



# Direct Taxation – Rates of Taxes for FY 2026-27

## Personal Tax

- No change in old tax regime. Taxpayer(s) still allowed to take benefit of old tax regime.
- The income tax slabs under the new tax regime remain unchanged, as provided below:

New Tax Regime	
Total Income	Rate of Tax
Up to INR 4,00,000	Nil
From INR 4,00,001 to INR 8,00,000	5%
From INR 8,00,001 to INR 12,00,000	10%
From INR 12,00,001 to INR 16,00,000	15%
From INR 16,00,001 to INR 20,00,000	20%
From INR 20,00,001 to INR 24,00,000	25%
Above INR 24,00,000	30%

- Under the new tax regime, individuals will have tax savings as follows:
  - INR 12 Lakh in a year would save INR 80,000 in taxes.
  - INR 18 Lakh in a year would save INR 70,000 in taxes.
  - INR 25 Lakh in a year would save INR 1,10,000 in taxes.
- Rebate u/s 87A increased from INR 25,000 to INR 60,000 in case total income does not exceed INR 12,00,000. Rebate shall not be available for income chargeable at special rates (for example, capital gain u/s 111A, 112, lottery etc.).
- Standard deduction of INR 75,000 is available to salaried individual in the new regime, accordingly, no tax on income upto INR 12,75,000.

## Firm/LLP

- The income-tax rate for firms remains unchanged at 30%.
- The surcharge remains unchanged at 12% is applicable where total income exceeds INR 1 crore, subject to marginal relief, so that the total tax payable does not exceed the tax on INR 1 crore by more than the excess income.

# Direct Taxation – Rates of Taxes for FY 2026-27

## Corporate Tax

- Corporate tax remains unchanged i.e.

Company	Tax Rate (%)
<b>Domestic Company</b>	
➤ Whose turnover does not exceed 400 crore during the financial year 2023-24	25*
➤ Others	30
<b>Concessional Tax Scheme**</b>	
➤ New domestic manufacturing enterprise	15
➤ Others	22
<b>Foreign Company#</b>	35

\*The surcharge for domestic companies remains unchanged at 7% where income exceeds INR 1 crore but does not exceed ₹10 crore, and 12% where income exceeds INR 10 crore.

\*\*Deductions under respective provisions of Chapter VI-A restricted for availing concessional tax rate. Surcharge at 10 per cent

#The surcharge for foreign companies remains unchanged at 2% where income exceeds INR 1 crore but does not exceed INR 10 crore, and 5% where income exceeds INR 10 crore.

## Minimum Alternate Tax (MAT)

### Existing

- Section 206 provides for MAT on companies, computed at 15% of book profits, applicable only under the old tax regime.
- Where MAT exceeds tax payable under normal provisions, the excess MAT paid is allowed as MAT credit, which can be carried forward for 15 years and set off in future years against the excess regular tax liability over MAT.

### Proposed

- The MAT rate is reduced from 15% to 14% of book profits.
- MAT paid under the old tax regime shall be treated as final tax, and no fresh MAT credit and its carry forward shall be allowed from the tax year 2026-27.
- Set-off of existing MAT credit is proposed to be allowed only under the new tax regime, subject to:
  - Domestic companies – set off limited to 25% of tax liability and balance to be carried forward (subject to original period limit of 15 years), and
  - Foreign companies – set off limited to the difference between normal tax and MAT in the tax year where normal tax exceeds MAT. (i.e. at par with existing law).

# Direct Taxation – Ease of Living

## Relaxation from obtaining TAN by a resident individual / HUF, where the seller of the immovable property is a Non-Resident

- At present, when individual resident buys immovable property from a non-resident seller, the buyer is required to obtain a TAN to deduct TDS.
- To reduce compliance burden, it is proposed to remove the requirement to obtain TAN by a resident buyer purchasing an immovable property from a non-resident.
- The amendment will be effective from 1 October 2026.

## Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026)

- Since many small taxpayers missed earlier disclosure due to legacy or genuine mistakes (like ESOPs, old foreign bank accounts, or student accounts), the government plans a new, time-bound voluntary disclosure scheme.
- A special six-month window has been introduced for two categories of taxpayers to declare:
  - Category A - undisclosed income or assets up to INR 1 crore; and
  - Category B - taxpayers who disclosed foreign income and/or paid tax but did not declare foreign assets up to INR 5 crore.

