

*Desai Saksena & Associates*  
*Chartered Accountants*

*Key highlights*  
*of*  
*Budget*  
*2026-27*

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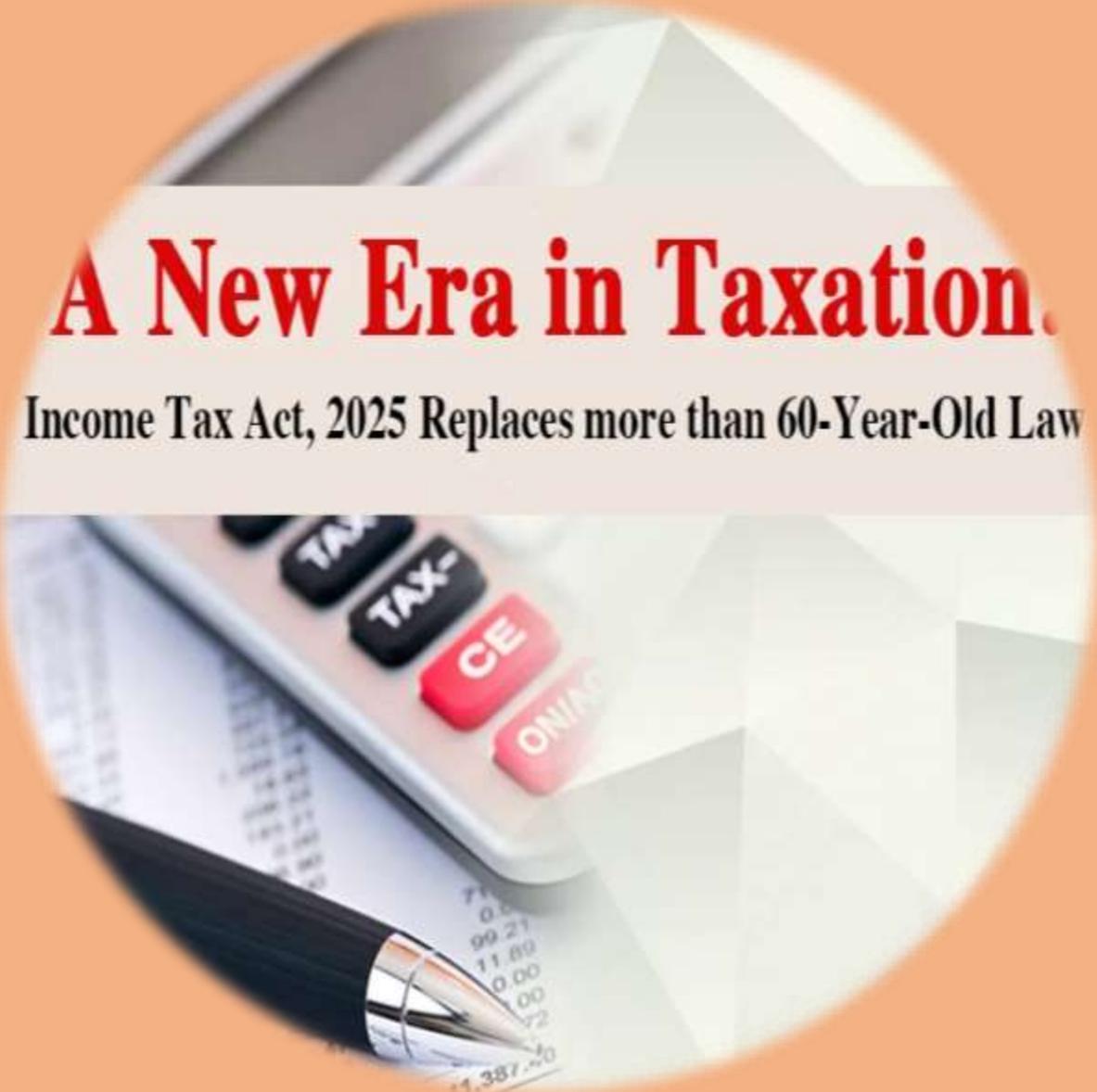
## **Direct Tax Proposals**

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## *New Income Tax Act, 2025*

A comprehensive review of the Income Tax Act, 1961, announced in July 2024, has been completed, and the Income Tax Act, 2025 will come into effect from 1 April 2026.

Simplified Income Tax Rules and Forms will be notified shortly, with redesigned forms to enable easy compliance by ordinary taxpayers.



