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**RSM India Newsflash – Key Amendments in the Finance Act, 2026 vis-à-vis the Finance Bill, 2026**

## Newsflash

### Key Amendments in the Finance Act, 2026 vis-à-vis the Finance Bill, 2026

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#### 1.0 Introduction

The Finance Bill, 2026 (hereinafter referred to as the Original Finance Bill) was introduced in the Lok Sabha on 1st February 2026 which proposed amendments to both the **Income-tax Act, 1961** (hereinafter referred to as the 'ITA 1961') and the **Income-tax Act, 2025** (hereinafter referred to as the 'ITA 2025').



On 25 March, 2026, the Lok Sabha has passed the revised Finance Bill 2026 with over 30 amendments pertaining to the Income Tax Law and the Indirect tax laws such as Customs and Goods and Services tax (GST). [Consequently, the Finance Act 2026 received the assent of the President on 30 March, 2026.](#)

In this Newsflash, we have provided a brief overview on some of these key amendments made in the Finance Act 2026 vis-à-vis the Original Finance Bill 2026 presented on 1 February 2026.

#### 2.0 Amendments to Buyback Taxation and Capital Gains Exemptions

Particulars	Provisions as per the Original Finance Bill 2026	Changes in the Finance Act 2026
<b>Scope of Additional Tax on Buy-back for Promoters Restricted to Section 68-Compliant Transactions</b>	<p>Section 69 of the Income-tax Act, 2025 proposed to <b>rationalise the taxation of share buy-backs</b> by providing that consideration received on buy-back of shares shall be <b>taxable under the head “Capital gains.”</b></p> <p>A <b>differentiated tax regime for promoters</b> was introduced, recognising their role in corporate decision-making, resulting in:</p> <ul style="list-style-type: none"> <li>• <b>22% aggregate tax liability</b> in case of promoter domestic companies; and</li> <li>• <b>30% aggregate tax liability</b> in case of other promoters.</li> </ul> <p>However, the Bill <b>did not expressly incorporate</b> the condition that such buy-backs must be undertaken in accordance with <b>section 68 of the Companies Act, 2013</b>, which was earlier embedded in section 2(22)(f) of the Income-tax Act, 1961.</p>	<p>The Finance Act, 2026 <b>clarifies</b> that the <b>additional tax framework for promoters shall apply only to buy-back transactions undertaken in accordance with section 68 of the Companies Act, 2013.</b></p> <p>This ensures alignment with the earlier legal position and avoids unintended application of the provision to transactions not qualifying as formal buy-backs under company law.</p> <p>The amendment is <b>effective from 1 April 2026</b> and applies from <b>Tax Year 2026-27 onwards.</b></p>

Particulars	Provisions as per the Original Finance Bill 2026	Changes in the Finance Act 2026
<p><b>12% Surcharge on Additional Tax paid by Promoter's w.r.t. Capital Gains on Buyback</b></p>	<p>The Finance Bill 2026 did not prescribe any specific surcharge rate applicable to buyback taxation.</p> <p>Accordingly, surcharge would have been levied based on the applicable slab rates of the taxpayer.</p>	<p>The Finance Act, 2026 introduces a 12% surcharge w.r.t. capital gains on buyback of shares.</p> <p>Subsequently, based on social media post clarification was issued by the Income Tax Department, that <b>12% surcharge is intended to apply only to the additional income-tax payable by promoters</b> under Section 69(2)(b) of the Income-tax Act, 2025.</p> <p>Accordingly, <b>non-promoter shareholders/ taxpayers continue to be governed by the existing income-based surcharge rates.</b></p>
<p><b>Capital Gains Exemption Reintroduced for Andhra Pradesh Land Pooling Scheme (Time-bound till 31 March 2031)</b></p>	<p>The Income-tax Act, 2025 <b>did not carry forward</b> the exemption earlier available under <b>section 10(37A) of the Income-tax Act, 1961</b>, which provided relief from capital gains tax in respect of transfer of specified capital assets under the <b>Andhra Pradesh Capital City Land Pooling Scheme, 2015</b>.</p> <p>As a result, <b>no specific exemption</b> was available under the proposed framework of the Income-tax Act, 2025 for such transactions, leading to potential tax implications for eligible individuals and Hindu Undivided Families (HUFs).</p>	<p>The Finance Act, 2026 <b>reintroduces the exemption</b> in line with the erstwhile section 10(37A) of the Income-tax Act, 1961 into the Income-tax Act, 2025.</p> <p>The exemption applies to <b>individuals and HUFs</b> transferring specified capital assets under the <b>Andhra Pradesh Capital City Land Pooling Scheme, 2015</b>.</p> <p>The benefit is <b>time-bound</b> and shall be available only where the <b>reconstituted plot or land is received on or before 31 March 2031</b>.</p> <p>The exemption is subject to <b>conditions as prescribed</b> under the relevant provisions.</p> <p>This amendment is <b>effective from 1 April 2026</b> and applies from <b>Tax Year 2026–27 onwards</b>.</p>

