-section (6) to define to certain expressions.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 40 of the Bill seeks to substitute section 150 of the Income-tax Act, 2025 relating to interpretation for purposes of section 149.

The proposed section provides for deduction in respect of federal co-operative.

Sub-section (1) of the proposed section provides that the income by way of dividend by federal co-operative from any company in respect of investments made on or before the 31st January, 2026 is to be allowed as deduction in both the new and the old tax regime.

Sub-section (2) thereof provides that such deduction shall not apply to any tax year beginning on or after the 1st April, 2029.

Sub-section (3) thereof provides for the definition of the expression “federal co-operative”.

This amendment will take effect from 1<sup>st</sup> April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 41 seeks to amend section 162 of the Income-tax Act, 2025 relating to meaning of associate of enterprise.

It is proposed to amend the said section to substitute clause (c) of sub-section (1) to remove the reference of section 144.

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

Clause 42 seeks to amend section 164 of the Income-tax Act, 2025 relating to meaning of specified domestic transaction.

It is proposed to substitute clause (d) of the said section to omit the reference of section 144.

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

Clause 43 seeks to amend section 165 of the Income-tax Act, 2025 relating to determination of arm's length price.

It is proposed to amend sub-section (7) of the said section to omit the reference of section 144.

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

Clause 44 of the Bill seeks to amend section 166 of the Income-tax Act, 2025 relating to reference to Transfer Pricing Officer.

The said section provides that where an assessee, has entered into an international transaction or specified domestic transaction in any previous year, and the Assessing Officer has made a reference for computation of the arm's length price in relation to the said international transaction or specified domestic transaction to the Transfer Pricing Officer.

Sub-section (7) of the said section 166 provides that where a reference to Transfer pricing Officer was made under sub-section (1), an order under sub-section (6) has to be made at any time sixty days before the expiry of the period specified in section 286 or 296, for making the order of assessment or reassessment or recomputation or fresh assessment.

It is proposed to amend the said sub-section to clarify that where a reference has been made under sub-section (1), an order under sub-section (6) has to be made at any time before one month prior to the month in which the period of limitation referred to in section 286 or 296, for making the order of assessment or reassessment or recomputation or fresh assessment, expires and accordingly, where such period—

(a) expires on the 31st March of any year, the order under sub-section (6) has to be made on or before the 31st January of that year;

(b) expires on the 31st December of any year, the order under sub-section (6) has to be made on or before the 31st October of that year.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 45 of the Bill seeks to amend section 169 of the Income-tax Act, 2025 relating to effect to advance pricing agreement.

Sub-section (1) of the said section provides that if return for any tax year covered by an advance pricing agreement has been furnished by any person, before the date of entering into the said agreement, he shall, irrespective of anything to the contrary contained in section 263, furnish a modified return, in accordance with and limited to the agreement, in respect of such tax years, within three months from the end of the month in which the agreement was entered into.

It is proposed to substitute the said sub-section so as 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.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 46 of the Bill seeks to amend section 195 of the Income-tax Act, 2025 relating to tax on income referred to in sections 102 to 106.

It is proposed to amend the said section so as to reduce the rate of income-tax calculated on income referred to in sections 102 to 106 from 60% to 30%.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 47 seeks to amend section 202 of the Income-tax Act, 2025 relating to new tax regime for individual Hindu undivided family and others.

It is proposed to omit sub-clause (iii) of clause (a) of sub-section (2) of the said section to omit the reference of section 144.

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

Clause 48 of the Bill seeks to amend section 203 of the Income-tax Act, 2025 relating to tax on income of certain resident co-operative societies.

The said section provides for the deduction not to be allowed on dividends received by co-operatives.

It is proposed to amend sub-clause (i) of clause (a) of sub-section (1) of the said section so as to provide that the inter-co-operative societies dividend be allowed as a deduction under the new tax regime provided under the said section for co-operative societies, to the extent such dividend is distributed by the cooperative society to its members.

It is further proposed that the income by way of dividend received by federal co-operative referred to in section 150 from any company in respect of investments made before the 31st January, 2026 be allowed as deduction in the new tax regime. This deduction is proposed to be limited to the amount of dividend distributed by the federal cooperative to its members and which is received on or before 31st March, 2029.

It is also proposed to insert a new sub-section (7) so as to provide that in case of on assessee, being a co-operative societies, which has exercised option under sub-section (5) the requirements contained in sub-section (1) shall be modified to the extent that the deduction under section 149(2)(d)(ii) shall be available to such assessee as does not exceed the amount of dividend distributed by it to its members at least one month before the due date for filing the return of income under section 263(1).

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 49 of the Bill seeks to amend section 204 of the Income-tax Act, 2025 relating to tax on income of certain new manufacturing co-operative societies.

The said section provides for the deduction not to be allowed on dividends received by co-operatives.

It is proposed to amend sub-section (i) of clause (a) of sub-section (1) of the said section to provide that the inter-co-operative societies dividend be allowed as a deduction under the new tax regime provided under section 204 for the cooperative societies, to the extent such dividend is distributed by the cooperative society to its members.

It is further proposed that the income by way of dividend received by federal cooperatives from any company in respect of investments made before 31st January, 2026 be allowed as deduction in the new tax regime. This deduction is proposed to be limited to the amount of dividend distributed by the federal cooperative to its members and which is received on or before 31st March, 2029.

It is also proposed to insert a new sub-section (5) so as to provide that in case of on assessee, being a co-operative societies, which has exercised option under sub-section (2), the requirements contained in sub-section (3), shall be modified to the extent that the deduction under section 149(2)(d)(ii) shall be available to such assessee as does not exceed

the amount of dividend distributed by it to its members at least one month before the due date for filing the return of income under section 263(1).

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 50 of the Bill seeks to amend section 206 of the Income-tax Act relating to special provision for minimum alternate tax and alternate minimum tax.

The said section, *inter alia*, provides for minimum alternate tax applicable only for companies. This tax is charged on the book profit of the assessee and not the taxable income computed under the provisions of the Act. The rate of minimum alternate tax is 15% for corporates other than units located in an International Financial Services Centre. In case the minimum alternate tax is higher than the income-tax payable on the company's total income computed under normal tax provisions, the assessee pays minimum alternate tax and is allowed credit on the difference.

If a company pays minimum alternate tax when it is higher than regular tax, the excess amount paid is allowed as a tax credit which can be carried forward up to fifteen years and can be set off in future years where the company's regular tax liability exceeds the minimum alternate tax liability.

It is proposed that minimum alternate tax is to be made a final tax in the old regime and shall be liable to a tax rate of 14% instead of the existing 15%. Further, set-off of minimum alternate tax credit is to be allowed only in the new tax regime for domestic companies. However, the amount of set off shall be restricted to 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 normal tax is more than minimum alternate tax.

Clause (l) of sub-section (1) of the said section provides for the provisions pertaining to minimum alternate tax shall not apply to any assessee, being a foreign company, where the total income of the assessee comprises solely of profits and gains from business referred to in section 61(2) (Table: Sl. Nos. 1, 3, 4 and 5), and such income has been offered to tax at the rates specified in the respective sections. However, certain other specified businesses of non-residents who have also opted for presumptive taxation under section 61 have not been so excluded.

It is further proposed to amend the said clause to substitute sub-clause (iii) so as to provide that the specified businesses shall also be excluded from the applicability of minimum alternate tax.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 51 of the Bill seeks to substitute sections 217 and 218 of the Income-tax Act, 2025 relating to benefit under Chapter to be available in certain cases even after assessee becomes resident and Chapter not to apply if the assessee so chooses, respectively, with new sections.

The proposed section 217 provides for application of benefits under sections 212 to 216.

It is proposed to substitute the said sections so as to give effect to the proposal related to taxation of income of Offshore Banking Units and Units of International Financial Services Centre in non-holiday period.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 52 seeks to amend section 227 of the Income-tax Act, 2025 relating 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 amend clause (a) of sub-section (4) of the said section so as to substitute the word “certificate” with the words “valid certificate”.

