

## **FINANCE ACT 2026: SOME KEY AMENDMENTS INTRODUCED AT ENACTMENT STAGE**

***(In Addition to earlier Amendments Proposed in the Budget 2026)***

### **1. Buyback Taxation (Effective 1 April 2026)**

#### **Original Finance Bill 2026 Proposal (1 February 2026):**

- a. Buyback proceeds to be taxed as capital gains (not dividend), restoring concessional rates.
- b. An additional income tax introduced on promoter shareholders, taking their aggregate burden to 22% (promoter domestic companies) and 30% (other promoters).
- c. Applied broadly to buyback of shares or other specified securities.

#### **Amendment at enactment stage:**

- d. Additional tax on promoter shareholders now restricted only to buybacks undertaken under Section 68 of the Companies Act, 2013. The said section 68 relates to buy back of shares by Indian companies.
- e. Accordingly, the provision is now aligned with the earlier deemed dividend framework, and additional tax implications for promoters would arise only in cases of buybacks by Indian companies.
- f. A surcharge of 12% has been prescribed on the tax payable under the buyback provisions. However, as clarified by the Income-tax Department, this 12% surcharge applies only to the additional tax levied on promoters. For normal capital gains the surcharge rates apply as per prevailing rates.

## 2. Extended Tax Holiday for Offshore Banking Units (OBUs)

- a. OBUs in SEZs were originally entitled to a 10-year tax holiday extended by Finance Act, 2026 to 20 consecutive years.
- b. A specific clarification has now been added: OBUs whose original 10-year holiday had already expired as on 31 March 2025 will get an additional 10-year benefit starting from tax year 2026-27.
- c. Effective from 1 April 2026.

## 3. Start-up Tax Holiday - Higher Turnover Threshold

- a. The turnover threshold for an eligible start-up to claim income tax holiday has been increased from ₹100 crore to ₹300 crore.
- b. Aligned with the DPIIT notification dated 4 February 2026 revising the turnover limits for recognised start-ups.
- c. Effective from 1 April 2026.

## 4. Minimum Time Limit for Filing Return in Reassessment

- a. Earlier, there was no minimum time prescribed for a taxpayer to file a return in response to a reassessment notice (only a maximum of 3 months was prescribed).
- b. Finance Act 2026 now prescribes a minimum of 30 days from the date of notice for the taxpayer to file their return.

- c. Effective from 30 March 2026 under Income Tax Act, 1961 and 1 April 2026 under Income Tax Act, 2025.

## **5. Time Limit for Reassessment Notices pursuant to Court/Appellate Orders**

- a. Currently, reassessment notices to give effect to findings or directions of a court or appellate authority could be issued without any time limit.
- b. Finance Act 2026 now prescribes that such notices must be issued within 3 months from the end of the quarter in which the certified copy of the relevant order is received by the jurisdictional Principal Commissioner or Commissioner.
- c. This amendment applies to proceedings under both Income Tax Act, 1961 and Income Tax Act, 2025.
- d. Effective from 1 February 2026 under Income Tax Act, 1961 and 1 April 2026 under Income Tax Act, 2025.

## **6. Assessments Not Invalid Due to Defects in Approval**

- a. Several provisions require prior approval from a higher tax authority before assessment or reassessment proceedings can be initiated. Courts have in the past quashed assessments on the ground of mechanical or inadequate approvals.
- b. Finance Act, 2026 now provides (retrospectively) that such approvals are administrative and supervisory in nature and assessments shall not be held invalid merely on account of: (a) inadequate reasons recorded,

(b) defects in authentication or communication of approval, or (c) absence of digital signature; provided electronic approval exists.

- c. Effective retrospectively from 1 April 2021 under Income Tax Act, 1961 and from 1 April 2026 under Income Tax Act, 2025.

## **7. Faceless Assessment - Authentication Without Digital Signature**

- a. Assessment units, verification units, technical units and review units under the faceless assessment scheme can now authenticate electronic records through electronic communication, without affixing digital signatures.
- b. Effective retrospectively from 1 April 2022.

## **8. No Interest on Penalty During First Appeal**

- a. Finance Act, 2026 integrates assessment and penalty proceedings into a common order with effect from 1 April 2027.
- b. It is now clarified that no interest shall be chargeable on the penalty amount for the period during which an appeal is pending before the first appellate authority (CIT(A) / NFAC), for assessment or reassessment orders passed on or after 1 April 2027.
- c. Effective for orders passed on or after 1 April 2027

## 9. ITAT Orders to be Uploaded on Designated Portal

- a. Currently, ITAT orders are communicated in physical form to both taxpayers and tax authorities.
- b. From 1 October 2026, ITAT shall upload orders on a designated portal, making them available to the tax department in real time. The limitation period for further proceedings will be computed from the date of such upload.
- c. Taxpayers will continue to receive orders in physical form.
- d. The proposal shall be effective from 1 October 2026.

## 10. Cross-Act Refund Adjustment

- a. With effect from 30 March 2026, refunds due under Income Tax Act, 1961 can be adjusted against liabilities under Income Tax Act, 2025 and vice versa.
- b. This prevents taxpayers from simultaneously receiving refunds under one Act while having outstanding dues under the other.

## 11. Interest on Proceedings for Tax Years up to 2025-26

- a. For proceedings relating to tax years up to 2025-26, where a refund falls due or a default in tax payment arises on or after 1 April 2026, the interest provisions of Income Tax Act, 1961 will continue to apply, however, the applicable

rate of interest shall be as prescribed under the Income-tax Act, 2025.

- b. This departs from the originally enacted Income Tax Act, 2025 position, which had proposed a dual-period approach (Income Tax Act, 1961 rates up to 31 March 2026, Income Tax Act, 2025 rates thereafter).
- c. If interest rates under Income Tax Act, 2025 are modified in future, the modified rates will apply prospectively from the date of such modification only.
- d. Effective from 1 April 2026.

## **12. Removal of TRO's Power to Arrest Taxpayers**

- a. The Tax Recovery Officer's power to arrest and detain a taxpayer for recovery of tax arrears has been abolished.
- b. Effective from 30 March 2026 under Income Tax Act, 1961 and 1 April 2026 under Income Tax Act, 2025.

## Disclaimer

*This summary document has been prepared based on the Finance Act 2026 as passed on 31.03.2026 and from sources believed to be reliable. For further details, please refer to Finance Act, 2026 and related clarification/circulars issued.*

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