

Critical Matters

in

Budget 2026, IT Act 2025 / Rules



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Shared at

ICAI – Jalandhar Branch (NIRC)

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TAX RATES

- **S. 195** – (s. 115BBE) – 60% to 30%
 - *Surcharge of 25% continues.. Effective rate 39%*
 - *Omit penalty u/s 443*
 - *Subsume this penalty in s. 439(11). (misreporting : Penalty - 200%)*
 - *Clause (g) inserted in s. 439(11) – income referred to in s. 195(b)*
 - *Penalty only if AO assess*

TAX RATES

- **S. 206** – (MAT S. 115JB)
 - *15% to 14%*
 - *No MAT Credit from Tax Year 2026-27*
 - *No fresh MAT credit in old regime. Old allowed till 15 years if shift to S. 200 (115BAA)*
 - *Those who shift – allowed to extent of 1/4th of tax liability for domestic Companies*
 - *Foreign company – full credit*

TAX RATES – TCS

| Sl.N | Nature of receipt | Current Rate | Proposed Rate |
|------|--|---|---|
| 1 | Sale of alcoholic liquor for human consumption. | 1% | 2% |
| 2 | Sale of tendu leaves. | 5% | 2% |
| 3 | Sale of scrap. | 1% | 2% |
| 4 | Sale of minerals, being coal or lignite or iron ore. | 1% | 2% |
| 5 | Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding ten lakh rupees— | (a) 5% for education or medical treatment; (b) 20% for other than education or medical treatment | (a) 2% for education or medical treatment; (b) 20% for other than education or medical treatment |
| 6 | Sale of “overseas tour programme package” including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure. | (a) 5% of amount or aggregate of amounts up to ten lakh rupees; (b) 20% of amount or aggregate of amounts exceeding ten lakh rupees. | 2% |

ITRs

- 3 due dates to 4 now – July split to August
 - *B/F losses, but no business income during year*
 - *Trust – Memorandum / section*
 - *From AY 2026-27 itself*
- Revised return with additional fee from January to March
 - *If filing 1st time post Dec, then not belated but updated*
 - *5k/1k vis-à-vis 25%*
 - *From AY 2025-26 itself*

REVISED ITRs ??

Case 1

DD – 31/7 filed 30/7, revised 31/12

- No late fee

Case 2

DD – 31/7 filed 30/9

- Late fee – 5k/1k

Case 3

DD 31/7 filed 30/9, revised 31/12

- Late fee for 30/9 – 5k/1k

Case 4

DD 31/7 – filed 31/12, revised 31/1

- Late fee 2 times

UPDATED ITRs

- Now allowed for:
 - *Reduction in losses*
 - *If notice u/s 148 / 280*
 - Can file with addl. 10% tax
 - No return then u/s 148/280

BUY-BACK – CG FROM 1.4.26

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% |

BUY-BACK TAX RATES

| Type of Gain | Promoter | | Non-Promoter |
|--------------|------------------|-----------------------------|------------------------|
| | Domestic Company | Other than Domestic Company | |
| LTCG | 22% | 30% | 12.5% |
| STCG | 22% | 30% | Applicable / Slab rate |

■ Promoter:

- *Listed Co-Regulation 2(k) of SEBI (Buy-back) Reg.*
- *Other:*
 - S. 2(69) of Companies Act 2013
 - Person who hold directly/indirectly more than 10%

EXEMPT INCOME

- **Compensation amount awarded by Motor Accident Claims Tribunal (MACT) including interest**
- **Compulsory acquisition of any land under the RFCTLARR Act.**
- **Exemption for Sovereign Gold Bonds – from original till maturity**

PENALTY / FEE

- Tax Audit – Penalty to Fee - graded
- TP Report – Penalty to fee - graded
- SFT – Rs. 200 p.d. Max Rs. 1 L – Penalty to fee
- Misreporting Penalty 100% / 120% if paid with 30 days++
- Penalty order along with assessment Order – Interest on penalty only after 1st appeal order – from 1.4.27

GENERAL

- No TAN for resident individual / HUF for purchase of residential property from NR w.e.f. 1.10.2026
 - *Rent, etc.??*
 - *NR to NR??*
- Employee contribution to ESI/PF – allowed till 139(1) / 263(1)
- No deduction against dividend income – earlier 20% if interest
- Misreporting Penalty 100% / 120% if paid with 30 days++





Tax year



**Assessment
Year**

SECTION 10 (OLD)

Sch II

- To any person – 17 incomes including agriculture

Sch III

- Eligible persons – 39 incomes, including partners, HUF

Sch IV

- Non- Residents, Foreign Co – 14 incomes

Sch V

- Investment funds, business trusts & unit holders – 8 incomes

Sch VI

- IFSC – 12 incomes

Sch. VII

- Persons Exempt – 48 persons

Salary Related

- No Schedule - gratuity, leave encashment, Voluntary Retirement Scheme, etc in S. 19