Sub-clause (iii) of clause (b) of sub-section (9) of the said section provides that in case of inland vessel registered in India, a valid certificate shall mean a certificate issued under the Inland Vessels Act, 2021.

It is proposed to amend the said sub-clause so as to substitute the word “certificate” with the words “certificate of registration”.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 53 seeks to amend section 228 of the Income-tax Act, 2025 relating to relevant shipping income and exclusion from book profit.

Item (A) of sub-clause (ii) of clause (b) of sub-section (3) 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 item so as to bring inland vessels also under its ambit.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 54 seeks to amend section 232 of the Income-tax Act, 2025 relating 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 the said sub-section so as to insert reference to Inland Waterways Authority of India, in case of inland vessels.

Sub-section (13) of the said section provides 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 a per the relevant guidelines along with the return of income under section 263.

It is further proposed to amend the said sub-section so as to insert reference to designated authority as appointed by the respective State Governments under the Inland Vessels Act, 2021.

Sub-section (17) of the said section provides that the average of net tonnage shall be computed in the manner prescribed, in consultation with the Director-General of Shipping.

It is also proposed to amend the said sub-section so as to insert reference to the Inland Waterways Authority of India.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 55 seeks to amend section 235 of the Income-tax Act, 2025 relating to interpretation for certain expressions in Part G of Chapter XIII.

It is proposed to amend the said section to insert new sub-clause (fa) so as to provide that “Inland Waterways Authority of India” shall have the same meaning as assigned to it in section 3 of the Inland Waterways Authority of India Act, 1985.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 56 of the Bill seeks to amend section 262 of the Income-tax Act, 2025 relating to Permanent Account Number.

The said section provides that the Board may make rules to provide for categories of documents pertaining to business or profession in which Permanent Account Number shall be quoted by every person;

It is proposed to amend clause (c) of sub-section (10) of the said section so as to enable the Central Board of Direct Taxes to make rules for quoting of Permanent Account Number in documents in such transactions which do not relate to business or profession.

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

Clause 57 of the Bill seeks to amend section 263 of the Income-tax Act, 2025 relating to return of income.

Clause (c) of sub-section (1) of said section defines the expression “due date” as the date of the financial year succeeding the relevant tax year for filing the return of income by different classes of assessee or person with different conditions applied therein.

It is proposed to substitute said clause (c) for the purposes of this section “due date” in respect of the persons mentioned column B of the Table below, subject to the conditions mentioned in column C of the said Table, shall be the due date of the financial year succeeding the relevant tax year as mentioned in column D thereof:

TABLE

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;	Where the provisions of section 172 do not apply.	31st October.
	(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 (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; Where the provisions of section 172 do not apply.

(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).

4. Any other assessee. 31st July.

Sub-section (5) of the said section deals with 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.

It is further proposed to amend the said section 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.

The said section provides for comprehensive framework that lays down the 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.

Sub-section (6) of the said section provides for the updated return of income. It allows a taxpayer, whether or not a return was furnished earlier, to file an updated return within forty-eight months from the end of the financial year succeeding the relevant tax year. This provision promotes voluntary compliance on the part of taxpayer to offer the income for taxation.

Sub-clause (v) of clause (c) of the said sub-section prohibits 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.

It is proposed to amend the said sub-section so that an updated return may be furnished by a person for the relevant tax year in pursuance of a notice issued under section

280 within such period as specified in the said notice and in such a case, the assessee shall be precluded from filing of return in pursuance of the said notice in any other manner.

It is also proposed to provide the filing of updated return for reducing the loss in specified circumstances.

It is also proposed to amend clause (e) of sub-section (6) of the said section so as to give the reference of “206(3) and (4)” instead of “206(1)(m) to (p)”.

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

Clause 58 of the Bill seeks to amend section 266 of the Income-tax Act, 2025 relating to self-assessment.

It is proposed to make consequential amendments in order to bring the changes proposed in the minimum alternate tax regime by giving reference of section 206(3) and (4) instead of 206(1) (m) to (p).

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 59 of the Bill seeks to amend section 267 of the Income-tax Act, 2025 relating to tax on updated return.

It is proposed to make consequential amendments in order to bring changes proposed in the minimum alternate tax regime by giving reference of section 206(3) and (4) instead of section 206(1)(m) to (p).

Sub-section (5) of the said section 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.

It is proposed to amend the said sub-section 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.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 60 seeks to amend section 270 of the Income-tax Act, 2025 relating to assessment.

It is proposed to amend sub-clause (vi) of clause (a) of sub-section (1) of the said section to omit the reference of section 144.

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

Clause 61 of the Bill seeks to amend section 275 of the Income-tax Act, 2025 relating to reference to Dispute Resolution Panel.

The said section, *inter alia*, provides for the procedure and scheme for making a reference to the Dispute Resolution Panel in respect of certain eligible assessee. Further, section 286 of the said Act provides for the time limits for completion of assessment, reassessment and recomputation proceedings and sets the time limit for concluding such proceedings.

The Dispute Resolution Panel mechanism, as provided under section 275 of the said Act provides for a specific procedure as below:—

- (i) filing of objections before the Dispute Resolution Panel — within thirty days from the date of receipt of the draft assessment order;
- (ii) issuance of directions by the Dispute Resolution Panel — within nine months from the end of the month in which the draft assessment order is forwarded to the eligible assessee; and
- (iii) passing of the final assessment order — irrespective of anything contained in section 286 of the said Act, within one month from the end of the month in which the directions of the Dispute Resolution Panel are received, as mandated under section 275(14) of the said Act.

In cases where the assessee accepts the draft assessment order and does not file objections before the Dispute Resolution Panel, the Assessing Officer is required, notwithstanding anything contained in sections 286 of the said Act, as the case may be, to pass the final assessment order within one month from the end of the month in which the period specified for filing objections expires, in terms of section 275(4) of the said Act.

It is proposed to amend sub-sections (4) and (14) of section 275 of the said Act so as to clarify that the period available to the Assessing Officer under the section shall be in addition to the period available to him under section 286 of the said Act.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 62 of the Bill seeks to amend section 279 of the Income-tax Act, 2025 relating to income escaping assessment.

*Vide* the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020, section 144B and 151A have been inserted in the Income-tax Act, 1961. Further, section 144B of the Act prescribes a statutory procedure for faceless assessments with effect from 1st April, 2021.

Section 147 of the Income-tax Act, 1961 empowers the Assessing Officer to assess, reassess, or recompute income if any income chargeable to tax has escaped assessment for a particular assessment year. Further, section 148 of the Act, Assessing Officer is mandated to issue a notice to the assessee so as to furnish a return of income where income chargeable to tax has escaped assessment.

The Finance Act, 2021 had inserted section 148A in the Income-tax Act, 1961 with effect from 1st April 2021 to introduce a mandatory pre-notice inquiry process and opportunity of hearing before issuance of a notice under section 148. The provision requires the Assessing Officer to conduct an inquiry, if required, with prior approval of the specified authority, provide the assessee with a show cause notice along with information suggesting escapement of income, and grant an opportunity of being heard. After considering the assessee's reply, the Assessing Officer is required to pass a reasoned order under sub-section (3) of section 148A, as the case maybe, determining whether it is a fit case for issuance of notice under section 148. The said order under sub-section (3) of section 148A is issued with the prior approval of the specified authority.

It is proposed to amend section 279 of the Income-tax Act, 2025 so as to align it with proposed insertion of section 147A of the Income-tax Act, 1961 to provide that the "Assessing Officer" for the purposes of sections 280 and 281 shall mean to be an Assessing Officer other than the National Faceless Assessment Centre or any assessment unit referred to in section 273(3).

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

Clause 63 of the Bill seeks to amend section 286 of the Income-tax Act, 2025 relating to the time limit for completion of assessment, reassessment and recomputation.

