



01.02.2026

Dear Client,

Greetings of the Day,

As we all are aware that Our Honorable Finance Minister Smt. Nirmala Sitharaman presented the Union Budget - 2026 before the parliament on February 01, 2026. **In the Budget Speech, The Hon'ble Finance Minister announced that new Income Tax Act, 2025 will come into effect from 01st April, 2026.** The Highlights of the Union Budget - 2026 for Tax proposals made by the finance minister are as hereunder:

A. TAX RATES FOR TAX YEAR 2026-27

1. For *Tax Year 2026-27, Income Tax Slab Rates (under New Tax Regime) are as follows for individuals or HUF or AOP (other than co-operative society), or BOI or an AJP referred to in section 2(77)(g) of the Income Tax Act 2025 :

For Tax Year 2026-27	
Slab (Total Income)	Income Tax Rate (New Regime)
Upto Rs.4,00,000/-	Nil
Income above Rs.4,00,000/- upto Rs.8,00,000/-	5%
Income above Rs.8,00,000/- upto Rs.12,00,000/-	10%
Income above Rs.12,00,000/- upto Rs.16,00,000/-	15%
Income above Rs.16,00,000/- upto Rs.20,00,000/-	20%
Income above Rs.20,00,000/- upto Rs.24,00,000/-	25%
Income Above Rs.24,00,000/-	30%
For Firms-at a flat rate on taxable income	30%
For Companies Opting u/s 200 of Income Tax Act 2025 (No limit on Turnover)	22% (Effectively 25.168%)

***Tax Year - As per Income Tax Act 2025, dual year concept of “previous year and assessment year” has been abolished and now only one year will be remain effective and used as “Tax Year” which was erstwhile known as “previous year”.**

B. PROPOSED AMENDMENTS FOR TAX YEAR 2026-27:

1.	<p><u>Change in Due date of filing Income Tax Return:</u></p> <p>Due date for filing of Return of Income for the following assessee has been changed from 31st July to 31st August:</p> <p>(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</p> <p>(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).</p>
2.	<p><u>Extending time to file revised return or belated return:</u></p> <p>It is proposed to allow extending the time of filing revised return upto 31st March following the tax year. This revised return can be of original return or belated return. A nominal fee of Rs. 1000 or 5000 is also proposed where the revision of original or belated return is made after 31st December depending upon whether the income is upto or more than Rs. 5 lakh.</p>
3.	<p><u>Extending the scope of filing of updated return</u></p> <ul style="list-style-type: none"> - To provide additional measure for reducing litigation, it is proposed to allow the taxpayer to <i>update the return even after reassessment proceedings have been initiated</i>. The updation is proposed to be enabled at an additional 10% tax rate over and above the rate applicable for relevant year. - It is further proposed to allow filing of updated return in cases where tax payer reduces the amount of loss filed in original return under section 263(1). - It is further proposed that where the taxpayer files updated return and reports additional income then penalty shall not be leviable on such additional income.
4.	<p>Proposed to obtaining a lower or nil tax deduction certificate by applying online after electronic verification through rule-based automated process for small taxpayers.</p>

5.	<p>Proposed to enable depositories to accept Form 15G or Form 15H from taxpayers holding securities in multiple companies.</p> <p>It is also proposed that the person responsible for paying such income shall furnish the declaration received by it from the taxpayer to the Department on quarterly basis rather than monthly basis as at present.</p>
6.	<p><u>Reduction of compliance on sale of immovable property by non-resident to resident individual or HUF</u></p> <p>It is proposed to provide that resident individual or HUF, shall <i>not be required to obtain tax deduction and collection account number (TAN)</i> to deduct tax at source in respect of any consideration on transfer of any immovable property by non-resident under section 393(2) [Table SI. No. 17]. Instead, the deduction shall be reported by quoting the PAN in same manner as transaction of similar nature between two residents.</p>
7.	<p><u>Due date to deposit employee contribution by the employer to claim such contribution as deduction</u></p> <p>It is proposed that deduction of any amount of contribution received by the assessee being an employer, from an employee, shall be allowed as deduction in the hands of the assessee if such amount is credited by the assessee to the account of the employee, in any provident fund or superannuation fund or any fund set up under the provisions of the Employees' State Insurance Act, <i>on or before the due date of filing of his return of income</i> under section 263(1) of the Act.</p>
8.	<p>Exemption from Minimum Alternate Tax (MAT) to all non-residents who pay tax on presumptive basis.</p>
9.	<p><u>Reduction of rate of Minimum Alternate Tax (MAT) and allowance of set-off of brought forward MAT credit to companies shifting to the new tax regime:</u></p> <ul style="list-style-type: none"> - To enable companies to shift to the new regime, MAT is proposed to be made as a final tax and the corresponding rate is reduced from 15% to 14%. There shall be no allowance of credit in future tax years in respect of such payment. - Further, the set-off of any brought forward MAT credit available from prior to tax year 2026-27 will only be allowed to domestic companies which shift henceforth to the new regime. - This set-off of MAT credit brought forward as on 01/04/2026 is proposed to be allowed in the new tax regime to domestic companies to the extent of 25% of their tax liability.