### 3.0 Amendments in Reassessment Timelines, Court-Driven Proceedings, and Validity of Administrative Approvals

Particulars	Provisions as per the Original Finance Bill 2026	Changes in the Finance Act 2026
<p><b>Minimum Time for Filing Return in case of assessment, reassessment or re-computation</b></p>	<p>In accordance with Section 280 of the ITA 2025 (corresponding to Section 148 of the ITA 1961), a notice for reassessment requires the taxpayer to file a return within a prescribed time limit (up to a maximum of 3 months from the end of the month in which such notice is issued).</p> <p>However, no minimum time period was specified for filing such return.</p>	<p>The Finance Act, 2026 introduces a <b>minimum time period of 30 days</b> for filing a return of income in response to reassessment notices.</p> <p>Accordingly, the assessee must now be provided a time window of:</p> <ul style="list-style-type: none"> <li>• <b>not less than 30 days</b>, and</li> <li>• <b>not exceeding three months</b> from the end of the month in which the notice is issued.</li> </ul> <p>This amendment is applicable under both the ITA 1961 and the ITA 2025.</p> <p>The amendment shall come into effect from 30<sup>th</sup> March 2026 for the ITA 1961 and from 1 April 2026 for the ITA 2025.</p>
<p><b>Reassessment Timelines Rationalised: Enabling Action Post Favourable Court Rulings</b></p>	<p>As per Section 283 of the ITA 2025 (corresponding to Section 150 of the ITA 1961), reassessment notices under Section 280 of the ITA 2025 (corresponding to Section 148 of the ITA 1961) may be issued <b>at any time</b> to give effect to findings or directions arising from appellate/revisory proceedings or court orders.</p> <p>However, such provisions did <b>not explicitly</b> address situations where proceedings under the Income-tax Act did not culminate in a final order (such as cases involving quashing of notices).</p> <p>This resulted in a <b>practical limitation</b>, whereby even if Revenue succeeded in higher judicial forums, reassessment could not be undertaken due to expiry of limitation periods, leading to potential revenue loss.</p>	<p>Section 283 of the ITA 2025 (corresponding to Section 150 of the ITA 1961) has been amended to <b>explicitly enable issuance of reassessment notices</b> for giving effect to findings or directions contained in orders of courts in any proceedings under this Act or any other law.</p> <p>A <b>corresponding time limitation safeguard</b> is provided, whereby such reassessment can be permitted only if it was <b>otherwise permissible at the time when the original proceedings were initiated</b>.</p> <p>Further, such notice is required to be <b>issued within 3 months</b> from the end of the quarter in which the certified copy of the court or authority order is received by the jurisdictional authorities.</p> <p>The amendment under the ITA 1961 shall be applicable to High Court and Supreme Court orders passed on or after 1 February 2026 (such date), and under the ITA 2025 from 1 April 2026.</p>