Section 286 of the said Act provides for the time limits for completion of assessment, reassessment, and recomputation proceedings and sets the outer time limit for concluding such proceedings.

It is proposed to amend sub-section (2) of the said section so as to clarify that in terms of provisions of section 286(1) [Table: Sl No. 1 to 4] and sub-section (2), the draft of the proposed order of assessment referred to in section 275 shall be made at any time up to the time limit of assessment, reassessment or recomputation referred in the said table and the said sub-section.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 64 of the Bill seeks to amend section 295 of the Income-tax Act, 2025 relating to undisclosed income of any other person.

The said section provides for taxing undisclosed income where the Assessing officer is satisfied that any undisclosed income belongs to or pertains to or relates to any person in whose case search is not initiated or requisition is not made.

It is proposed to amend sub-section (2) of the said section so as to limit the period of block assessment in case of third party where incriminating material has bearing on the undisclosed income of only a single tax year immediately preceding the tax year in which search is initiated or requisition is made.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 65 of the Bill seeks to amend section 296 of the Income-tax Act, 2025 relating to time-limit for completion of block assessment.

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 twelve months from the end of the quarter in which the last search authorization was executed or requisition was made. While, the time-limit for completion of block assessment of any other person shall be twelve months from the end of the quarter in which the notice under section 294 in pursuance of section 295, was issued to such other person.

It is proposed to amend the said section so as to take the date of initiation of search as the reference point to decide the date of limitation for block assessment and consequently, the period of twelve months is proposed to be to eighteen months from the end of the quarter in which search was initiated or requisition was made.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 66 of the Bill seeks to amend section 332 of the Income-tax Act, 2025 relating to application for registration.

It is proposed to amend clause (f) of sub-section (1) of the said section to give reference of “Schedule VII [Table : S. Nos. 17 to 19]”.

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

Clause 67 of the Bill seeks to amend section 349 of the Income-tax Act, 2025 relating to return of income under Chapter XVII.

It is proposed to amend the said section so as to provide the reference of section 263(4) therein.

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

Clause 68 of the Bill seeks to amend section 351 of the Income-tax Act, 2025 relating to specified violation.

It is proposed to amend clause (b) of sub-section (1) of the said section so as to omit the reference of section 346 and further to make consequential amendment thereto.

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

Clause 69 of the Bill seeks to amend section 352 of the Income-tax Act relating to tax on accrued income.

It is proposed to substitute serial number 8 and entries relating thereto of the Table in sub-section (4) of the said section so as to provide that the specified person shall be liable to pay tax on accrued income, where it has merged with, any other —

- (a) entity other than a registered non-profit organisation; or
- (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.

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

Clause 70 of the Bill seeks to insert a new section 354A in the Income-tax Act, 2025 relating to merger of registered non-profit organisations in certain cases.

It is proposed to insert a new section 354A so as to provide that where any registered non-profit organisation has merged with any other registered non-profit organisation, the provisions of section 352 shall not apply if, —

- (a) the other registered nonprofit organisation has same or similar objects; and
- (b) the said merger fulfils such conditions as may be provided by rules.

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

Clause 71 of the Bill seeks to amend section 379 of the Income-tax Act, 2025 relating to Dispute Resolution Committee.

The said section provides for the constitution of Dispute Resolution Committee to resolve disputes of specified small and medium taxpayers in a cost-effective and expeditious manner. The said Committee is empowered to reduce or waive penalties and grant immunity from prosecution, subject to certain conditions, with the objective of reducing litigation. The

section lays down eligibility, procedure, and binding nature of the Dispute Resolution Committee order, promoting voluntary compliance and speedy dispute resolution.

It is proposed to consequentially amend sub-section (2) of section 379 to give reference of the amendment proposed in section 471 to provide that penalty for under-reporting of income leviable under section 439 imposed in the assessment order may be waived by the Dispute Resolution Committee.

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

Clause 72 seeks to amend section 393 of the Income-tax Act, 2025 relating to tax to be deducted at source.

It is proposed to make consequential amendment in sub-section (1) of the said section regarding cross reference.

Sub-section (4) [Table: Sl. No. 7] of the said section provides for condition where tax is not required to be deducted at source in respect of interest on income other than interest on securities referred to in sub-section (1) [Table Sl. No. 5(ii) and 5(iii)] of the said section.

It is further proposed to amend clause (a)(i) of sub-section (4) [Table: Sl. No. 7. C] so as to provide that interest income paid or credited to any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank) shall be exempt from applicability of deduction of tax at source.

It is also proposed to amend clause (b)(c)(iv) thereof so as to provide for non-applicability of tax to be deducted at source on the payment or credit of interest on the compensation amount awarded by a Motor Accidents Claims Tribunal, in case of deductee being an individual. For persons other than individuals, the earlier threshold of ₹50000 in the said clause shall continue.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

It is also proposed to insert a new sub-section (6A) in the said section so as to allow depository to accept declaration from the assessee as per the provisions of section 393(6) of the said Act and provide it to the person responsible for paying income of the nature referred to in 393(1) [Table: Sl. Nos. 4(i), 5(i) and 7] within a fixed timeline. However, this additional option shall be available only to those investors who have held the securities in the depository as defined in section 2(e) of the Depositories Act, 1996 and where the securities are listed in a registered stock exchange in India.

It is also proposed to make consequential amendments in sub-section (7) of the said section.

These amendments will take effect from 1st April, 2027 and will, accordingly, apply in relation to the tax year 2027-2028 and subsequent years.

Clause 73 of the Bill seeks to amend section 394 of the Income-tax Act, 2025 relating to collection of tax at source.

Sub-section (1) of the said section, *inter alia*, provides that every person shall collect tax at source at the time of debiting of the amount payable or at the time of receipt of such amount from the buyer or licensee or lessee, as the case may be, whichever is earlier, on the receipts specified in that said sub-section.

It is proposed to amend the said sub-section so as to rationalise the rates of tax collected at source for the purpose of sale of—

- (i) alcoholic liquor for human consumption;
- (ii) tendu leaves;
- (iii) scrap; and
- (iv) minerals being coal or lignite or iron ore,

tax will be required to be collected at source at the rate of 2%.

It is further proposed to amend the said sub-section so as to require that for remittances made under the Reserve Bank of India's Liberalised Remittance Scheme for the purposes of education or medical treatment, tax will be collected at source at the rate of 2% instead of the existing rate of 5%.

It is also proposed to amend the said sub-section so as to remove the threshold of 10 lakhs on sale of overseas tour program package for applicability of tax collected at source at higher rate of 20% and to require that on sale of overseas tour program package, tax be collected at source at the rate of 2% irrespective of the amount.

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

Clause 74 seeks to amend section 395 of the Income-tax Act, 2025 relating to certificates.

Sub-section (1) of the said section provides for issuance of certificate for tax deduction at source at Nil or lower rates.

It is proposed to insert a new sub-section (6) in the said section so as to provide that the application referred to in sub-section (1) of the said section may also be filed before the prescribed income-tax authority, subject to such conditions as may be provided by rules, and such authority on electronic verification of the contents of the application, may either issue a certificate for lower or no deduction or, as the case may be, reject such application for non-fulfillment of the prescribed conditions or on account of the application being incomplete.

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

Clause 75 of the Bill seeks to amend section 397 of the Income-tax Act, 2025 relating to compliance and reporting.

Clause (a) of sub-section (1) of the said section requires that every person, deducting or collecting tax shall apply to the Assessing Officer for the allotment of a “tax deduction and collection account number”.

Clause (c) of sub-section (1) of the said section provides that the provisions of clause (c) shall not apply in certain cases specified therein.