**A New Era in Taxation.**

Income Tax Act, 2025 Replaces more than 60-Year-Old Law

## *TCS Rationalisation - LRS & Overseas Travel*

Tax Collected at Source (TCS) rate on overseas tour programme packages will be reduced to 2%, without any amount-based stipulation.

TCS rate under the Liberalised Remittance Scheme (LRS) for education and medical purposes will be reduced from 5% to 2%.



# *TDS Reforms - Manpower Services*

**Supply of manpower services will be explicitly included under payments to contractors for TDS purposes.**

**Major relief to MSMEs & labor-intensive sectors.**

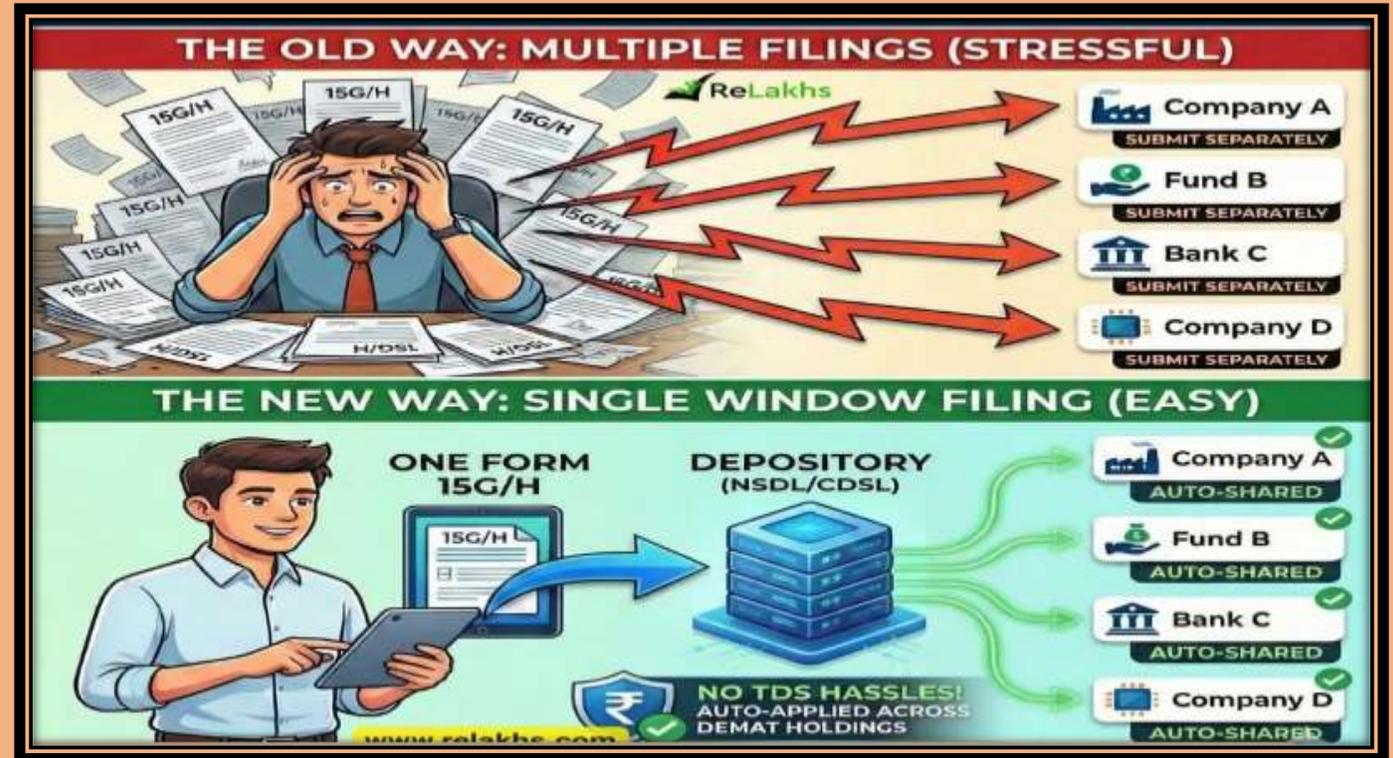
**TDS will be charged at 1% or 2% only.**

## *Lower / NIL TDS Certificate*

- A rule-based automated scheme will be introduced for small taxpayers to obtain lower or nil TDS certificates without approaching the assessing officer.