## Rationalising the due date to credit employee contribution by the employer to claim such contribution as deduction

- Section 29(1)(e)(i) of the Income-tax Act, 2025 (corresponding to section 36(1)(va) of the Income-tax Act, 1961) allows an employer to claim a deduction for employees' contributions to welfare funds, provided the amount is deposited within the due date prescribed under the relevant law.
- To simplify and rationalise this provision, it is proposed that the due date for depositing employees' contributions will be aligned with the due date for filing the income-tax return under section 263(1) of the Income-tax Act, 2025.

## Filing of a declaration to Depository instead of each person paying income

- Investors earning income from mutual fund units, interest on listed securities and dividend income on listed shares will be able to file a declaration with a depository for NIL withholding on these incomes.
- The depository, in turn, shall provide such declaration to the person responsible for paying such income.

# Direct Taxation – Ease of Living

## Rationalization of TDS/TCS Rate

Nature of receipts	Current Rate	Proposed Rate
Sale of alcoholic liquor	1%	2%
Sale of tendu leaves	5%	2%
Sale of scrap	1%	2%
Sale of minerals, being coal or lignite or iron ore		
Remittance under LRS, amount more than INR 10 lakh for education and medical treatment	5%	2%
Remittance under LRS other than education or medical purpose	20%	<b>20% (No Change)</b>
Sale of overseas tour package	5%	2%
▪ Upto INR 10 lakh		
▪ Exceeding INR 10 lakh	20%	

## Rationalising due dates for filing return of income by certain taxpayers

Type of Taxpayer	Existing Due Date	Proposed Due Date
Individual/HUF not having PGBP income	31 July	31 July
Assessee having PGBP income and whose books of account not audited	31 July	31 August
Assessee whose books of account being audited	31 October	31 October
Assessee, where transfer pricing provisions are applicable	30 November	30 November

## TDS provision on the supply of manpower

- Definition of “work” proposed to now include the supply of manpower, which is liable to withholding tax at 1 percent (where paid to individuals or HUF) or 2 percent (in other cases).

# Direct Taxation – Ease of Living

## Allowing filing of updated return in case of loss or issuance of notice of reassessment

- To file an updated return even where it results in a reduction of loss, compared to the original return of loss filed within the due date.
- To file an updated return even after a reassessment notice is issued under Section 280.
- In such cases, the additional tax payable under section 267(5) of the ITA, 2025 on the updated return will be increased by a further 10%, over and above the existing rates (25%, 50%, 60% or 70%) under updated return provisions.

## Extending the duration to file revised return

- The due date for filing a revised return is proposed to be extended from 9 months to 12 months with following nominal fees:
  - INR 1,000 if total income is up to INR 5 lakh.
  - INR 5,000 if total income is above INR 5 lakh.

## Electronic verification and issuance of certificate for deduction of tax at lower/Nil rate

- For the benefit of small taxpayers, it is proposed that applications for issuance of certificates for deduction of tax at a lower rate or at nil rate may be submitted electronically to the prescribed income-tax authority.
- The prescribed income-tax authority shall examine such applications electronically and, subject to fulfilment of the prescribed conditions, issue the certificate.
- In cases where the prescribed conditions are not fulfilled or the application is incomplete, the application may be rejected.

## Rationalisation of tax rate on unexplained cash, credits, investments etc.

- Presently, any income on account of unexplained credits, unexplained investment, unexplained asset, or expenditure and amount borrowed or repaid through negotiable instrument, hundi, etc., is taxed at the rate of 60% with a penalty of 10% of the tax amount. The tax rate is reduced from 60% to 30%. Further, a penalty of 10% is omitted.

# Direct Taxation - Rationalising Penalty And Prosecution

## Relaxation of conditions for prosecution under the Black Money Act

➤ Prosecution measures in cases of willful non-disclosure of foreign income and assets by residents provisions shall not apply in respect of foreign assets, other than immovable property, where the aggregate value does not exceed twenty lakh rupees and this shall take effect retrospectively from 1st October 2024.

## Amendments in the case of Block Assessment

- In case of a Block Assessment, where Assessing officer is satisfied that undisclosed income pertains to any third person, the third person is required to undergo the assessment procedure only to the relevant year(s) to which the undisclosed income pertains in.
- The time limit for completion of block assessment has been rationalized to 18 months from the end of the quarter in which the search is initiated, replacing the earlier, timeline of 12 months from the end of the quarter in which the last authorizations for search was executed. The reason for such extension of timeline as search and seizure proceedings are more often conducted in a group of cases which require coordinated investigation and assessments.