It is proposed to substitute clause (c) of the said sub-section so as to provide that the provisions of clause (a) shall not apply to—

- (i) a person in respect of transaction where he is required to deduct tax under section 393(1) [Table: Sl. Nos. 2(i), 3(i) or 6(ii)]; or
- (ii) a person referred to in section 393(4) [Table : Sl. No. 12.C(a)] in respect of transaction where he is required to deduct tax on consideration for transfer of a virtual digital asset under section 393(1) [Table : Sl. No. 8(vi)]; or
- (iii) a resident individual or Hindu undivided family in respect of transaction where he is required to deduct tax on any consideration for the transfer of any immovable property under the provisions of section 393(2) [Table : Sl. No. 11]; or
- (iv) a person notified in this regard by the Central Government.

This amendment will take effect from 1st October, 2026.

Clause 76 of the Bill seeks to amend section 399 of the Income-tax Act, 2025 relating to processing.

It is proposed to amend the said section so as to provide the reference of section 427 (1) and (2).

This amendment will take effect from 1st April, 2026 and accordingly, will apply in relation to the tax year 2026-2027 and subsequent year.

Clause 77 of the Bill seeks to amend section 400 of the Income-tax Act 2025 relating to power of Central Government to relax provisions of Chapter XIX.

Sub-section (2) of the said section provides that the Board may, with the previous approval of the Central Government, issue guidelines to remove any difficulty arising in giving effect to the provisions of the said Chapter and such guidelines shall be laid before each House of Parliament.

It is proposed to amend the said sub-section so as to provide that the guidelines issued shall be binding on the income-tax authorities and on the person liable to deduct or collect income-tax.

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

Clause 78 of the Bill seeks to amend section 402 of the Income-tax Act, 2025 relating to interpretation for the purposes of Chapter XIX-B.

Clause (27) of the said section provides for the definition of the expression “person responsible for paying”.

Sub-clause (c) of the said clause provides that in case of payment of any sum to a non-resident where such sum represents consideration for the transfer by him of any foreign exchange asset, which is not a short-term capital asset, the authorised person responsible for remitting such sum to the non-resident Indian or for crediting such sum to his Non-resident (External) Account.

It is proposed to amend the said sub-clause to clarify that the term “authorised person” referred to therein shall have the same meaning as assigned to it in clause (c) of section 2 of the Foreign Exchange Management Act, 1999.

Clause (47) of the said section defines the expression “work”.

It is further proposed to amend the said clause so as to include supply of manpower under the ambit of “work” for the applicability of tax deducted at source as per of section 393(1) [Table: Sl. Nos. 6(i) or 6(ii)].

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

Clause 79 of the Bill seeks to amend section 411 of the Income-tax Act, 2025 relating to when tax payable and when assessee deemed in default.

The said section provides that the payment and recovery of tax demand, stating that any amount specified in a notice of demand under section 289 must be paid within thirty 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 sub-section (3) of section 289, 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.

It is proposed to consequentially amend the sub-section (3) of the said section so as to provide for charging of interest under the said sub-section in respect of any demand raised on account of penalty levied under section 439 only after passing of the order by the Commissioner of Income tax Appellate Tribunal (for appeal against order passed in pursuance of directions issued by the Dispute Resolution Panel), as the case may be.

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

Clause 80 of the Bill seeks to amend section 423 of the Income-tax Act 2025 relating to interest for defaults in furnishing return of income.

It is proposed to make consequential amendments in order to bring changes proposed in the minimum alternate tax regime by giving reference of section 206(3) and (4) instead of section 206(1)(m) to (p).

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 81 of the Bill seeks to amend section 424 of the Income-tax Act 2025 relating to interest for defaults in payment of advance tax.

It is proposed to make consequential amendments in order to bring changes proposed in the minimum alternate tax regime by giving reference of section 206(3) and (4) instead of section 206(1)(m) to (p).

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 82 of the Bill seeks to amend section 425 of the Income-tax Act 2025 relating to interest for deferment of advance tax.

It is proposed to make consequential amendments in order to bring changes proposed in the minimum alternate tax regime by giving reference of section 206(3) and (4) instead of section 206(1)(m) to (p).

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 83 of the Bill seeks to substitute sections 427 and 428 of the Income-tax Act relating to fee for default in furnishing statements and fee for default in furnishing return of income.

The proposed section 427 provides for fee for default in furnishing statements.

Sub-section (1) of the proposed section 427 provides that without prejudice to the provisions of this Act, where any person fails to deliver or cause to be delivered a statement as per section 397(3)(b) within the time as may be provided by rules therein, he shall be liable to pay by way of fee, a sum of ₹200 for every day for which such failure continues.

Sub-section (2) of the proposed section 427 provides that the amount of fee referred to in sub-section (1) shall not exceed the amount of tax deductible or collectible and be paid before delivering or causing to be delivered the statement, as per sub-section (1).

Sub-section (3) of the proposed section 427 provides that without prejudice to the provisions of this Act, if any person who is required to furnish a statement of financial transaction or reportable account under section 508(1), fails to furnish such statement within the time as may be provided by rules under section 508(2), he shall be liable to pay by way of fee, a sum of ₹ 200 for every day for which such failure continues and such fee shall not exceed a sum of ₹ 100000.

The proposed section 428 provides for fee for default in furnishing return of income, audited accounts and reports.

Clause (a) of the proposed section 428 provides that where any person required to furnish a return of income under section 263, fails to do so within the due date as specified in sub-section (1) of said section, he shall be liable to pay by way of fee, a sum of ₹ 1000, if the total income of such person does not exceed ₹ 500000 and a sum of ₹ 5000, in any other case.

Clause (b) of the proposed section 428 provides that where any person furnishes a return of income under section 263(5) beyond nine months from the end of relevant tax year, he shall liable to pay by way of fee, a sum of ₹ 1000, if the total income of such person does not exceed ₹ 500000 and a sum of ₹ 5000, in any other case.

Clause (c) of the proposed section 428 provides that where any person fails to get his accounts audited for any tax year or years and furnish the report of such audit as required under section 63, he shall be liable to pay by way of fee, a sum of ₹ 75000 for a delay upto one month for which such failure continue and a sum of ₹ 150000 thereafter.

Clause (d) of the proposed section 428 provides that where any person fails to furnish a report from an accountant as required by section 172, he shall be liable to pay by way of fee, a sum of ₹ 50000 for a delay up to one month for which such failure continues and a sum of ₹ 100000 thereafter.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 84 of the Bill seeks to amend section 439 of the Income-tax Act, 2025 relating to penalty for under-reporting and misreporting of income.

Sub-section (11) of the said section provides the categories of cases of misreporting of income referred to in sub-section (10).

It is proposed to amend the said sub-section (11) so as to include the income referred to in section 195(1)(b) within the ambit of income referred to in sub-section (10).

It is further proposed to insert a new sub-section (13A) so as to provide that where additional income-tax is paid in accordance with section 267(5)(ii), the income on which such additional income-tax is paid shall not form the basis of imposition of penalty.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 85 of the Bill seeks to amend section 440 of the Income-tax Act, 2025 relating to immunity from imposition of penalty, etc.

The said section, *inter alia*, provides the procedure for granting immunity by the Assessing Officer from imposition of penalty or initiation of prosecution, if assessee fulfils certain conditions specified therein.

Under the said section immunity is granted only in the cases of under-reporting of income and not in the case of misreporting of income.

It is proposed to amend the said section by substituting sub-sections (1) to (4) thereof so as to extend such immunity—

(i) for misreporting of income [under section 439 (11) (a) to (f)], on payment of the tax and interest payable as per the order of assessment or reassessment under section 270(10) or section 279, along with additional income-tax amounting to 100% of the amount of tax payable on under-reported income, in lieu of penalty and no appeal has been filed;

(ii) for income referred to in sections 102 to 106 [under section 439 (11) (g)], on payment of the tax and interest payable as per the order of assessment or reassessment under section 270(10) or section 279, along with additional income-tax amounting to 120% of the amount of tax payable on under-reported income, in lieu of penalty and no appeal has been filed.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 86 of the Bill seeks to omit section 443 of the Income-tax Act, 2025 relating to penalty in respect of certain income.

