



Finance Bill, 2026: Income Tax Amendments

Key Highlights on Income Tax Amendments

Structural Change

Introduction of the Income-tax Act, 2025, replacing the 1961 Act, effective April 1, 2026.

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Rates of Tax: Personal & Corporate

Personal Tax Rates (2026-27)

Up to ₹4,00,000	Nil
₹4,00,001 to ₹8,00,000	5%
₹8,00,001 to ₹12,00,000	10%
₹12,00,001 to ₹16,00,000	15%
₹16,00,001 to ₹20,00,000	20%
₹20,00,001 to ₹24,00,000	25%
Above ₹24,00,000	30%

Minimum Alternate Tax (MAT)

- MAT becomes a final tax in the old regime (no credit accumulation from April 1, 2026).
- Rate reduced from 15% to **14%**.
- Set-off of brought forward MAT credit allowed in new regime for domestic companies up to **25%** of tax liability.

TDS and TCS Rationalisation



TCS Rates Reduced

Reduced to **2%** for overseas tour packages, LRS remittances (education/medical), and luxury items.



TDS on Immovable Property

Resident individuals/HUFs buying from non-residents no longer need TAN; can use PAN for TDS.



Manpower Supply

Included in "work" for TDS at **1% (individuals/HUF)** or **2% (others)** under payment to contractors.



MACT Awards

No TDS on interest awarded by Motor Accident Claims Tribunal to individuals.

Capital Gains and Share Buybacks

Share Buybacks

Taxation shifts to shareholder as Capital Gains. Promoters pay additional tax (**22%** for domestic corporate, **30%** for others).

Sovereign Gold Bonds (SGB)

Capital gains exemption on SGB redemption now restricted to individuals subscribing at original issue and holding until maturity.

Securities Transaction Tax (STT) Increased

- **Futures:** Increased to **0.05%** (from 0.02%).
- **Options:** Increased to **0.15%** (from 0.1% on premium and 0.125% on exercise).

❏ These changes aim to curb speculative trading.



Deductions and Exemptions

Employee PF Contribution

Deduction also allowed for employee contribution if credited to employee's account by due date of return filing.

House Property Interest

₹2 lakh deduction for self-occupied property interest now explicitly includes **prior-period interest** also.

Disability Pension

Specific exemption for Armed Forces personnel invalidated out due to bodily disability.

Compulsory Land Acquisition

Income from awards/agreements under RFCTLARR Act, 2013, explicitly exempted.

Dividend Income Expenses

No deduction for interest expenditure incurred to earn dividend income or mutual fund income.



Penalties, Prosecutions, and Decriminalisation

Decriminalisation

Several offenses, like failure to pay TDS (in kind) or non-production of books, are decriminalised.

Imprisonment

"Rigorous imprisonment" replaced with "simple imprisonment"; maximum terms reduced (e.g., 7 to 2 years).

Black Money Act

Immunity for undisclosed foreign assets (non-immovable) under ₹20 lakh.

Penalties to Fees

Penalties for technical defaults (e.g., audit failure) converted to fees to reduce litigation.

Crypto Assets

Specific penalty for failing to furnish crypto transaction statements (₹200/day) or inaccurate info (₹50,000).

Business and Industry Specifics



Data Centres

Tax holiday until **2047** for foreign companies providing global cloud services via Indian data centres.



IT Services

Common safe harbour margin of **15.5%** proposed, with turnover threshold enhanced to **₹2,000 crore**.



Cooperatives

Inter-cooperative dividends deductible; Section 149 deductions expanded to include cattle feed and cotton seeds.



Critical Minerals

Expenditure on prospecting/exploring "critical minerals" (Schedule XII) eligible for amortisation/deduction.

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An illustration on the left side of the slide shows a magnifying glass with a blue handle and frame, focusing on a document. The document has the letters 'ASS' in blue and some orange and blue lines representing text. A blue pen lies on the document. The background is a warm, abstract geometric shape in shades of orange and yellow.

Assessment Procedures

01

Integrated Assessment & Penalty

Assessment and penalty proceedings (for under-reporting) will be integrated into a common order to reduce multiplicity.

02

Block Assessment Time Limit

Time limit for completing block assessments in search cases extended to **18 months** from search initiation.

03

Updated Returns

Taxpayers can file updated returns even after a reassessment notice (Section 148), subject to additional tax payment.

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