

NEWS FLASH**Key amendments to the Finance Bill, 2026**

25 March 2026

This document summarises the significant direct tax amendments to the Finance Bill, 2026 as passed by the Lower House of the Parliament. These proposals are subject to the passage of the Finance Bill by the Upper House and Presidential assent, after which the Finance Bill will become law.

The Income-tax Act, 2025 ('the New Act') is effective from FY 2026-27 and will replace the Income-tax Act, 1961 ('the Old Act'). New Income-tax Rules have been notified on 20 March 2026 which will come into force on 1 April 2026. References to sections are to sections in the New Act unless otherwise stated.

1. Provision relating to non-residents

- i. In the case of Offshore Banking Units ('OBUs') located in a Special Economic Zone whose 10 year tax holiday has expired on 31 March 2025, it is proposed under the New Act to allow a tax holiday for a further period of 10 consecutive years beginning from 1 April 2026. This proposal is intended to enable such OBUs to avail the extended tax holiday proposed in the Finance Bill, 2026. However, no tax holiday will be available to such OBUs for the intervening period from 1 April 2025 to 31 March 2026.

2. Business Income

- i. It is proposed to expand the definition of 'Startup' which is eligible to claim a tax holiday by increasing the turnover limit from INR 1 bn (~USD 11 mn) to INR 3 bn (~USD 33 mn).

3. Taxation of Buyback

- ii. It is proposed that the provisions relating to additional tax for Promoters on buyback of shares shall apply only to cases where a company undertakes the buyback in accordance with the Board or Shareholder approval route as per the Companies Act, 2013.
- iii. It is further proposed that the tax payable on buyback of shares will be subject to a surcharge of 12%.

4. Other key amendments

- i. It is proposed under the Old Act with retrospective effect from 1 April 2021, any approval by an Income tax officer with regard to assessment or reassessment shall be deemed administrative and shall not be deemed invalid merely on account of insufficiency of reasons or a defect in communication, including if the digital signature has not been appended to such approval. A similar amendment is proposed in the New Act.
- ii. It is proposed that with effect from 30 March 2026, in case of assessment or reassessment notice issued to a taxpayer under the Old Act, a minimum time period of 30 days from the date of such notice is to be provided to the taxpayer to furnish a return of income in response to such notice. A similar amendment is proposed in the New Act as well with effect from 1 April 2026.
- iii. It is proposed that the ITAT orders passed on or after 1 October 2026 shall be sent to the Commissioner/Principal Commissioner by way of uploading it on a designated portal of the Income tax Department. This amendment is proposed under the Old Act as well as the New Act.

- iv. It is clarified that the proposed amendment where orders cannot be considered invalid for mere absence of Document Identification Number ('DIN') will be applicable retrospectively from 1 October 2019.
- v. It is clarified that the proposed amendment where no interest shall be levied on the amount of penalty, will be applicable to assessment or reassessment orders passed on or after 1 April 2027.
- vi. It is proposed to decriminalise a few more offenses in addition to those already provided in the Finance Bill, 2026.

Should you wish to discuss any of the above issues in detail or understand the applicability to your specific situation, please feel free to reach out to us at coe@jmpadvisors.in.

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