It is proposed to omit the said as a consequential amendment made in section 439 of the said Act.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 87 of the Bill seeks to substitute section 446 of the Income-tax Act, 2025 relating to failure to get accounts audited.

The proposed new section provides for penalty for failure to furnish information or for furnishing inaccurate information on transaction of crypto-asset.

Sub-section (1) of the proposed section seeks to provide that if any person who is required to furnish a statement in respect of transaction of crypto-asset under section 509(1), fails to furnish such statement within the time as provided by rules under the said section, the income-tax authority as may be provided by rules under that section may impose on him, a penalty of ₹ 200 for every day during which such failure continues.

Sub-section (2) of the proposed new section seeks to provide that the said income-tax authority may impose a penalty of ₹ 50000 on a person required to furnish a statement under sub-section (1) of the section 509, if such person provides inaccurate information in the statement and fails to remove such inaccuracy as per section 509(4) or fails to comply with due diligence the requirement under section 509(5).

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

Clause 88 of the Bill seeks to omit section 447 of the Income-tax Act relating to penalty for failure to furnish report under section 172.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 89 of the Bill seeks to substitute section for 454 of the Income-tax Act, 2025 relating to penalty for failure to furnish statement or reportable account.

The proposed section provides Penalty for failure to furnish statement of financial transaction or reportable account after notice.

The said section provides that where any person, who is required to furnish a statement of financial transaction or reportable account under section 508(1), fails to furnish such statement or reportable account within the period specified in the notice issued under section 508(7), the income-tax authority prescribed under section 508(1) may impose on him, a penalty of ₹ 1000 for every day for which such failure continues, beginning from the day immediately after the time specified in such notice for furnishing such statement or reportable account expires and such penalty shall not exceed ₹ 100000.

This amendment will take effect from 1st April, 2026 and accordingly, will apply in relation to the tax year 2026-2027 and subsequent year.

Clause 90 of the Bill seeks to amend section 466 of the Income-tax Act, 2025 relating to penalty for failure to comply with the provisions of section 254.

Section 254 of the said 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 authorised.

Further, the provisions of section 466 of the said Act provide for penalty on such persons who fail to comply with the provisions of section 254, that is power to collect information, and does not furnish the requisite information to the authorised income-tax authorities. The said section further empowers to the Joint Commissioner, Deputy Director or Assistant Director or the Assessing officer to impose maximum penalty amounting to ₹1000.

It is proposed to amend the said section so as to enhance the maximum amount of penalty from existing ₹ 1000 to ₹ 25000.

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

Clause 91 of the Bill seeks to amend section 470 of the Income-tax Act, 2025 relating to penalty not to be imposed in certain cases.

It is proposed to omit the reference of section 447.

This amendment will take effect from 1st April, 2026 and accordingly, will apply in relation to the tax year 2026-2027 and subsequent year.

Clause 92 of the Bill seeks to amend section 471 of the Income-tax Act, 2025 relating to procedure for imposition of penalty.

The said section provides 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.

It is proposed to amend the said section so as to provide that penalty for under-reporting of income leviable under section 439 shall be imposed in the assessment order made on or after 1st April, 2027.

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

Clause 93 of the Bill seeks to amend section 473 of the Income-tax Act, 2025 relating to contravention of order made under section 247.

The said section, *inter alia*, provides that whoever contravenes any order referred to in section 247(4) shall be punishable with rigorous imprisonment which may extend to two years and shall also be liable to fine.

It is proposed to amend said section so as to substitute “rigorous imprisonment for a term which may extend to two years and shall also be liable to fine” with “simple imprisonment up to two years and fine”.

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

Clause 94 of the Bill seeks to amend section 474 of the Income-tax Act, 2025 relating to failure to pay tax collected at source.

The said section, *inter alia*, provides that if a person, who is required to afford the authorised officer with the necessary facility to inspect the books of account or other documents, under section 247(1)(ii), fails to do so, he shall be punishable with rigorous imprisonment for a term which may extend to two years and shall also be liable to fine.

It is proposed to amend said section so as to substitute the “rigorous imprisonment for a term which may extend to two years and shall also be liable to fine” with “simple imprisonment up to six months or with fine or with both”.

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

Clause 95 of the Bill seeks to amend section 475 of the Income-tax Act, 2025 relating to removal, concealment, transfer or delivery of property to prevent tax recovery.

The said section, *inter alia*, provides that whoever, fraudulently removes, conceals, transfers or delivers to any person, any property or any interest therein, with the intent to prevent such property or interest therein from being taken in execution of a certificate drawn under section 413, shall be punishable with rigorous imprisonment for a term which may extend to two years and shall also be liable to fine.

It is proposed to amend said section so as to substitute “rigorous imprisonment for a term which may extend to two years and shall also be liable to fine” with “simple imprisonment up to two years and fine”.

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

Clause 96 of the Bill seeks to amend section 476 of the Income-tax Act, 2025 relating to failure to pay tax to credit of Central Government under Chapter XIX-B.

The said section, *inter alia*, provides that if a person fails to pay the tax deducted at source into the account of Central Government or fails to pay tax or ensure payment of tax to the credit of Central Government in certain cases under the provision of section 393 of the Act.

It is proposed to amend sub-section (1) of said section so as to provide that 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) excluding such winnings and such consideration which are wholly in kind and shall be punishable —

- (i) with simple imprisonment for a term up to 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 up to 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.

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

Clause 97 of the Bill seeks to amend section 477 of the Income-tax Act, 2025 relating to failure to pay tax collected at source.

The said section ,*inter alia*, that if a person fails to pay the tax collected by him to the credit of the Central Government, as required under section 397(3)(a), he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years, and with fine.

It is proposed to amend sub-section (1) of the said section so as to provide that if a person fails to pay the tax collected by him to the credit of the central government as required under section 397(3)(a), he shall be punishable—

- (a) with simple imprisonment for a term up to 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 up to 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.

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

Clause 98 of the Bill seeks to substitute section 478 of the Income-tax Act, 2025 relating to wilful attempt to evade tax, etc.

Sub-section (1) of the said section,*inter alia*, provides that if a person wilfully attempts in any manner whatsoever to evade any tax, penalty or interest chargeable or imposable, or under-reports his income, under this Act in a case, where the amount sought to be evaded or tax on under-reported income exceeds twenty-five lakh rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years, and

with fine and in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years, and with fine.

Sub-section (2) of the said section, *inter alia*, provides that if a person wilfully attempts in any manner to evade the payment of any tax, penalty or interest under this Act, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and shall, in the discretion of the court, also be liable to fine.

It is proposed to amend the said sub-section (1) of the said section so as to provide that if a person wilfully attempts in any manner whatsoever to evade any tax, penalty or interest chargeable or imposable, or under-reports his income, under this Act, he shall be punishable—

(a) with simple imprisonment for a term up to 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 up to 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.

It is proposed to substitute sub-section (2) of the said section so as to provide that if a person wilfully attempts in any manner to evade payment of tax or penalty under this Act shall be punishable—

(a) with simple imprisonment for a term up to 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 up to 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.

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

Clause 99 of the Bill seeks to amend section 479 of the Income-tax Act, 2025 relating to failure to furnish returns of income.

The said section, *inter alia*, provides that if a person wilfully fails to furnish in due time the return of income, which is required to be furnished under section 263(1), or by notice given under sections 268(1) or 280, he shall be punishable,— (a) in a case, where the amount of tax, which would have been evaded if the failure had not been discovered, exceeds twenty-five lakh rupees, with rigorous imprisonment for a term which shall not be less than six

months but which may extend to seven years, and with fine; (b) in any other case, with imprisonment for a term which shall not be less than three months but which may extend to two years and with fine.

It is proposed to amend the said section so as to provide that—

- (a) with simple imprisonment for a term up to 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 up to 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.