	<ul style="list-style-type: none"> - The brought forward MAT credit shall be available only upto fifteenth year from the year when the corresponding credit was first available.
10.	<p><u>Rationalisation of share buyback :</u></p> <p>It is proposed to provide that consideration received by a shareholder on buy-back shall be chargeable to tax under the head “Capital Gains” instead of being treated as dividend income for Tax Year 2026-27 and subsequent Tax Years.</p> <p>It is also proposed to provide for a <i>separate rate of Capital Gain tax in case of buyback for promoter shareholders</i>, it will be 22% for promoters which are domestic companies and 30% for promoters other than domestic companies.</p>
11.	<p><u>Capital Gains Exemption for Sovereign Gold Bonds</u></p> <ul style="list-style-type: none"> - It is proposed to provide that the exemption from capital gains tax in respect of Sovereign Gold Bonds shall be available only where such bonds are subscribed to by an individual at the time of original issue and are held continuously until redemption on maturity, - It is also proposed to provide that this exemption applies uniformly to all issuances of Sovereign Gold Bonds by the Reserve Bank of India.
12.	<p><u>Conversion of Penalty to Fee :</u></p> <ul style="list-style-type: none"> - Penalty for failure to get accounts audited u/s 428(c), assessee shall be liable to pay by way of fee, a sum of ₹ 75,000 for a delay upto one month for which such failure continue and a sum of ₹ 1,50,000 thereafter. - Penalty for non-furnishing of Transfer Pricing Report u/s 428(d), assessee shall be liable to pay by way of fee, a sum of ₹ 50,000 for a delay upto one month for which such failure continues and a sum of ₹ 1,00,000 thereafter. - Penalty for default in furnishing Statement for Financial Transactions (SFT Report), assessee 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 ₹ 1,00,000.
13.	<p><u>Reduction in multiplicity of proceedings :</u></p> <ul style="list-style-type: none"> - Presently, penalty proceedings are initiated after completion of the assessment proceedings by way of separate orders. Now, it is proposed

	<p>to integrate assessment & penalty proceedings by way of a common order after providing reasonable opportunity to the taxpayer to explain the issue.</p> <ul style="list-style-type: none"> - Also proposed that the interest on penalty would be kept in abeyance during the pendency of appeal before first appellate authority. - Further, quantum of pre-payment before first appellate authority is being reduced from 20% to 10% and will continue to be calculated only on core tax demand.
14.	<p><u>Reduction in Tax rate under section 195 of the Act (115BB of Income Tax Act 1961) :</u></p> <p>Presently there is special tax rate on certain incomes like income in the nature of cash credits, unexplained investments, etc. The tax rate is 60% and penalty is 10% of tax. It is proposed to rationalise the tax rate to 30% on these incomes. Penalty on such amount would be merged with penalty for underreporting of income in consequence of misreporting of income that is 200% of tax amount.</p>
15.	<p><u>Relaxation in case of Search Assessments :</u></p> <p>Proposed to limit the period of block assessment in search cases in case of other person, where the undisclosed income of the other person pertains only to one tax year. The definition of block period is accordingly proposed to be amended in such cases.</p>
16.	<p><u>Extending the time limit to complete Search Assessment :</u></p> <p>It is also proposed to amend section 296 of the Income-tax Act, 2025 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, <i>the period of twelve months is proposed to be extended to eighteen months</i> in the case of specified person.</p>
17.	<p><u>Increase in rates of STT :</u></p> <ul style="list-style-type: none"> - Proposed to increase the rates of STT on Futures from 0.02% to 0.05%. - Proposed to increase STT on Options premium from 0.10% to 0.15%. - Proposed to increase STT on Exercise of Options from 0.125% to 0.15%.