# Form 15G & 15H Filing via NSDL and CDSL

Effective 1 April 2027, eligible resident investors will be able to submit a single Form 15G or Form 15H to the depository, NSDL or CDSL - instead of providing separate declarations for each security or mutual fund unit across multiple companies or fund houses



## *Return Filing & Compliance Relief*

- The timeline for revision of returns will be extended from 31<sup>st</sup> December to 31<sup>st</sup> March, with payment of a nominal fee.
- Staggered timelines for filing returns:
  - ✓ ITR-1 and ITR-2: up to 31<sup>st</sup> July
  - ✓ Non-audit business cases and trusts: up to 31<sup>st</sup> August



## *Non-Resident Indian*

- TDS on the sale of immovable property by a non-resident is proposed to be deducted and deposited through the resident buyer's PAN-based challan instead of requiring TAN.
- Person of Indian Origin (PIO) permitted to invest in equity instruments, listed Indian Companies through Portfolio Investment Scheme.
- Under the proposal, the individual investment cap for PIOs has been increased to 10% of a company's paid-up capital from 5%, while the aggregate limit for all such investors has been raised to 24% from 10%.
- These limits will apply to shares and convertible debentures purchased on recognised stock exchanges
- MAT exemption for non-residents taxed on a presumptive basis.

# Foreign Asset Disclosure Scheme

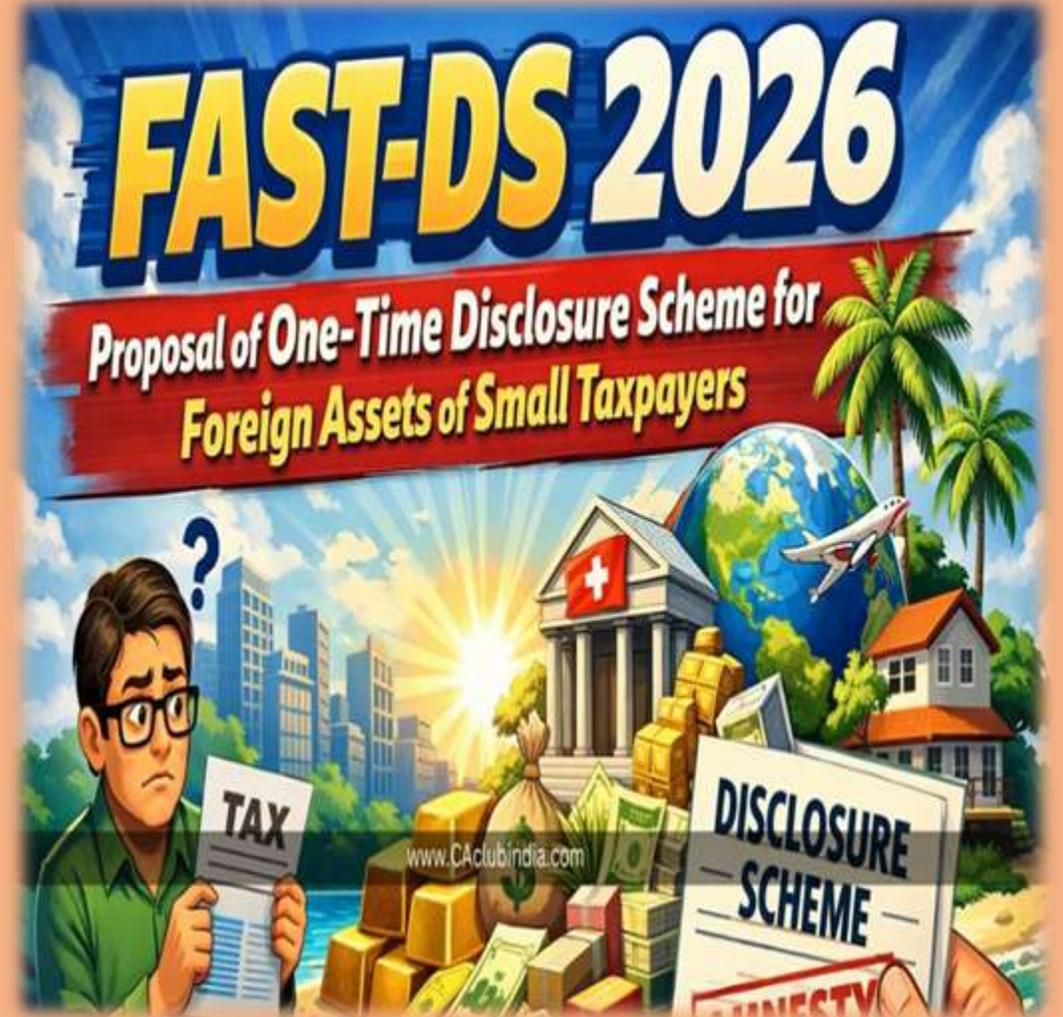
A one-time 6-month foreign asset disclosure scheme will be introduced for small taxpayers, including students, young professionals, tech employees and relocated Non-Resident Indians (NRIs).