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

Clause 100 of the Bill seeks to substitute sections 480 and 481 of the Income-tax Act, 2025 relating to failure to furnish return of income in search cases and failure to produce accounts and documents, respectively, with new sections.

It is proposed to substitute the said section 480 so as to decriminalize the offenses thereunder to provide that if a person wilfully fails to furnish in due time the return of income, setting forth his undisclosed income for the block period, which is required to be furnished by notice given under section 294(1) (a), he shall be punishable—

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

It is proposed to substitute the section 481 of the said so as to provide that –

- (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 up to six months, or with fine, or with both.

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

Clause 101 of the Bill seeks to amend section 482 of the Income-tax Act, 2025 relating to false statement in verification, etc.

The said section, *inter alia*, provides that if a person makes a statement in any verification under this Act or under any rule made thereunder, or delivers an account or statement which is false, and which he either knows or believes to be false, or does not believe to be true, he shall be punishable,— (a) in a case, where the amount of tax, which would have been evaded if the statement or account had been accepted as true, exceeds twenty-five lakh rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years, and with fine; (b) in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years, and with fine.

It is proposed to amend said section so as to change the punishment thereunder as below:

- (a) with simple imprisonment for a term up to 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 up to 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.

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

Clause 102 of the Bill seeks to amend section 483 of the Income-tax Act, 2025 relating to falsification of books of account or document, etc.

Sub-section (1) of the said section, *inter alia*, provides that if any person (herein referred to as the first person) wilfully and with intent to enable any other person (herein referred to as the second person) to evade any tax or interest or penalty chargeable and imposable under this Act, makes or causes to be made any entry or statement which is false and which the first person either knows to be false or does not believe to be true, in any books of account or other document relevant to or useful in any proceedings against the first person or the second person, under this Act, the first person shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and with fine.

It is proposed to amend the said sub-section to substitute “rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and with fine” with “simple imprisonment for a term up to two years and shall also be liable to fine”.

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

Clause 103 of the Bill seeks to amend section 484 of the Income-tax Act, 2025 relating to abetment of false return, etc.

The said section, *inter alia*, provides that if a person abets or induces in any manner another person— (a) to make and deliver an account or a statement or declaration relating to any income chargeable to tax which is false and which he either knows to be false or does not believe to be true; or (b) to commit an offence under section 478(1), he shall be punishable,— (i) 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 twenty-five lakh rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years, and with fine; (ii) in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years, and with fine.

It is proposed to amend the said section to change the punishment thereunder in the manner given below:

- (i) with simple imprisonment for a term up to 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 up to 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.

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

Clause 104 of the Bill seeks to amend section 485 of the Income-tax Act, 2025 relating to punishment for second and subsequent offences.

The said section, *inter alia*, provides that if any person convicted of an offence under sections 476, 477, 478(1), 479, 480, 482 or 484 is again convicted of an offence under any of the said sections, he shall be punishable for the second and for every subsequent offence with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years, and with fine.

It is proposed to amend said section to substitute “rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years, and with fine” with “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”.

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

Clause 105 of the Bill seeks to amend section 494 of the Income-tax Act, 2025 relating to disclosure of particulars by public servants.

Sub-section (1) of the said section provides that a public servant, who furnishes any information or produces any document in contravention of the provisions of section 258(3), shall be punishable with imprisonment which may extend to six months, and shall also be liable to fine.

It is proposed to amend the said section to substitute “imprisonment which may extend to six months, and shall also be liable to fine” with “simple imprisonment up to one month, or with fine, or with both”.

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

Clause 106 of the Bill seeks to amend section 522 of the Income-tax Act, 2025 relating to return of income, etc., not to be invalid on certain grounds.

The said section, *inter alia*, provides that no return of income, assessment, notice, summons or other proceeding in pursuance of any of the provisions of the said 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 the said Act.

It is proposed to insert sub-section (2) in the said section so as to provide that no assessment in pursuance of any of the provisions of the Income-tax Act, 2025 shall be invalid on the ground of any mistake, defect or omission in respect of quoting of a computer-generated Document Identification Number, if the assessment order is referenced by such number in any manner.

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

Clause 107 of the Bill seeks to amend section 536 of the Income-tax Act, 2025 relating to repeal and savings.

The said section provides for the circumstances where deduction has been allowed under the repealed Income-tax Act, 1961, but on violation of the conditions mentioned in the respective sections of the said Act, it will become income after the enactment of the Income-tax Act, 2025.

It is proposed to substitute clause (h) of sub-section (2) of the said section so as to provide that where any sum has been allowed as a deduction or has not been included in the total income of any person, either on account of fulfillment of certain conditions or for any other reason, for any tax year beginning before the 1st April, 2026, and such sum was required to be included in the total income of any subsequent tax year including beginning on or after the 1st April, 2026 under the repealed Income-tax Act, if it had not been so repealed, on account of violation of such conditions or for any other reason, then such sum shall be—

(i) deemed to be the income of such subsequent tax year; and

(ii) included in the total income of the said person under the same head of income as it would have been included under the repealed Income-tax Act.

It is further proposed to substitute sub-clauses (i) and (ii) of clause (l) of sub-section (2) of the said section so as to include reference of section 206(3) or (4).

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 108 of the Bill seeks to amend Schedule III to the Income-tax Act, 2025 relating to income not to be included in total income of eligible persons.

It is proposed to amend the Table in the said Schedule so as to provide an express statutory exemption in respect of disability pension, including both the service element and the disability element, in cases where an individual has been invalidated out of service on account of such disability attributable to, or aggravated by, such service. However, the said exemption shall not be available where the individual has retired from service on superannuation or otherwise.

It is further proposed to amend the Table in the said Schedule so as to provide exemption to an individual or his legal heir, on any interest awarded on compensation under the Motor Vehicles Act, 1988.

It is proposed to amend the said Schedule so as 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 Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (other than the award or agreement made under section 46 of said Act).

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 109 of the Bill seeks to amend Schedule IV of the Income-tax Act, 2025 relating to income not to be included in total income of eligible non-residents, foreign companies and other such persons.

Schedule IV to the said 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.

It is proposed to amend the said Schedule to provide exemption to a foreign company on 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, that is, a warehouse referred to in section 65 of the Customs Act, 1962 and produces electronic goods on behalf of the foreign company for a consideration. The said exemption shall be provided up to the tax year 2030-2031.

It is further proposed to amend the said Schedule so as 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 in India in connection with any scheme as may be notified by the Central Government, 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 provided by rules.

It is also proposed to amend the said Schedule so as 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 up to tax year ending on 31st March, 2047, subject to the conditions specified therein.

It is also proposed to insert Note 3 so as to define the expressions “data centre”, “data centre services” and “specified data centre” for the purposes of the said provision in serial number 13C.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 110 of the Bill seeks to amend Schedule VI of the Income-tax Act, 2025 relating to income not to be included in the total income of certain eligible persons in International Financial Services Centre or having income therefrom.

Serial Numbers 1 to 4 of the Table in the said Schedule applies to any specified fund and the expression “specified fund” has been defined in clause (g) of Note 1 of the said Schedule.

It is proposed to amend the said clause so as to align the definition of the expression “specified fund” with the definition provided under clause (4D) of section 10 of the Income-tax Act, 1961 and make a consequential amendment thereto.

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

Clause 111 of the Bill seeks to amend Schedule XI to the Income-tax Act, 2025 relating to recognised provident funds.