Particulars	Provisions as per the Original Finance Bill 2026	Changes in the Finance Act 2026
<p><b>Clarification on Nature and Validity of Approvals in Assessment Proceedings</b></p>	<p>The approval mechanism under the IT Act, 1961 (e.g., under <b>sections 153D and 151</b>) was intended to function as a <b>procedural and administrative safeguard</b>, ensuring due process in assessment and reassessment proceedings.</p> <p>However, judicial interpretations in recent years have examined the <b>adequacy and reasoning of such approvals</b>, treating them as quasi-judicial in nature, leading to <b>quashing of assessments on procedural grounds</b> (e.g., lack of detailed reasoning, mechanical approval, or deficiencies in documentation).</p> <p>This resulted in <b>litigation and revenue loss</b>, despite substantive compliance with procedural requirements.</p>	<p>The FA 2026 has <b>clarified (notwithstanding any judicial precedents)</b> that approvals granted by income-tax authorities in assessment proceedings shall be deemed to be <b>administrative and supervisory in nature</b>, and not quasi-judicial.</p> <p>Such approvals shall <b>not be considered invalid</b> merely on account of:</p> <ul style="list-style-type: none"> <li>• Insufficiency of reasons recorded;</li> <li>• Defects in form, manner of authentication, or communication; or</li> <li>• Absence of a digital signature in cases of electronic approvals.</li> </ul> <p>Corresponding amendments have been introduced in the <b>IT Act, 2025</b> to ensure consistency, reduce litigation, and provide certainty in interpretation.</p> <p>The amendment under the <b>IT Act, 1961 is effective retrospectively from 1 April 2021</b>, while the corresponding amendment under the <b>IT Act, 2025 is effective from 1 April 2026</b>.</p>

#### 4.0 Transition Mechanism: Streamlining Interest Computation and Flexibility in Refund Adjustments

Particulars	Provisions as per the Original Finance Bill 2026	Changes in the Finance Act 2026
<p><b>Interest on Refunds and Defaults</b></p>	<p>Section 536(2)(g) of the IT Act, 2025 provided that <b>interest on refunds and defaults relating to Tax Year 2025–26 and earlier years</b> shall be computed under the new Act from 1 April 2026.</p> <p>This gave rise to practical concerns that <b>both the old and new provisions would need to be referred to simultaneously</b> while computing interest for earlier years, leading to interpretational and compliance complexities.</p>	<p>The FA 2026 has revised Section 536(2)(g) of the IT Act to provide that for <b>Tax Year 2025–26 and earlier years</b>, the <b>relevant provisions of the IT Act, 1961 shall continue to apply</b> for the purpose of computing interest.</p> <p>However, the <b>rate of interest applicable on or after 1 April 2026 shall be governed by the IT Act, 2025</b>.</p> <p>This ensures a <b>clear demarcation between applicability of provisions and rates</b>, thereby simplifying</p>

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		<p>computation and avoiding dual referencing.</p> <p>The amendment is <b>effective from 1 April 2026</b> and applies from <b>Tax Year 2026–27 onwards</b>.</p>
<p><b>Set-off and Withholding of Refunds Across Acts</b></p>	<p>Under the existing framework of both the IT Act, 1961 and the IT Act, 2025, <b>set-off of refund is permitted only against amounts payable under the respective Act.</b></p> <p>This created a limitation in situations where:</p> <ul style="list-style-type: none"> <li>• a refund arises under one Act; and</li> <li>• a demand is outstanding under the other Act, resulting in <b>inability to cross-adjust such amounts.</b></li> </ul>	<p>The Finance Act, 2026 provides that <b>refund due under either the IT Act, 1961 or the IT Act, 2025 may be set off against any amount payable under either of the Acts.</b></p> <p>This enables <b>cross-utilisation of refunds and demands</b> across both legislations, thereby improving administrative efficiency and reducing taxpayer hardship.</p> <p>The amendment is made in <b>both the IT Act, 1961 and the IT Act, 2025.</b></p> <p>The amendment shall take effect:</p> <ul style="list-style-type: none"> <li>• <b>from 30 March 2026</b> for the IT Act, 1961; and</li> <li>• <b>from 1 April 2026</b> for the IT Act, 2025.</li> </ul>

