

# **Critical Matters**

**in**

# **Finance Act 2026 / IT Act 2025**



**CA. PRAMOD JAIN**

**FCA, FCS, FCMA, LL.B, MIMA, DISA, IP**

**Shared at**

**ANKG & Associates**

**22<sup>nd</sup> April 2026**

# **FINANCE ACT 2026**



# 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 1/4<sup>th</sup> 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 <b>Liberalised Remittance Scheme</b> of an amount or aggregate of the amounts exceeding ten lakh rupees—	(a) 5% for education or medical treatment; (b) 20% <b>for other than education or medical treatment</b>	(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 1<sup>st</sup> time post December, then not belated but updated*
  - *5k/1k vis-à-vis 25%*
  - *From AY 2025-26 itself*

# 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

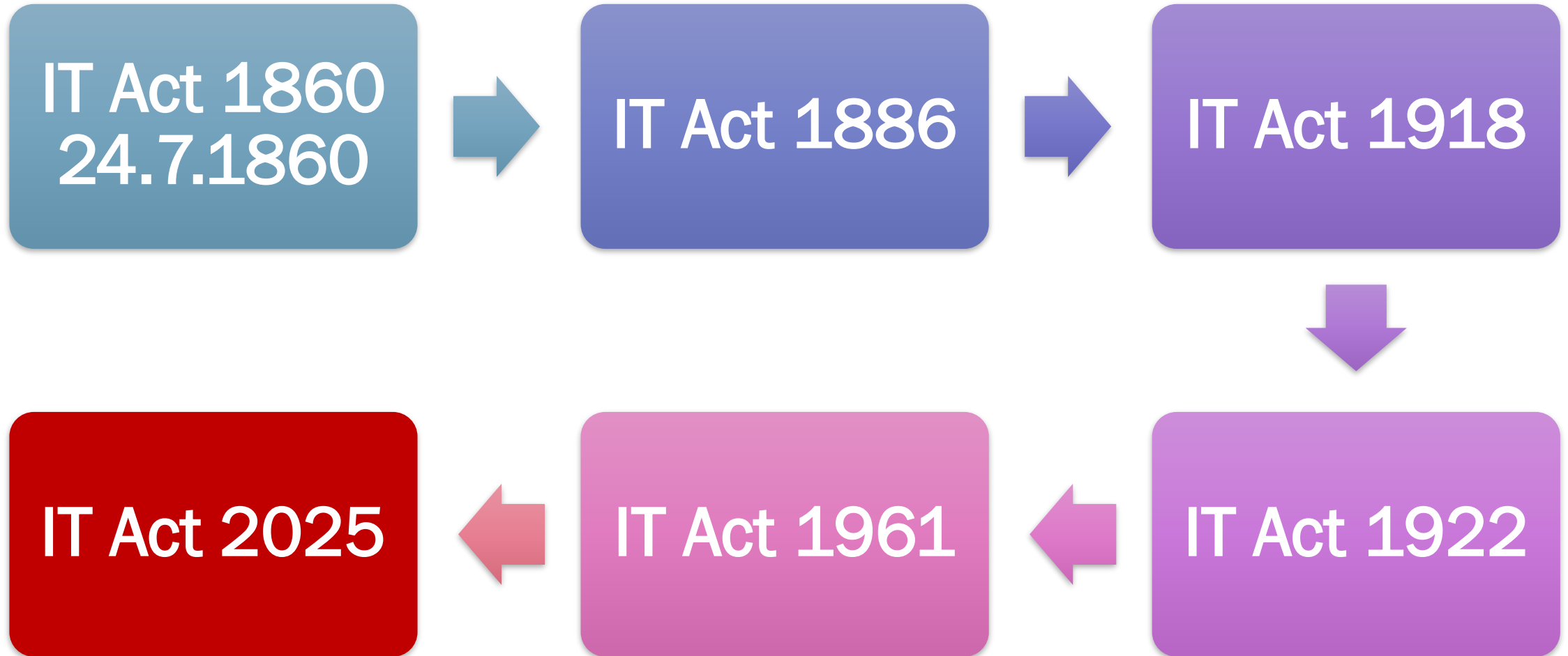
- Tax Audit – Penalty to Fee - graded
- TP Report – Penalty to fee - graded
- SFT – Rs. 200 p.d. Max Rs. 1 L – Penalty to fee
- Misreporting Penalty 100% / 120% if paid with 30 days++
- Penalty order along with assessment Order –  
Interest on penalty only after 1<sup>st</sup> appeal order –  
from 1.4.27