## Category A:

- ✓ Undisclosed overseas income/assets up to Rs. 1 crore (US\$ 0.11 million)
- ✓ Payment of 30% tax + 30% additional tax, with immunity from prosecution

## Category B:

- ✓ Asset value up to Rs. 5 crore (US\$ 0.55 million)
- ✓ Rs. 1 lakh (US\$ 1,090) fee, with immunity from penalty and prosecution



# *Penalty & Prosecution Rationalisation*

- Assessment and penalty proceedings will be integrated into a single common order.
- No interest liability on penalty amounts during the first appellate stage, irrespective of appeal outcome.
- Existing immunity framework for underreporting will be extended to misreporting, subject to payment of 100% additional tax.
- Penalties for technical defaults will be converted into fees.
- Prosecution framework will be rationalised:
  - ✓ Certain offences, including non-production of books and TDS payment where consideration is in kind, will be decriminalized.
  - ✓ Minor offences will attract fine only.
  - ✓ Remaining prosecutions will involve simple imprisonment, with the maximum term reduced to two years, and courts empowered to convert imprisonment into fines.
- Non-disclosure of non-immovable foreign assets below Rs. 20 lakh (US\$ 22 Thousand) will be granted immunity from prosecution, with retrospective effect from 1 October 2024.

# *Dispute Resolution Relief*



- Pre-payment requirement for appeal reduced from 20% to 10%.
- Calculated only on core tax demand.
- Improved liquidity for taxpayers.

# *Updated Return after Reassessment*

- Taxpayers allowed to update return even after reassessment proceedings begin.
- Additional tax payable @ 10%
- Encourages voluntary compliance



# *Minimum Alternate Tax (MAT) reforms*

1. Reduction in the rate of MAT from 15% to 14% for companies who are in the old regime.
2. However, MAT tax will be final tax and no new credit in respect of the tax paid @14% will be allowed from 01.04.2026.
3. Further, the set off of credit of MAT will be allowed only to domestic companies who move to New tax regime from tax year 2026-27.
4. The credit will be to the extent of one-fourth (25%) of the total tax liability for that year.
5. The credit of MAT accumulated upto 31/3/2026 shall be allowable upto fifteenth year from the year when the corresponding credit was first created.
6. The credit of MAT shall be allowable to those entities who are presently in old regime and shift from old to new regime for tax year 2026-27 or subsequent tax year(s).
7. Foreign companies will continue to be allowed utilisation of MAT credit.

# *Buyback Taxation Rationalised*

1. Buyback consideration not to be treated as deemed dividend.
2. Difference between consideration received and cost of acquisition taxable as capital gains in the hands of recipient shareholder.
3. In case of promoter shareholders, tax payable at higher rates depending on whether promoter is a domestic company or not.
4. Effective rate of 22% in case of domestic company and 30% in case of persons other than domestic company.

# *Investment incentives for global investors*



1. Foreign companies providing global cloud services using data centres located in India will be eligible for an income tax holiday up to 2047.
2. Where such services are provided through a related Indian entity, a safe harbor margin of 15 percent on cost will apply.
3. Under notified schemes, non-resident experts will be exempt from tax on global (non-India sourced) income for up to five years.
4. Non-residents taxed on a presumptive basis will be exempt from MAT.



# Other Tax Proposals

1. Securities Transaction Tax (STT) on futures hiked to 0.05% from 0.02%
2. STT on Options Premium to be increased from 0.10% to 0.15%
3. TCS on specific goods (alcoholic liquor, scrap, minerals, tendu leaves) will be rationalised to 2%
4. Interest awarded by Motor Accident Claims Tribunals to natural persons will be exempt from income tax, and related Tax Deducted at Source (TDS) will be removed.
5. It has been proposed that any amount of contribution received from employee by the employer (being the Assessee), towards any approved provident fund, superannuation fund or any fund set up under ESI Act shall be allowed as deduction if such amount is credited to the relevant fund, on or before the due date of filing of return of income under section 263(1) of the Income-tax Act, 2025 which is applicable for the employer
6. The tax rate on income reported by the taxpayer or determined by Assessing Officer in respect of income referred to in section 102 to 106 of the Income-tax Act, 2025 like unexplained credits, unexplained investment etc is reduced from 60 percent to 30 percent.



# *Thank you*

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