SOME SECTIONS

| 1961 Act | Related to | 2025 Act |
|-----------------|---|-----------|
| 35D | Amortisation of preliminary expenses | 44 |
| 44AD/44ADA/44AE | Presumptive Taxation for Residents | 58 |
| 44AA | Maintenance of Books | 62 |
| 44AB | Tax Audit | 63 |
| 47 | Transactions not regarded as transfer | 70 |
| 50C | Special provision for full value of consideration in certain cases. | 78 |
| 68 | Unexplained Credits | 102 |
| 269SS / 269T | Taking / repayment of deposits, loans, etc | 185 / 188 |
| 112A | Tax on LTCG in certain cases | 198 |
| 115BAC | New Tax Regime | 202 |

SOME SECTIONS

| 1961 Act | Related to | 2025 Act |
|--------------------|------------------------------|------------|
| 115JA to 115JF | MAT & AMT | 206 |
| 132 | Search & Seizure | 247 |
| 133A | Power of Survey | 253 |
| 139 | Return of Income | 263 |
| 143 | Assessment | 270 |
| 147 | Income Escaping Assessment | 279 |
| 12A | Application for Registration | 332 |
| 11 / 12 / 13 / 80G | Charities | 334 to 355 |
| 246A | Appeals to CIT(A) | 357 |
| 253 | Appeals to ITAT | 362 |
| 193 to 197A / 206C | TDS / TCS | 393 / 394 |

SALARIES - DEDUCTIONS

- From S. 16 (1961 Act) to S. 19 now
- Apart from standard deduction, etc. it includes:
 - *Gratuity (Old S. 10(10))*
 - *Commutation of Pension (Old S. 10(10A))*
 - *Workmen Compensation (Old S. 10(10B))*
 - *Leave Encashment (Old S. 10(10AA))*
 - *Voluntary Retirement Scheme (Old S. 10(10C))*
- These deductions are allowed in New Tax Regime too, as per s. 202 (old S. 115BAC).

BUSINESS - DEDUCTIONS

- Section 28 now consolidates:
 - *Old s. 30 (Rent, rates, taxes, repairs & insurance for buildings),*
 - *Old s. 31 (Repairs and insurance of machinery, plant and furniture)*
 - *Old s. 38 (Building, etc., partly used for business, etc., or not exclusively used)*

BUSINESS – DEDUCTIONS – EMPLOYEE WELFARE

- Provisions related to expenses for contributions to PF, Gratuity Fund, Superannuation Fund, etc., were spread across various sections in 1961 Act, such as 40A (7), (9) & 36(1)(iv), (iva), (v) & (va). In 2025 Act, these provisions consolidated under single S. 29.
- It includes:
 - *Contribution towards recog.PF or approved superannuation fund.*
 - *Contribution towards a pension scheme.*
 - *Contribution towards an approved gratuity fund.*
 - *Contribution received from an employee (ESI, PF).*
 - *Non allowability for setting up or formation of, or as contribution to, any fund, trust, company, AOP, BOI, society*
 - *Non- allowability for gratuity unless paid.*

BOOKS

- Section 62 as compared to Old S. 44AA
- Specified profession - Information Technology and Company secretary professions have been added in the section as specified professions, earlier - notifications.
- Earlier books of accounts were required for assessee, who was engaged in business which was covered u/s 44AD(4) and his TI exceeded the MANCT. Now:
 - *condition of TI exceeding MANCT is not there,*
 - *hence even if an specified assessee is not declaring profits as per presumptive basis and as his income is below MANCT*
 - *consequently tax audit is not required,*
 - *still the assessee would have to prepare its books of accounts.*

AUDIT / PRESUMPTIVE TAXATION

- Section 58 (Old s. 44AD/44ADA/44AE) r.w.s. 63 (Old S. 44AB)
- Earlier Old S. 44AD was optional, now seems to be mandatory.
- Now not declaring income lower than specified % of profit, and its TI exceeds MANCT, it would require to:
 - *Maintain books of accounts; and*
 - *Get the audit done u/s 63*
- However, u/s 63, condition of TI exceeding MANCT is not mentioned.
- Earlier condition of TI exceeding MANCT was not there for business of plying, hiring or leasing of goods carriage, which is now required in 2025 Act.

UNEXPLAINED SUMS

| 1961 | Heading | 2025 | Heading |
|------|---|------|--|
| 68 | Cash Credits | 102 | Unexplained Credits |
| 69 | Unexplained Investments | 103 | Unexplained Investment (69 & part of 69B) |
| 69A | Unexplained Money, etc. | 104 | Unexplained Asset (69A & part of 69B) |
| 69B | Amt. of Investments, etc. not fully disclosed in books of Accounts | | |
| 69C | Unexplained expenditure, etc. | 105 | Unexplained Expenditure |
| 69D | Amt. borrowed or repaid on hundi | 106 | Amt. borrowed or repaid through negotiable instrument, hundi, etc. |

- 'May' replaced with 'Shall' except for S. 69D (as it already had 'shall')

