



# Finance Bill, 2026 Income Tax Analysis

Income tax Act, 1961 (hereinafter referred as “The Old Act”)  
Income Tax Act, 2025 (hereinafter referred as “The New Act”)

**An Effort by  
Team Rano Jain Legal**

# Revised dates for filing of return of income

*Effective from 01.03.2026*

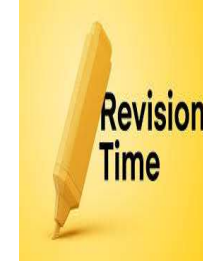
Due Date of Filing of Return	Type of Assessee
31 <sup>st</sup> July	Any other Assessee not covered by specific categories
31 <sup>st</sup> August	Assessee with business or professional income but not requiring Audit Trusts
31 <sup>st</sup> October	Company or assessee required to get accounts audited
30 <sup>th</sup> November	Assessee to whom section 172 of the New Act Applies (section 92E of the Old Act) (Transfer Pricing)



# Extending the Period of Revised Return

*Effective from 01.04.2026 for tax year*

Time period for revising the income tax return has now been increased to twelve months from nine months from the end of the Financial Year, giving opportunity for the revision of belated returns filed. (Sec 263(5) of the new act, 139(5) of the old act)



However would be charged a fee in respect of the returns revised after a period of nine months. (Sec 428 of the new Act)

Total income as per revised return	Fee Chargeable u/s 428
If total income does not exceed Rs. 5,00,000/-	Rs. 1,000/-
In any other case	Rs. 5,000/-

# Scope of filing of updated return in the case of reduction of losses

*Effective from 01.04.2026 for tax year (new act) and 01.03.2026 (old act)*

Now a loss return can also be updated to further decrease the declared losses.



# Updated Return- Pursuant to notice u/s 148

*Effective from 01.03.2026 for tax year*

It is now allowed to file an updated return in response to notice issued u/s 280 of the new act (sec 148 of the old act).

However has now to be paid an additional tax of 10% of the aggregate of tax and interest payable on account of furnishing the updated return in response to above mentioned notice.



This way the assessee would be in a position to avoid the penalty on income disclosed in the updated return. That is, payment of additional 10% tax in lieu of penalty.



# Motor Accident

*Effective from 01.04.2026*

The interest on any income awarded by the Tribunal under the Motor Vehicle Act, 1988 to the individual or his legal heir would now be exempt.

Consequent change has been brought in section 393(4) of the new act by proposing to not to deduct tax on such income even if it exceeds Rs. 50,000/- during the year.



# Due date to credit employee contribution by the employer

*Effective from 01.04.2026 & will accordingly apply to tax year 2026-27 & subsequent tax years*

Relevant section 29(1)(e) of the new act has now been amended to provide that the assessee employer can now credit employee's contribution to the account of an employee in the relevant fund by the due date of filing of return u/s 263(1) of the New Act.



# Rationalization of the block period in the case of search on the other person (Section 295 of the New Act)

*Effective from 01.04.2026 for search or requisition made or initiated on 01.04.2026 & onwards*

Earlier as per section 295 of the New Act	After Amendment
<p>The block period of the other person was same as that of the specified person.</p> <p>In case of multiple specified persons, the block period for other person was that of the specified person in whose case the block period ends on a later date.</p>	<p>The block period for other person is now restricted only to the tax year to which the seized material pertains</p>



Specified Person: In whose case the search was initiated or requisition made

Other Person: In respect of whom has been found any income belonging to or pertaining to in the search/requisition on specified person

# Referencing the time limit to complete block assessment to the initiation of search or requisition

*Effective from 01.04.2026 for search or requisition made or initiated on 01.04.2026 & onwards*

Earlier as per section 296 of the New Act	After Amendment
The procedure for block assessment must be completed within 12 months from the end of the quarter in which the last search authorization was executed or requisition was made.	The procedure for block assessment must be completed within 18 months from the date of initiation of search.



# Rationalization of Penalties into Fee

*Effective from 01.04.2026, tax year 2026-27 and onwards*

Before Amendment (New Act) (Penalties)	After Amendment (New Act) (Fines)
<p>Penalty under section 446 for failure to get the accounts audited and furnish the report as required u/s 63</p> <p>Lower of:</p> <p>a) 0.5% of total sales/turnover/gross receipt</p> <p>b) Rs. 1,50,000/-</p>	<p>The same penalty is substituted by fee u/s 428(c)</p> <p>a) Sum of Rs. 75,000/- for a delay upto one month</p> <p>b) Sum of Rs. 1,50,000/- thereafter</p>
<p>Penalty u/s 447 on for failure to furnish report from an accountant to be furnished by persons entering into international transaction or specified domestic transaction under sec 172</p> <p>The AO may impose a penalty of Rs. 1,00,000/- on such person.</p>	<p>The same penalty is substituted by fee u/s 428(d)</p> <p>a) Sum of Rs. 50,000/- for delay upto one month</p> <p>b) Sum of Rs. 1,00,000/- thereafter</p>