# 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 – amendment in s. 29 - allowed if paid till due date u/s 263(1)
- No deduction against dividend income – earlier 20% if interest



# HISTORY OF INCOME TAX IN INDIA





**Tax year**



**Assessment  
Year**

# SECTION 10 (OLD)

Sch II

- To any person – 17 incomes including agriculture

Sch III

- Eligible persons – 42 incomes (Sl. No. 38A to 38D inserted in 2026), including partners, HUF

Sch IV

- Non-Residents, Foreign Co – 17 incomes (Sl. No. 13A to 13C inserted in 2026)

Sch V

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

Sch VI

- IFSC – 12 incomes

Sch. VII

- Persons Exempt – 49 persons

Salary Related

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

# 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).

# BOOKS

- Section 62 as compared to Old S. 44AA
- 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 declaring income lower than specified % of profit, and its TI exceeds MANCT, requirement is 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.

# 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**

# TDS

- 65 sections in 1961 Act specifying TDS liabilities, based on payer / payee's status & applicable limits, consolidated into 2 – S. 392/393.
- Now it is a ready-reckoner itself. S. 393 contains tables for:
  - *Sub s. (1) - Payments to Residents – 8 incomes*
  - *Sub s. (2) - Payments to Non-residents – 17 incomes*
  - *Sub s. (3) - Payment to any person – 7 incomes – lottery, 194T..*
  - *Sub s. (4) - No TDS required – 19 Sl. Nos. (exceptions)*
  - *Sub s. (5) - Declaration for no TDS – 15G/H Now Form No. 121*
- UDIN introduced for real-time verification through the ICAI API - Tax audit /15CB.

# TDS - RESIDENTS

S. No.	Nature of Income	1961 Act sections
1	Commission / Brokerage	194-H & 194D
2	Rent	194-I & 194 IB
3	Transfer of Immovable Property	194-IA, 194-IC & 194-LA
4	Income from Capital Market	194K, 194LBA, 194LBB & 194 LBC
5	Interest Income	193 & 194A
6	Contractors, FTS & Professional Services	194C, 194M & 194J
7	Dividend	194
8	Other cases	194-DA, 194Q, 194P, 194R, 194-O & 194S

# 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.

# S. 149 / S. 282

Notice Type	Condition (Likely Income Escaped)	1961 Act (S. 149) Time Limit	2025 Act (S. 282) Time Limit
Show cause / Pre Notice (S. 148A / S. 281)	< Rs. 50 Lacs	Within 3 years from end of AY	Within 4 years from end of Tax year
Show cause / Pre Notice (S. 148A / S. 281)	> Rs. 50 Lacs	Within 5 years from end of AY	Within 6 years from end of Tax year
Reassessment Notice (S. 148 / S. 280)	< Rs. 50 Lacs	Within 3 years 3 months from end of AY	Within 4 years 3 months from end of Tax year
Reassessment Notice (S. 148 / S. 280)	> Rs. 50 Lacs	Within 5 years 3 months from end of AY	Within 6 years 3 months from end of Tax year

# PAN DATA CORRECTION

Form No.	Purpose
PAN CR-01	For Individual – Request for changes or correction in PAN Data
PAN CR-02	For Non-Individual – Request for changes or correction in PAN Data

Vide Order dated 1<sup>st</sup> April 2026 – S. 262(4) read with Rule 158(12)

# 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

Thank You!



CA. Pramod Jain

[www.caprmodjain.com](http://www.caprmodjain.com)

[pramodjain@lunawat.com](mailto:pramodjain@lunawat.com)

+91 9811073867