## 5.0 Other Amendments

Particulars	Provisions as per the Original Finance Bill 2026	Changes in the Finance Act 2026
<p><b>Startup Tax Incentives – Threshold Increased from Rs. 100 crore to Rs. 300 crore</b></p>	<p>Section 140 of the IT Act, 2025 provides for a <b>100% deduction of profits and gains</b> derived by an eligible start-up from an eligible business.</p> <p>The deduction is available, at the option of the taxpayer, for <b>any three consecutive tax years out of the first ten years</b> from incorporation.</p> <p>To qualify, the start-up is required to:</p> <ul style="list-style-type: none"> <li>• be incorporated between <b>1 April 2016 and 1 April 2030</b>;</li> </ul>	<p>In alignment with the DPIIT notification, the Finance Act, 2026 <b>enhances the turnover threshold under section 140 from Rs. 100 crore to Rs. 300 crore.</b></p> <p>This amendment ensures consistency between <b>tax provisions and start-up recognition criteria</b>, including the newly introduced Deep Tech Startups category.</p> <p>All other conditions for claiming the deduction remain unchanged.</p>

Particulars	Provisions as per the Original Finance Bill 2026	Changes in the Finance Act 2026
	<ul style="list-style-type: none"> <li>• have an <b>annual turnover not exceeding Rs. 100 crore</b>; and</li> <li>• obtain certification from the <b>Inter-Ministerial Board of Certification</b>.</li> </ul> <p>Subsequently, the Department for Promotion of Industry and Internal Trade (DPIIT), vide <b>Notification dated 4 February 2026</b>, revised the turnover threshold for recognition of start-ups to <b>Rs. 200 crore</b>, and introduced a category of <b>Deep Tech Startups</b> with a higher threshold of <b>Rs. 300 crore</b>.</p>	<p>The amendment is <b>effective from 1 April 2026</b> and applies from <b>Tax Year 2026–27 onwards</b>.</p>
<b>IFSC (Offshore Banking Units) Tax Benefits</b>	<p>Section 147 of the IT Act, 2025 provides for a <b>100% deduction of income</b> derived by an Offshore Banking Unit (OBU) of a scheduled or foreign bank located in a Special Economic Zone.</p> <p>The deduction is available for <b>ten consecutive tax years</b>.</p> <p>The Finance Bill, 2026 proposed to <b>extend this benefit to twenty consecutive tax years</b>.</p>	<p>It has been recognised that certain OBUs whose initial <b>ten-year deduction period expired as on 31 March 2025</b> would not be able to benefit from the extended period due to a break in continuity.</p> <p>Accordingly, the Finance Act, 2026 provides that such OBUs shall be eligible to <b>claim a deduction for a fresh period of ten consecutive tax years</b>, commencing from the tax year beginning on <b>1 April 2026</b>.</p> <p>However, the benefit shall <b>not be available for the intervening Tax Year 2025–26</b>, thereby maintaining continuity from Tax Year 2026–27 onwards.</p> <p>This amendment is <b>effective from 1 April 2026</b> and applies from <b>Tax Year 2026–27 onwards</b>.</p>
<b>Exemption for the New Development Bank</b>	<p>Section 110A read with Schedule VII of the IT Act, 2025 specifies <b>persons eligible for exemption</b> under the Act.</p> <p>The existing provisions did <b>not include the New Development Bank (formerly BRICS Development Bank)</b> within the list of exempt entities.</p>	<p>The Finance Act, 2026 amends Schedule VII to <b>include the New Development Bank</b> as an exempt entity under the IT Act, 2025.</p> <p>The exemption is subject to <b>filing of prescribed information</b> in such form and manner as may be notified.</p> <p>The amendment is <b>effective from 1 April 2026</b> and applies from <b>Tax Year 2026–27 onwards</b>.</p>
<b>Disability Pension for Armed Forces Personnel</b>	<p>With the enactment of the IT Act, 2025 (effective from <b>1 April 2026</b>), the IT Act, 1961 stands <b>repealed</b>, along with earlier</p>	<p>Considering that the matter is <b>sub judice (i.e. under judicial consideration)</b> and has led to <b>practical implementation challenges</b>, the Finance Act, 2026 introduces further</p>