## Rationalisation of Penalties into Fees

Penalty for certain technical defaults will now be removed and instead a fee will be levied as provided below :

Particulars	Existing Penalty	Proposed Fees
Penalty for failure to get accounts audited	0.5% of the total sales or INR 150,000 whichever is lower	INR 75,000 for a delay upto one month a sum of INR 1,50,000 thereafter
Penalty for failure to furnish report under section 172 of the Act	INR 100,000	INR 50,000 for a delay upto one month a sum of INR 1,00,000 thereafter
Penalty for failure to furnish statement of financial transactions	INR 500 per day till such failure continues	INR 200 per day upto INR 1,00,000

# Direct Taxation - Rationalising Penalty And Prosecution

## Unified framework for assessment and penalty proceedings

- A common order of assessment proceedings and penalty will be passed with effect from 1 April 2027 to avoid multiplicity of proceedings.
- The interest on outstanding demand pertaining to penalty shall be chargeable only after the order issued by the CIT(A) or ITAT (in case of DRP route), regardless of the outcome of the appeal.

## Expanding the scope of immunity from imposition of penalty or prosecution under section 270AA

- Section 270AA grants immunity from penalty and prosecution where tax and interest are paid and no appeal is filed, limited to cases of under-reporting of income.
- Now the cases where penalty proceedings are initiated for under-reporting of income in consequence of misreporting are also considered.

## Rationalization of prosecution proceedings

- Prosecution provisions providing for rigorous imprisonment have been scaled down to simple imprisonment in case of certain defaults.
- Maximum imprisonment is reduced to two years for a first offence and three years for a subsequent offence instead of the existing limit of seven years.
- Prosecution proceedings not to be initiated in cases where the tax amount involved does not exceed INR 10,00,000 with only fine being applicable.
- Certain offences such as non payment of TDS deducted in case of winnings from lottery and consideration of virtual digital assets are fully decriminalized.

# Direct Taxation - Attracting Global Business and Investment

## No Tax on non-resident having cloud-based businesses/ data center sector

- A proposal has been made to provide tax exemption to foreign companies on income arising from procuring data center services from a specified data center.
- To qualify for the exemption, all sales by such foreign company to users located in India must be made through a reseller that is an Indian company.
- A specified data center must be set up under an approved scheme notified by the Ministry of Electronics and Information Technology (MeitY) and must be owned and operated by an Indian company

## Exemption on income arising by providing capital equipment electronic goods manufacturer

- To promote the manufacturing of electronic goods by a contract manufacturer in India, income of a foreign company who provides capital goods, equipment to an Indian contract manufacturer, located in a custom bonded area who produces electronic goods on behalf of such foreign company for a consideration shall be exempt upto the tax year 2030-2031.

## Non-Applicability of MAT on non-residents

- MAT proposed to be inapplicable to all non-residents opting for presumptive taxation, including NRs engaged in:
  - Operating cruise ships, and
  - Services or technology in India to resident companies engaged in electronic manufacturing under a notified scheme.

## Extension of period of deduction for units in IFSC and rationalization of tax rate

- Increase in time limit for availing the 100% deduction on certain incomes to the units of International Financial Service Centre (IFSC) and Offshore Banking Units (OBUs) to 20 consecutive years out of 25 years for units in IFSC and 20 consecutive years for OBUs.
- Upon expiry of tax holiday, business income of IFSC unit and OBU to be taxed at a concessional rate of 15 per cent.

# Direct Taxation - Rationalisation of Other Provisions

## Certain Clarifications

- To resolve and settle pending litigation concerning the jurisdiction of the AO, it is clarified, with retrospective effect from 1 April 2021, that the issuance of reassessment notices and conduct of pre-assessment enquiries shall be carried out by the Jurisdictional AO and not the Faceless AO.
- It is clarified, with retrospective effect from 1 October 2019, that an assessment order shall not be rendered invalid solely due to the omission of quoting a DIN, provided the order is otherwise linked to a DIN in any manner.
- For cases referred to the DRP, the statutory limitation period under Section 153 shall apply, with retrospective effect from 1 April 2009, for the issuance of the draft assessment order. The timelines for passing the final assessment order shall continue to be governed by Section 144C.