Before Amendment (New Act) (Penalties)	After Amendment (New Act) (Fines)
<p>Penalty u/s 454(1) in respect of failure to furnish a statement of financial transaction or reportable account u/s 508</p> <p>The authority may impose penalty of Rs. 5000/- for each day during which the failure continues</p>	<p>The same penalty is substituted by fee u/s 427(3)</p> <p>a sum of Rs. 200 for every day for which such failure continues and such fee shall not exceed a sum of Rs. 1,00,000/-</p>



# Penalty for Underreporting or Misreporting of income to be imposed within Assessment Order itself

*Effective from 01.04.2027 under new act as well as old act where any draft of the proposed order, or is made the assessment or reassessment on or after 01.04.2027*

The penalty u/s 270A as per old act (439 as per new act) has now to be imposed in the assessment order itself.



Since under the existing scheme, penalty proceedings for under-reporting or misreporting of income are initiated separately after the assessment order, the amendment would now lead to avoidance of multiple proceedings and prolonged uncertainty for taxpayers.

It has also been amended that interest for non-payment of demand within the period specified in the notice of demand shall now be levied only after the passing of the order by the CIT(A) or the ITAT (for appeal against DRP orders), as the case may be.

# Increase in maximum amount of penalty in section 466 of the New Act

*Effective from 01.04.2026 and shall apply for tax year 2026-27 and subsequent tax years*

Before Amendment	After Amendment
Presently provides for a penalty up to Rs. 1,000 for failure to comply with section 254	The penalty has now been increased to Rs. 25,000/-



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Section 254 is related to the power of the IT Authorities to collect information.



# Rationalization of tax rate under section 195 of the new Act and penalty under section 443 of the New Act in respect of certain Income.

*Effective from 01.04.2026 and shall apply for tax year 2026-27 and subsequent tax years*

Before Amendment	After Amendment
The existing tax rate u/s 195 of the New Act is 60%	The rate has now been declined to 30%
The penalty is imposed at 10% u/s 443 of the New Act	<ul style="list-style-type: none"><li>- Sec 443 of the New Act is omitted</li><li>- the penalty for such income is to be subsumed under misreporting of income under section 439(11) of the New Act</li></ul>



Section 195 of the New Act levies tax at 60% on unexplained income referred to in sections 102 to 106 of the New Act, while section 443 of the New Act imposes a penalty of 10% of the tax payable on such income.



# Expanding the scope of immunity for penalty and prosecution under section 440 of the New Act

*Effective from 01.04.2026 and shall apply for tax year 2026-27 and subsequent tax years*

Amendment 1	Amendment 2
<p>It is proposed to extend immunity to cases of misreporting, subject to payment of additional income-tax equal to 100% of the tax payable on such income</p> <p>Similar changes are made in section 270AA of the Old Act w.e.f 01.03.2026 for AY 2026-27 or any earlier Assessment Year</p>	<p>For unexplained income under sections 102 to 106 (now subsumed under misreporting), immunity is proposed on payment of additional tax of 120%, to enable early dispute resolution and reduce litigation.</p>



Section 440 presently grants immunity from penalty and prosecution only in cases of under-reporting of income, subject to payment of tax and interest and non-filing of appeal.



# Clarification of JAO v. FAO issue

*Retrospective effect from 1st day of April, 2021 in Old Act and Effective in new act from 01.04.2026, tax year 2026-27 and onwards*

**Issue:** Divergent views expressed by various High Courts and an ongoing matter in the Supreme Court regarding jurisdiction during the pre-assessment stage created uncertainty in reassessment proceedings.

**Clarification:** Section 147A introduced in the Old Act which stipulates that the Assessing Officer for sections 148 and 148A shall mean and shall always be deemed to have meant an officer other than the National Faceless Assessment Centre (NaFAC) or any assessment unit referred to in section 144B(3).



