

## Legislative Update: SYNOPSIS OF FINANCE BILL 2026

### Dear Esteemed Clients

Finance Bill 2026 is introduced by Ministry of Finance on 1<sup>st</sup> February 2026.

Synopsis of the few relevant clauses are given below:

#### I. NO Change in slab and rates in New Tax Regime

Total Income	Rate of tax
Up to 400000	NIL
400001- 800000	5%
800001- 1200000	10%
1200001-1600000	15%
1600001- 2000000	20%
2000001 - 2400000	25%
Above 2400000	30%

- Surcharge and Health & Education Cess will remain applicable at existing rates.

**II. Old Tax Rates:** Existing tax slab rates under OLD tax regime will remain applicable in FY 2026-27 also wherever opted by employee.

**III. Income Tax Act, 2025 to come into effect from 1<sup>st</sup> April 2026**  
**“TAX YEAR”** is defined in Income Tax Act, 2025 as – 12 months period of the financial year commencing on 1<sup>st</sup> April.  
 Terms - Previous year & Assessment year will not be applicable from FY 2026-27.

**IV. Amendment in the “due date” to claim deduction by the employer for deposit of employee’s contribution to credit of employee welfare funds:**  
*Applicable from FY 2026-27 (Tax Year 2026-27)*

S.29 provides for deduction to be claimed by employer, being an assessee, for deposit of employee’s contribution, deducted by employer, to the account of the employee in the relevant fund/s by the due date under any Act, rule, order or notification issued under it or under any standing order, award, contract of service or otherwise.  
 It is proposed to amend to provide that the due date for the said clause shall be the due date of filing of return of income of Company/employer u/s 263(1) of the Act.

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**V. Relaxation from requirement to obtain TAN by a resident individual/HUF, where the seller of the immovable property is a non -resident:**

*This amendment will take effect from the 1st day of October, 2026*

Currently, the buyer is required to obtain TAN to deduct tax at source where seller of the immovable property is a non-resident.

It is proposed to amend section 397(1)(c) of the Act to provide that resident individual / HUF is not required to obtain TAN to deduct tax at source in respect of any consideration on transfer of any immovable property.

**VI. Applicable TDS section and rate on supply of manpower:**

*The amendment will take effect from the 1st day of April, 2026*

Section 393(1) provides for TDS in case of payments made to contractors for carrying out any work. It provides for rate of deduction of 1% when payment is made to individual or HUF and 2% in other cases.

In order to provide clarity with regard to the TDS in case of supply of manpower, it is proposed to include it under the ambit of “work” in section 402(47) so that the provisions of Section 393(1) as the case may be, applies.

**VII. Due dates for filing of return of income:**

*It is proposed that the amendments made in Income-tax Act, 2025 shall come into force from the 1st day of April, 2026 for tax year 2026-27 and subsequent tax years.*

Assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law in force and *partner of a firm* whose accounts are not required to be audited under this Act or under any other law in force and Trusts requiring no audits, their due date for filing of return is proposed to be extended from 31<sup>st</sup> July to 31<sup>st</sup> August.

Further, individuals who files ITR-1 & ITR-2, their due date for filing return of Income shall remain 31<sup>st</sup> July.

### **VIII. Extending the period of filing revised return:**

S.263(5) allows a taxpayer to revise an original or belated return to rectify any omission or wrong statement, relating to income, deductions, exemptions, losses, or any other particulars.

Such revised return required to be furnished within 9 months from the end of the relevant tax year or before completion of assessment, whichever is earlier.

It is considered to increase the prescribed time limit for filing the revised return from existing 9 months to 12 months from the end of the relevant tax year.

Further, S.263 corresponds to S.139 of the Income-tax Act, 1961.

Therefore, similar amendments are also proposed in S. 139(5) of the Income-tax Act, 1961. It is proposed that these amendments shall also be applicable for Assessment year 2026-27 (previous year 2025-26)

Further, a fee is also proposed under section 234I for filing of revised return as follows:

- Rs.1000 if Total Income does not exceeds Rs.5 Lakh,
- Rs.5000 in any other case.

### **IX. Filing of updated return allowed in the case of reduction of losses also:**

Presently, Updated return cannot be a return of loss, cannot reduce tax liability, and cannot increase a refund and, moreover, it is not permitted in cases where assessment, reassessment, search, survey, or prosecution proceedings are pending or completed.

Filing an updated return also requires payment of additional income-tax amounting to 25%, 50%, 60% and 70% for filing the updated return in 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> year respectively.

It is proposed to amend section 263(6) of the Act, so as to allow filing of updated return where taxpayer reduces the amount of loss in comparison to the loss claimed in original return filed within the due date.

Updated return may also be allowed where proceedings u/s 280 for income escaped assessment have been initiated as the same would reduce litigation.

Further, if updated return is filed in pursuance of a notice issued u/s 280 within the period specified in the said notice, the additional income-tax payable shall be increased by a further sum of 10 % of the aggregate of tax and interest payable on account of furnishing the updated return.

**X. Rationalization of TCS rates:**

*The amendment will take effect from the 1st day of April, 2026.*

It is proposed to rationalize the rates of TCS by providing uniform rates and to reduce some of the rates so as to provide relief as below:

<b>Nature of receipt</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Remittance under the <u>Liberalised Remittance Scheme</u> of an amount or aggregate of the amounts exceeding 10 lakh rupees—	(a) 5% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment.	(a) 2% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment.
Sale of “ <u>overseas tour programme package</u> ” 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%

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