## Modified Return by AE under Advance Pricing Agreement

- Under the provisions of the current law, a non-resident AE earning taxable income from an international transaction (e.g., royalty, interest, fees for technical services) is generally not able to claim refund for tax paid or withheld on the income by way of a correlative downward adjustment pursuant to an APA entered into by resident AE, even though the APA may have reduced the expense deduction in the hands of the resident taxpayer.
- Proposal to allow such non-resident AEs to file modified returns in accordance with the APA terms potentially enabling them to claim downward adjustment and seek refund for taxes paid or withheld.
- Timelines for such modified return by non-resident is within a period of three months from the end of the month in which the APA is concluded.

# Direct Taxation - Rationalisation of Other Provisions

## Penalty upon non-disclosure of Crypto- assets

- Penalty of Rs. 200 per day for non furnishing of statement and Rs. 50,000 for furnishing inaccurate particulars & failure to correct such inaccuracy is proposed to be levied.

## Sovereign Gold Bonds (SGBs)

- The exemption on redemption of sovereign gold bonds (SGBs) is now only available when an individual satisfies the following twin conditions:
  - bonds are subscribed at the time of original issue, and
  - held continuously until redemption on maturity.

## Securities Transaction Tax (STTs)

The STT rates are revised on derivatives transactions applicable to trades executed on or after 1 April 2026

Transaction Type	Current	Proposed
Sale of Option	0.10%	0.15%
Sale of Option (on exercise)	0.125%	0.15%
Sale of Futures	0.02%	0.05%

## Buy Back of Shares

- The taxability of consideration received on buy-back of shares shifted from the head “Dividend” to “Capital gains” with a differentiated effective tax treatment for promoters:

Tax Incidence - Promoter	Effective Tax Rate	
	Long Term Capital Gain	Short Term Capital Gain*
Individuals/ Non corporate	30% (12.5% + 17.5%**)	30% (20% + 10%**)
Companies	22% (12.5% + 9.5%**)	22% (20% + 2%**)

\* For *listed shares or securities*

\*\* Additional tax Rate

## Non - allowability of Interest as a deduction against Dividend Income

- It is proposed that no deduction shall be allowed in respect of any interest expenditure incurred for earning dividend income or income from units of mutual funds whereas under the existing law, such expenditure is permitted as a deduction up to 20% of such income.

# Direct Taxation - Rationalisation of Other Provisions

## Time Limit for TP orders

- Clarification has been issued on the procedure for calculating the 60-day timeframe for Transfer Pricing (TP) orders

Due date for passing Final Assessment Order	Due Date for passing TP Order under 1961 Act (based on days)	Due Date for passing TP Order under 2025 Act (based on month)
31 March (non-leap year)	30 January	31 January
31 March (leap year)	31 January	
31 December	01 November	31 October

## Stay of Demand

- Presently, a taxpayer can obtain a stay of demand on an order which is in appeal by paying 20% of the amount payable under the Act (including the amount of tax, interest, fee, penalty, or any other sum). The stay can now be availed by paying only 10% of the amount of tax.

## Rationalisation of Safe Harbour Rules

Service	Existing	Proposed
Information technology enabled services (ITeS)	Upto 100cr - 17% Upto 200cr -18%	15.5%* (raised to INR 2,000 crore from INR 300 crore)
Software development services	Upto 100cr - 17% Upto 200cr -18%	
Knowledge Process Outsourcing (KPO)	18- 24% (subject to employee cost)	
Contract research & development services	Upto 200cr - 24%	

\*IT, ITeS, KPO and contract R&D services consolidated into a single category of "IT Services".

- Unilateral APAs for IT/ ITES are targeted to close within 2 years, with a possible extension of 6 months on the taxpayer's request.
- Safe Harbour for non - residents for component warehousing in bonded warehouse at 2% of invoice value.

# Indirect Taxation

## Customs

Tariff Heading / Tariff Item	Particulars	Old Rate	New Rate
9804	All dutiable goods, imported for personal use	20%	10%
2841 90 00	Sodium antimonate for use in manufacture of solar glass	7.50%	Nil
8401 30 00	All goods for generation of nuclear power	7.50%	Nil
8401 40 00	Control and Protector Absorber Rods, and Burnable Absorber Rods, for generation of nuclear power	7.50%	Nil
8501 1020 8504 3100 851680 00 8516 9000	Specified goods for use in the manufacture of Microwave Ovens falling under tariff item 8516 50 00	As applicable	Nil