It is proposed to amend the provisions of the said Schedule to align with the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the Employees' Provident Fund Scheme, as follows: —

- (i) to align the treatment of employer contributions with the aggregate monetary cap prescribed under section 17(1)(h) of the Income-tax Act, 2025, and the Employees' Provident Fund framework;
- (ii) to reflect that exemption from schemes under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 is governed by that Act;
- (iii) to omit the discretionary relaxation of contribution parity based on salary thresholds that are no longer relevant, in order to align the provision with the monetary limit prescribed under section 17(1)(h) of the Income-tax Act, 2025;
- (iv) to align the limits on employer contributions with the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the absolute monetary ceiling provided under section 17(1)(h) of the Income-tax Act, 2025;
- (v) to remove the applicable limits for employee-shareholders as no such limit exists in the Employees' Provident Fund framework and to align it with the uniform cap prescribed under section 17(1)(h) of the Income-tax Act, 2025; and
- (vi) to amend the provisions which restrict investment in Government securities, to align the Schedule with prevailing Employees' Provident Fund investment norms.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 112 of the Bill seeks to amend Schedule XII to the Income-tax Act, 2025.

Part A of the said Schedule provides for the list of minerals or group of minerals eligible for deduction on deferred basis for prospecting, or extraction or production or development of a mine or other natural deposit of the specified minerals.

It is proposed to amend the said Part so as to incentivise the prospecting and exploration of the critical minerals by expanding the list of minerals to make the expenditure on such prospecting and exploring of critical minerals also eligible for deduction as per the provisions of section 51 of the said Act.

This amendment will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 113 of the Bill seeks to amend Schedule XIV to the Income-tax Act, 2025 relating to insurance business.

It is proposed to consequentially amend clause (a) of sub-paragraph (1) of the said Schedule so as to substitute the words “this rule” with the words “this paragraph”.

It is further proposed to amend the said Schedule so as to insert sub-paragraph (3) in paragraph 4 to provide that the amount not deductible under sub-clause (i) or (ii) of section 35(b), which is added under sub-paragraph (1)(a), shall be allowed subsequently as a deduction in a tax year as per the provisions of the said sub-clause, as the case may be.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clauses 114 to 128 of the Bill seeks to insert a new Chapter relating to the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026.

The Chapter, *inter alia*, provides—

- (a) the short title and commencement of the Scheme and the date from which it shall come into force;
- (b) the definitions of certain expressions relating to “assessee”, “assessment”, “assessment year”, “Board”, “declarant”, “declaration”, “last date”, “previous year” “prescribed” “undisclosed asset located outside India”, “undisclosed foreign income” and “value of the asset”;
- (c) the provisions relating to eligibility and filing of declaration by an assessee in respect of undisclosed foreign income or undisclosed assets located outside India;
- (d) the provisions relating to the amount payable by the declarant, including the rate of tax, penalty or fee payable, subject to specified monetary thresholds and conditions;
- (e) the provisions relating to the manner, form and verification of the declaration and the circumstances in which such declaration shall be deemed invalid;
- (f) the provisions relating to electronic verification of declarations, determination of the amount payable, time limits for payment, levy of interest for delayed payment and issuance of certificate evidencing payment;
- (g) the provisions relating to non-inclusion of income or assets declared under the Scheme in the total income of the declarant and the effect of such declaration on pending assessment proceedings;
- (h) the provisions relating to non-refund of any amount paid under the Scheme and the bar on claiming rectification, revision, set-off or relief in respect of completed assessments;

(i) the provisions relating to grant of immunity from levy of tax, penalty and prosecution under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, subject to fulfilment of the conditions of the Scheme;

(j) the provisions relating to cases to which the Scheme shall not apply, including cases involving proceeds of crime or completed assessments under the Prevention of Money-laundering Act, 2002 and the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015;

(k) the provisions relating to the power of the Central Board of Direct Taxes to issue directions and grant relaxation in public interest, the power of the Central Government to remove difficulties and the power to make rules for carrying out the provisions of the Scheme.

This Chapter will take effect from such date as the Central Government may notify in the Official Gazette.

*Indirect taxes*

*Clause 129* of the Bill seeks to amend sub-section (2) of section 1 of the Customs Act, so as to extend the jurisdiction of the said Act beyond the territorial waters of India for the purpose of fishing and fishing related activities.

*Clause 130* of the Bill seeks to insert a new clause in section 2 of the Customs Act, so as to define the expression “*Indian-flagged fishing vessel*”.

*Clause 131* of the Bill seeks to amend sub-section (6) of section 28 of the Customs Act to provide that the penalty paid under sub-section (5) of section 28, on determination under the said sub-section, shall be deemed to be a charge for non-payment of duty under clause (i) thereof.

*Clause 132* seeks to amend sub-section (2) of section 28J of the Customs Act 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.

It further seeks to substitute the proviso to the said sub-section 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 for five years from the date of the ruling.

*Clause 133* of the Bill seeks to insert a new section 56A in the Customs Act so as to make special provisions for fishing and fishing related activities by an Indian-flagged fishing vessel beyond territorial waters of India. It seeks to provide 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

further seeks 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.

*Clause 134* of the Bill seeks to substitute section 67 of the Customs Act, relating to removal of goods from one warehouse to another.

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 warehouse to another.

*Clause 135* of the Bill seeks to amend clause (b) of section 84 of the Customs Act, so as to empower the Board to make regulations for the custody of goods imported or to be exported by post or courier.

#### *Customs tariff*

*Clause 136* of the Bill seeks to amend the First Schedule to the Customs Tariff Act in the manner specified in,—

- (a) the Second Schedule with a view to impose a composite duty on certain goods;
- (b) the Third Schedule so as to revise the rates in respect of certain tariff items with effect from the 1st April, 2026;
- (c) the Fourth Schedule, so as to create new tariff entries and the Fifth Schedule, so as to revise the rates in respect of certain tariff items, with effect from the 1st of May, 2026.

#### *Central Goods and Services Tax*

*Clause 137* of the Bill seeks to amend sub-section (3) of section 15 of the Central Goods and Services Tax Act to do away with requirement of linking the post-sale discount with an agreement specifically linked to relevant invoices and to refer to issuance of credit note under section 34 where the input tax credit is reversed by the recipient.

*Clause 138* of the Bill seeks to amend section 34 of the Central Goods and Services Tax Act 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.

*Clause 139* of the Bill seeks to amend sub-section (6) of section 54 of the Central Goods and Services Tax Act to extend the provisions of provisional refund to refunds arising out of inverted duty structure.

The clause further seeks to amend sub-section (14) of section 54 of the Central Goods and Services Tax Act to provide for removing the threshold limit for refund claim in case of goods exported out of India with payment of tax.

*Clause 140* of the Bill seeks to insert a new sub-section (*1A*) in section 101A of the Central Goods and Services Tax Act so as to provide that till the National Appellate Authority is constituted under sub-section (*1*), the Government may on the recommendation of the Council, by notification, empower any existing Authority to hear appeals made under section 101B.

It further seeks to provide that in such case, the provisions of sub-sections (2) to (*13*) shall not apply.

It also seeks to insert an *Explanation* in the said sub-section so as to provide that the expression “*existing Authority*” shall include a Tribunal.

#### *Integrated Goods and Services Tax*

*Clause 141* of the Bill seeks to omit clause (*b*) of sub-section (8) of section 13 of the Integrated Goods and Services Tax Act, 2017 so as to provide that the place of supply for “intermediary services” shall be determined as per the provisions of sub-section (2) of section 13 of the said Act, which is the location of the recipient of such services.

#### *MISCELLANEOUS*

*Clause 142* seeks to amend the Seventh Schedule to the Finance Act, 2001 in the manner specified in the Sixth Schedule with effect from 1<sup>st</sup> May, 2026 so as to revise the National Calamity Contingent Duty rate on chewing tobacco, jarda scented tobacco and other (including gutkha).

*Clause 143* of the Bill seeks to amend section 98 of the Finance (No.2) Act, 2004 relating to charge of securities transaction tax.

The said section, *inter alia*, provides that the securities transaction tax on sale of—

- (i) an option in securities is 0.1 per cent. of the option premium;
- (ii) an option in securities when such option is exercised is 0.125 per cent. of the intrinsic price; and
- (iii) a futures in securities is 0.02 per cent. of the price at which “futures” are traded.