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	<p>enactments such as the IT Act, 1922 and related savings provisions.</p> <p>In the absence of an express provision under the IT Act, 2025, the <b>existing exemption in respect of disability pension</b> would have lapsed.</p> <p>Accordingly, the Finance Bill, 2026 proposed to <b>continue the exemption for disability pension</b>, in line with the earlier provisions under the IT Act, 1961, including the <b>scope and conditions</b> thereof.</p>	<p>clarification to ensure continuity and smooth application of the exemption.</p> <p>The amendment addresses <b>operational and interpretational issues</b> arising in the transition to the IT Act, 2025, thereby safeguarding the intended benefit.</p>
<p><b>Authentication of Electronic Records in Faceless Proceedings</b></p>	<p>Section 144B of the ITA 1961 provides that, for the purposes of faceless assessment, an electronic record is required to be authenticated by the assessment unit, verification unit, technical unit, or review unit, as applicable, by <b>affixing a digital signature</b>.</p>	<p>The Finance Act 2026 substitutes the requirement of authentication by affixing a digital signature with <b><u>authentication through electronic communication</u></b>.</p> <p>This amendment shall be deemed to have been effective from <b>1 April 2022</b>.</p>
<p><b>Uploading of Appellate Tribunal Orders</b></p>	<p>Section 254(3) of the IT Act, 2025 (corresponding to Section 363(10) of the IT Act 1961) provides that the <b>Appellate Tribunal shall send a copy of its order</b> to the assessee and to the jurisdictional Principal Commissioner or Commissioner.</p> <p>The existing provision does <b>not mandate digital dissemination or real-time sharing</b> of such orders through an electronic system.</p>	<p>The Finance Act 2026 has provided that the <b>Appellate Tribunal shall mandatorily upload its orders on a designated portal</b> developed by the Director General or Principal Director General.</p> <p>This is intended to ensure <b>seamless, real-time transmission of orders</b> to the jurisdictional Principal Commissioner or Commissioner, thereby enhancing administrative efficiency.</p> <p>Corresponding amendments have been made in the <b>IT Act, 2025</b> to align with similar changes under the IT Act, 1961.</p> <p>It will be incorporated for –</p> <ul style="list-style-type: none"> <li>• <b>ITA 1961</b> from 30 March 2026 and will be Applicable to orders passed on or after 1 October 2026,</li> <li>• <b>ITA 2025</b> from 1 April 2026.</li> </ul>

Particulars	Provisions as per the Original Finance Bill 2026	Changes in the Finance Act 2026
<p><b>Removal of Power of Arrest and Detention by Tax Recovery Officer (TRO) or any other authorised officer</b></p>	<p>Under the existing framework of both the IT Act, 1961 and the IT Act, 2025, one of the modes available to the Tax Recovery Officer (TRO) for recovery of tax dues includes <b>arrest of the assessee and detention in prison</b>.</p> <p>This provision forms part of the <b>coercive recovery mechanisms</b> available to the tax authorities.</p>	<p>The Finance Act 2026 <b>removes the power of arrest and detention in prison</b> as a mode of tax recovery.</p> <p>This change is based on the rationale that <b>other modes of recovery are sufficient</b> for effective tax administration.</p> <p>The amendment is carried out in <b>both the IT Act, 1961 and the IT Act, 2025</b>.</p> <p>The amendment shall take effect:</p> <ul style="list-style-type: none"> <li>• <b>from 30 March 2026</b> for the IT Act, 1961; and</li> <li>• <b>from 1 April 2026</b> for the IT Act, 2025.</li> </ul>

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