- Jurisdiction of the Customs Act is proposed to be extended beyond the territorial waters for the purpose of fishing related activities. Similar changes are proposed to allow import and export of fishes harvested (by Indian flag fishing vessels) in the territorial waters

- Section 67 is proposed to be substituted to remove the requirement of prior permission of the proper officer for removal of warehoused goods from one custom bonded warehouse to another
- Section 28 of the Customs Act, 1962 is being amended to deem payment of penalty as charge for 'non-payment of duty'.
- Validity of advance ruling to be extended from three years to five years, unless there is a change in law or facts.
- Deferred Payment of Import Duty Rules, 2016 are being amended to allow monthly duty payment in place of the existing 15 days for all eligible importers. Benefit of deferred duty payment also to be extended to 'manufacturer importer' till 31 March 2028.
- The Baggage Rules, 2016 to be superseded by Baggage Rules, 2026 which includes
  - General duty-free limit (arriving in India other than by land) enhanced from INR 50,000 to INR 75,000 for residents and from INR 15,000 to INR 25,000 for foreign tourists
  - Duty-free limits for transfer of residence enhanced from INR 60,000 - INR 5,00,000 to INR 1,50,000 - INR 7,50,000

# Indirect Taxation

## Customs

- Basic Custom Duty (BCD) exemption on capital goods for lithium-ion battery manufacturing extended to cover battery for Battery Energy Storage Systems (BESS)
- BCD exemption introduced on aircraft components and parts (including engines) for manufacture of aircraft and parts thereof, subject to IGCRS Rules, 2022
- BCD exemption extended to 17 new cancer drugs.
- Exemptions continued up to March 31, 2028
  - Manufacture of parts of aircraft for maintenance, repair, or overhauling of aircraft or components or parts of aircraft, including engines
  - Components or parts, including engines, of aircraft, for the manufacture of aircraft and parts thereof
  - Moulds, tools and dies, for the manufacture of parts of electronic components or electronic equipment
  - Parts and components for use in the manufacture of goods like Micro ATMs, Fingerprint reader/scanner, Iris scanner, miniaturized POS card reader
- Exemptions discontinued (from March 31, 2026)
  - Hydrophilic non-woven, hydrophobic non-woven, imported for use in the manufacture of adult diapers
  - Metal parts for use in the manufacture of electrical insulators
  - Import of CD-ROMs containing books of educational nature, journals, periodicals (magazines) or newspapers.
- Amendment is being made to deferred payment of Import Duty Rules, 2016 to provide for deferred duty payment from the existing 15 days to 30 days for Tier 2 and Tier 3 AEOs. A new class of 'eligible manufacturer importers' is also being created for allowing deferred payment of duty.
- Processes involved in clearance of food, drug, plant, animal and wildlife clearances will be operationalised on the system by April 2026 itself.

# Indirect Taxation

## Goods and Service Tax

- Section 15(3)(b) of CGST Act is to be amended to remove the need for a link with pre-existing agreement and invoice, for adjustment of post-sale discounts from the supply value. Such adjustment is subject to ITC reversal by the recipient, in accordance with Section 34 of CGST Act (effective date to be notified)
- Amendment in section 34(1) of the CGST Act, 2017 to include issuance of credit notes in relation to post-sale discount offered by the suppliers
- Section 54(6) of the CGST Act is to be amended to enable grant of provisional refund (90% of the claim amount within seven days) in cases of inverted duty structure refunds (effective date to be notified)
- Removal of threshold limit for sanctioning refund claims in case of export of goods out of India with payment of IGST As per section 54(14) of the CGST Act, 2017, no refund shall be paid to the applicant if the amount of refund is less than INR 1,000.
- New sub-section (1A) is to be inserted to Section 101A of the CGST Act, empowering the Government, on the GST Council's recommendation, to authorize an existing Authority/Tribunal to hear appeals pertaining to conflicting advance rulings given by the Appellate Authorities, until the constitution of National Appellate Authority (to be effective from April 1, 2026)
- Section 13(8)(b) of the IGST Act, 2017 is now proposed to be omitted. The proposed omission will now allow intermediary services provided to overseas entities to qualify as export of services since the place of supply will be determined as per the default provision of section 13(2) of the IGST Act, 2017 i.e., basis the location of recipient of services. Recognizing such intermediary services as export not only eliminates unintended GST costs on cross border transactions but also reinforce India's commitment to promoting export of services and improving ease of doing business.

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