It is proposed to amend the said section so as to increase the said rates from the existing rate of securities transaction tax on sale of—

- (i) an option in securities to 0.15 per cent. of the option premium;
- (ii) an option in securities, where option is exercised to 0.15 per cent. of the intrinsic price; and

(iii) futures in securities to 0.05 per cent. of the price at which such “futures” are traded.

These amendments will take effect from 1st April, 2026 and will, accordingly, apply in relation to the tax year 2026-2027 and subsequent years.

Clause 144 of the Bill seeks to amend sections 49 and 50 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 relating to the punishment for failure to furnish return in relation to foreign income and asset and punishment for failure to furnish in return of income, any information about an asset (including financial interest in any entity) located outside India, respectively.

The said section provides for prosecution where a resident, other than not ordinarily resident in India, holding foreign assets or income wilfully fails to furnish the return of income or fails to disclose such information in their return of income.

It is proposed to amend the said sections to insert proviso in both the sections so as to provide that the provisions of the said sections shall not apply in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed twenty lakh rupees, to make it harmonious with the threshold specified in sections 42 and 43 of the said Act.

These amendments will take effect retrospectively from 1st October, 2024.

MEMORANDUM REGARDING DELEGATED LEGISLATION	
	The provisions of the Bill, <i>inter alia</i> , empower the Central Government to issue notifications and the Board to make rules for various purposes as specified therein.
	Clause 15 of the Bill seeks to amend section 270AA of the Income-tax Act, 1961 relating to immunity from imposition of penalty, etc. Sub-section (2) of the said section empowers the Board to provide by rules the form for application to grant immunity and the manner of verification of such application.
	Clause 69 of the Bill seeks to amend section 352 of the Income-tax Act, 2025 relating to tax on accrued income. It is proposed to substitute serial number 8 and the entries relating thereto of the Table in sub-section (4) of the said section so as to empower the Board to provide by rules for the conditions for merger for the purposes of the said section.
	Clause 70 of the Bill seeks to insert a new section 354A in the Income-tax Act, 2025 relating to merger of registered non-profit organisations in certain cases. The said section empowers the Board to provide by rules for the conditions of merger for the purposes of said the section.
	Clause 74 of the Bill seeks to amend section 395 of the Income-tax Act, 2025 relating to certificates. Sub-section (6) of the said section empowers the Board to provide by rules for the conditions for filing application to the prescribed income-tax authority.
	Clause 85 of the Bill seeks to amend section 440 of the Income-tax Act, 2025 relating to immunity from imposition of penalty, etc. Sub-section (2) of the said section empowers the Board to provide by rules the form and the manner of verification of application for grant of waiver of penalty and immunity from initiation of proceeding for prosecution.
	Clause 109 of the Bill seeks to amend Schedule IV of the Income-tax Act, 2025 relating to income not to be included in total income of eligible non-residents, foreign companies and other such persons. It is proposed to amend the said Schedule so as to empower the Board to provide by rules for the conditions to be fulfilled by person rendering any service in India in connection with any scheme.
	Clause 110 of the Bill seeks to amend Schedule VI of the Income-tax Act, 2025 relating to income not to be included in the total income of certain eligible persons in International Financial Services Centre or having income therefrom. Sub-item (II) of item C of the said Schedule empowers the Board to provide by rules for the conditions for holding of number of units.

	Clauses 114 to 128 of the Bill seeks to insert a new Chapter relating to the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026. Clause 128 empowers the Board to make rules for carrying out the provisions of the said Scheme.	
	Indirect taxes	
	Clause 133 of the Bill seeks to insert a new section 56A in the Customs Act. Sub-section (1) of the said section 56A empowers the Central Government to make rules to provide for the manner and the conditions subject to which the fish harvested by an Indian-flagged fishing vessel beyond territorial waters of India may be brought into India free of duty and the fish that has landed at a foreign port may be treated as export of goods. Sub-section (2) of the said section empowers the Central Board of Indirect Taxes and Customs to make regulations to provide for the form and manner of making an entry in respect of fish harvested including its declaration, custody, examination, assessment of duty, clearance, transit or transhipment.	
	Clause 135 of the Bill seeks to amend clause (b) of section 84 of the Customs Act, so as to empower the Board to make regulations for the custody of goods imported or to be exported by post or courier.	
	<p>2. The matters in respect of which rules or regulations may be made are matters of procedure and details and it is not practicable to provide for them in the Bill itself.</p> <p>3. The delegation of legislative powers is, therefore, of a normal character.</p>	



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to give effect to the financial proposals of the Central Government  
for the financial year 2026-2027.

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*(Smt. Nirmala Sitharaman,  
Minister of Finance.)*

MEMORANDUM REGARDING DELEGATED LEGISLATION	
	The provisions of the Bill, <i>inter alia</i> , empower the Central Government to issue notifications and the Board to make rules for various purposes as specified therein.
	Clause 15 of the Bill seeks to amend section 270AA of the Income-tax Act, 1961 relating to immunity from imposition of penalty, etc. Sub-section (2) of the said section empowers the Board to provide by rules the form for application to grant immunity and the manner of verification of such application.
	Clause 69 of the Bill seeks to amend section 352 of the Income-tax Act, 2025 relating to tax on accrued income. It is proposed to substitute serial number 8 and the entries relating thereto of the Table in sub-section (4) of the said section so as to empower the Board to provide by rules for the conditions for merger for the purposes of the said section.
	Clause 70 of the Bill seeks to insert a new section 354A in the Income-tax Act, 2025 relating to merger of registered non-profit organisations in certain cases. The said section empowers the Board to provide by rules for the conditions of merger for the purposes of said the section.
	Clause 74 of the Bill seeks to amend section 395 of the Income-tax Act, 2025 relating to certificates. Sub-section (6) of the said section empowers the Board to provide by rules for the conditions for filing application to the prescribed income-tax authority.
	Clause 85 of the Bill seeks to amend section 440 of the Income-tax Act, 2025 relating to immunity from imposition of penalty, etc. Sub-section (2) of the said section empowers the Board to provide by rules the form and the manner of verification of application for grant of waiver of penalty and immunity from initiation of proceeding for prosecution.
	Clause 109 of the Bill seeks to amend Schedule IV of the Income-tax Act, 2025 relating to income not to be included in total income of eligible non-residents, foreign companies and other such persons. It is proposed to amend the said Schedule so as to empower the Board to provide by rules for the conditions to be fulfilled by person rendering any service in India in connection with any scheme.
	Clause 110 of the Bill seeks to amend Schedule VI of the Income-tax Act, 2025 relating to income not to be included in the total income of certain eligible persons in International Financial Services Centre or having income therefrom. Sub-item (II) of item C of the said Schedule empowers the Board to provide by rules for the conditions for holding of number of units.

	Clauses 114 to 128 of the Bill seeks to insert a new Chapter relating to the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026. Clause 128 empowers the Board to make rules for carrying out the provisions of the said Scheme.	
	Indirect taxes	
	Clause 133 of the Bill seeks to insert a new section 56A in the Customs Act. Sub-section (1) of the said section 56A empowers the Central Government to make rules to provide for the manner and the conditions subject to which the fish harvested by an Indian-flagged fishing vessel beyond territorial waters of India may be brought into India free of duty and the fish that has landed at a foreign port may be treated as export of goods. Sub-section (2) of the said section empowers the Central Board of Indirect Taxes and Customs to make regulations to provide for the form and manner of making an entry in respect of fish harvested including its declaration, custody, examination, assessment of duty, clearance, transit or transhipment.	
	Clause 135 of the Bill seeks to amend clause (b) of section 84 of the Customs Act, so as to empower the Board to make regulations for the custody of goods imported or to be exported by post or courier.	
	<p>2. The matters in respect of which rules or regulations may be made are matters of procedure and details and it is not practicable to provide for them in the Bill itself.</p> <p>3. The delegation of legislative powers is, therefore, of a normal character.</p>	



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