CHARITIES

- 2.50 L ITR for AY 2023-24. They applied Rs 10 L Crs. for charitable & religious purposes in FY 2022-23
- 1961 provisions
 - *Chapter I: Charitable Purpose (S. 2(15))*
 - *Chapter III: S. 10(23C), 11, 12, 12A, 12AA, 12AB, 12AC & 13*
 - *Chapter VIA: Section 80G*
 - *Chapter XII / XIIEB: Sections 115BBC, 115BBI, 115TD, 115TE, 115TF*

CHARITIES

- **2025 Act – Sections 332 to 355**
 - *Unified term "registered non-profit organization" is used instead of various terms like trust, institution, etc.*
 - *"Registration" replaces "approval"*
 - *All provisions are consolidated in Part B of Chapter XVII under "Special Provisions for Registered NPOs."*
- **Capital gains u/s 11(1A) done away with.**
- **Deemed application under Explanation 1(2) of section 11(1) done away with. Accumulation u/s 11(2) for up to five years continues**

CHAPTER XVII - PART B

SPECIAL PROVISIONS FOR REGISTERED NON-PROFIT ORGANISATION

| Sub-Part | Heading | Sections |
|----------|---|----------|
| 1 | Registration | 332-333 |
| 2 | Income of registered non-profit organisation | 334-343 |
| 3 | Commercial activities by registered non-profit organisation | 344-346 |
| 4 | Compliances | 347-350 |
| 5 | Violations | 351-353 |
| 6 | Approval for purpose of deduction under section 133(1)(b)(ii) | 354-355 |

CHARITIES

- Now only certain persons specified can register – S.332
- Application, duration, validity, etc. all in one table
- Incomes:
 - *Regular income.*
 - *Specified income.*
 - *Income not to be included in regular income.*
 - *Corpus donation.*
 - *Deemed corpus donation*

TDS

- 43 sections in 1961 Act specifying TDS liabilities, based on payer / payee's status & applicable limits, consolidated into 1 – S. 393.
- Now it is a ready-reckoner itself. It contains tables for:
 - *Residents*
 - *Non-residents*
 - *Any person*
 - *No TDS required*
 - *Declaration for no TDS*
- For Resident payees, similar types of income (like commission, rent, interest, etc.) are grouped together.

TCS

- Provisions related to TCS also consolidated – S. 394.
- It includes one table listing the nature of receipts, monetary thresholds, collectors, and applicable TCS rates.
- Conditions for no collection of TCS are also in it.
- Other Provisions that were scattered across existing Act are now consolidated into independent sections:
 - Certificates (such as Lower Deduction/Collection Certificates) – S. 395
 - Compliance and reporting (filing of statements, etc.) – S. 397
 - Consequences of failure to deduct or collect tax, or failure to pay the deducted/collected tax – S. 398
 - Processing of statements – S. 399

RELATIVE

- S. 2(94) - expanded to include both maternal as well as paternal lineal ascendant.
 - *Husband,*
 - *Wife,*
 - *Brother,*
 - *Sister*
 - *Any lineal ascendant (maternal as well as paternal)*
 - *Descendant of that individual;*
- Relatives are also defined in ss. 92(5)(g), 355(i) and 515(8) which is much wider than as defined in 2(94).
 - *S. 92(5)(g) (S. 56(2)(x) of 1961 Act), This is also applicable for purposes of GAAR - s. 184(8).*
 - *S. 355(i) - Special provisions for registered non-profit organization.*
 - *S. 515(8) - defining authorized representative & Accountant (CA).*

RELATIVE

- Relatives defined in ss. 92(5)(g), 355(i) and 515(8):
 1. *spouse;*
 2. *brother or sister;*
 3. *brother or sister of the spouse;*
 4. *brother or sister of either of the parents;*
 5. *any lineal ascendant (maternal as well as paternal) or descendant;*
 6. *any lineal ascendant (maternal as well as paternal) or descendant of the spouse;*
 7. *spouse of the person referred to in 2 to 6*
- Apart from these 3 provisions, term used in the Act would mean as per this subsection, unless specifically defined, like in s. 129(3)(e), which is for the purpose of education loan interest deduction for relative.

1961 ACT REPEALED

- 1961 Act repealed vide s. 536 (Repeal and savings)
- Repealed Act to continue to apply to any pending proceedings
- Penalty can be imposed in the repealed Act
- Losses allowed to be carried forward
- MAT / AMT also allowed to be carried forward
- Many other allowed...
- General clauses Act applicable

IN TY 2026-27 ?????

- ITR for AY 2026-27
- TDS / TCS for TY 2026-27
- Advance Tax for TY 2026-27
- Self assessment tax for AY 2026-27
- Presumptive Income
- Books
- Lower TDS/TCS certificate form
- Forms for informing other income / tax regime to be chosen by employee to employer

FORMS / RULES

- 333 Rules as compared to 130 ++
- 190 Forms Eg for PAN allotment 4 forms
- Form 26 - Form 3CA/CB/CD
- Form 44 – Form 67
- Form 48 – Form 3CEB
- Form 121 – Form 15G/H
- Form 130 / 131 – Form 16/16A
- Form 145/146 – Form 15CA/CB

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