18.	<i>No deduction shall be allowed in respect of any interest expenditure incurred in relation to dividend income or income from units of mutual funds</i> , and to omit the existing provision permitting such deduction subject to a specified ceiling.
19.	“Supply of Manpower” will be subject to TDS as “Payment to Contractors” under Sec 393(1) [Table Sl. No. 6(i) and (ii)] and not under the provisions of “Fees for Professional Services”.
20.	Proposed that Interest on compensation amount awarded by Motor Accident Claims Tribunal (MACT) in case of Individual shall be exempt, hence no tax shall be deducted at source for such interest, irrespective of the amount of interest awarded by MACT.
21.	<p><u>Introduction of Foreign Assets of Small Taxpayers – Disclosure Scheme (FAST – DS), 2026 :</u></p> <p>The Scheme provides a one-time opportunity to eligible taxpayers namely,</p> <ul style="list-style-type: none"> A. Who did not disclose their overseas income or assets and B. Who disclosed their overseas income and/or paid due tax, but could not declare the asset acquired. <p>For Category A, the limit of undisclosed income/asset is proposed to be upto 1 Crore rupees. They need to pay 30% of FMV of asset or 30% of undisclosed income as tax and 30% as additional income tax in lieu of penalty and would thereby get immunity from prosecution.</p> <p>For Category B, asset value is proposed to be upto 5 Crore rupees. Here, immunity from both penalty and prosecution will be available with the payment of fee of 1 Lakh rupees.</p>

C. CHANGES IN TCS RATES FOR TAX YEAR 2026-27:

Nature of Payment as per Income Tax Act, 1961	Nature of Payment as per Income Tax Act, 2025	Basic Cut off (Rs.)	Individual/Company and others New Rate (%)	If No PAN or Inoperative PAN (Rate %)
206CA-Alcoholic Liquor for human consumption	394(1) & its tables S.No(1)-Alcoholic Liquor for human consumption		1% (2% Proposed 01.04.2026)	5%

206CA-Tendu Leaves	394(1) & its tables S.No(2)-Tendu Leaves		5% (2% Proposed 01.04.2026)	5%
206CE-Scrap	394(1) & its tables S.No(4)-Scrap		1% (2% Proposed 01.04.2026)	5%
206CJ-Minerals, being coal or lignite or iron ore	394(1) & its tables S.No(5)-Minerals, being coal or lignite or iron ore		1% (2% Proposed 01.04.2026)	5%
206CP-LRS-Educational Loan-Financial Institution as defined in Sec 80E	394(1) & its tables S.No(7)-Educational Loan		5% (2% Proposed 01.04.2026)	5%
206CO-Overseas Tour Program Package	394(1) & its tables S.No(8)-Overseas Tour Program Package	-Upto 10,00,000 -Exceeding 10,00,000	5% (2% Proposed 01.04.2026) 20% (2% Proposed 01.04.2026)	10% 20%

D. CHANGES IN CUSTOM DUTY :

- Proposed to exempt the Basic Custom Duty (BCD) on 17 drugs or medicines for Cancer Patients.

(To be added in List-3 appended to Table I of notification no. 45/2025-Customs dated 24.10.2025)

E. COMPLIANCE CALENDARS :

Income Tax Returns Compliance Calendar for F.Y-2025-26 (A.Y.-2026-27)

Financial Year ended on	Description	Last Date of Filing
31 st March 2026	For Assessee's required to furnish report u/s 172 pertaining to international/specified domestic transaction	30 th November 2026
31 st March 2026	For Company ; For Assessee (other than Company) whose books of accounts are required to be audited under this Act or any other law in force; For Partners of Firm whose books of accounts are required to be audited	For Tax Audit Report- 30 th September 2026 For Income Tax Return- 31 st October 2026
31 st March 2026	For Assessee having income from Profit & gains of business or profession whose books of accounts are not required to be audited under this Act or any other law in force; For Partners of Firm whose books of accounts are not required to be audited	31 st August 2026
31 st March 2026	Any Other Assessee	31 st July 2026

TDS Returns Compliance Calendar for Tax Year 2026-27

Quarter	Period	Last Date of Filing
1 st Quarter	1 st April to 30 th June	31 st July 2026
2 nd Quarter	1 st July to 30 th September	31 st October 2026
3 rd Quarter	1 st October to 31 st December	31 st January 2027
4 th Quarter	1 st January to 31 st March	31 st May 2027

TCS Returns Compliance Calendar for Tax Year 2026-27

Quarter	Period	Last Date of Filing
1 st Quarter	1 st April to 30 th June	15 th July 2026
2 nd Quarter	1 st July to 30 th September	15 th October 2026
3 rd Quarter	1 st October to 31 st December	15 th January 2027
4 th Quarter	1 st January to 31 st March	15 th May 2027

These are the important Budget highlights which we have summed up in our present circular. For any detailed discussion, we are always there to assist you in your every query. In this circular, our motive is to update by enlightening on important upcoming provisions and amendments.

Thanks & Regards,

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