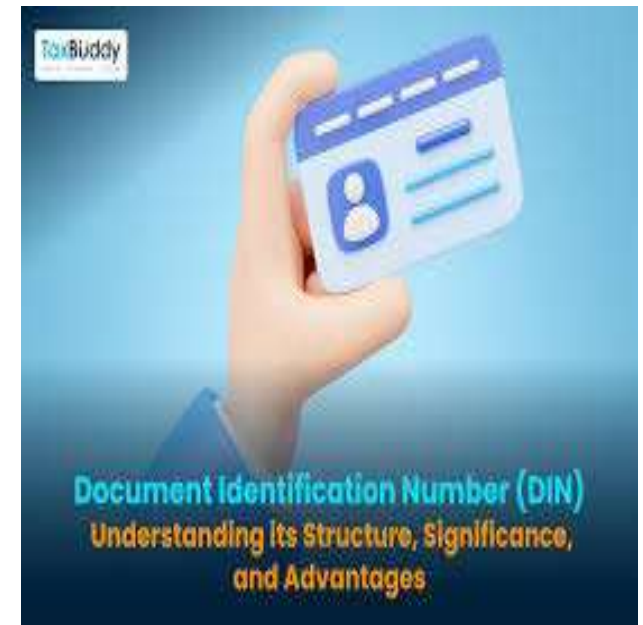
# Invalid Assessment on the ground of any mistake, defect or omission on account of computer-generated DIN

*Effective retrospectively from 1.10. 2019*

**Issue:** CBDT Circular No. 19/2019 mandating quoting of a computer-generated DIN, due to which certain High Court decisions have invalidated assessments for technical lapses relating to DIN.

**Clarification:** Clarification in section 292B of the Old Act is made to emphasize as long as there is a reference of DIN in the assessment order, the same would be sufficient compliance even if there may be some minor mistakes, defects or omissions in notices or summons in relation to such assessment.

The reference may in the form of subsequent communication mentioning the DIN.



# Clarifying time-limit for completion of assessment under section 144C of the Old Act.

*Effective: Retrospective effect from 01.10.2009*

**Issue:** Judicial pronouncements have taken divergent views on whether the overall limitation under sections 153/153B of the Old Act to pass the assessment/reassessment order continues to apply despite the expressed override in section 144C of the Old Act.

**Clarification:** Therefore, to remove ambiguity, it is clarified that sections 153 and 153B of the Old Act govern only the draft Assessment order stage, while the timelines under section 144C of the Old Act apply for finalization of assessment, notwithstanding sections 153 and 153B of the Old Act.



Consequential amendments are proposed in the New Act, with retrospective effect in the Old Act and prospective effect from 1 April 2026 in the New Act, to ensure certainty and reduce litigation.

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# Clarifying the manner of computation of sixty days for passing the order by the Transfer Pricing Officer.

*Effective: retrospectively from 1 June 2007*

**Issue:** Previously when the TPO had less than 60 days remaining in the limitation period, the period was deemed extended to 60 days. However, there were various judgements taking divergent views in respect of the calculation period of limitation.

**Clarification:** Sec 92CA(3AA) has been inserted to clarify the manner for calculation of 60 days.

Non Leap Year (period of limitation expires on 31<sup>st</sup> March) – The TPO order has to be passed on or before 30<sup>th</sup> January

Leap Year (period of limitation expires on 31<sup>st</sup> March) – The TPO order has to be passed on or before 31<sup>st</sup> January  
period of limitation expires on 31<sup>st</sup> December - The TPO order has to be passed on or before 1<sup>st</sup> November



Consequential amendments are proposed in the New Act, with retrospective effect in the Old Act and prospective effect from 1 April 2026 in the New Act, to ensure certainty and reduce litigation.

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# Taxation of buyback of shares

*Effective from 01.04.2026 for Tax Year 2026-27 onwards*

Consideration of buy back of shares is proposed to be tax under the head “Capital gains” instead of dividend income.

New Tax Liability	
Promoter Individual	30%
Promoter companies	22%



# Rationalization of Minimum Alternate Tax

*Effective from 01.04.2026, tax year 2026-27 and onwards*

Before Amendment	Amendment 1:	Amendment 2:
Section 206 of the Income-tax Act, 2025 provides for Minimum Alternate Tax (MAT) on companies, levied at 15% of book profits (excluding IFSC units), payable where MAT exceeds tax computed under normal provisions; excess MAT paid is allowed as credit, carry-forwardable for up to 15 years under the old tax regime.	MAT paid under the old regime be treated as <b>final tax</b> , with no fresh MAT credit allowed	<p>Sett off of existing MAT to be allowed only under the <b>new tax regime</b></p> <ul style="list-style-type: none"> <li>• <b>For domestic companies</b> - limited to 25% of tax liability.</li> <li>• <b>For foreign companies</b> – Limited to the difference between normal tax and MAT in years where normal tax exceeds MAT.</li> </ul>



MAT Rate	
Old Rate	New Rate
15%	14%

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# Thank You

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