



EASE OF LIVING BY DIRECT TAX REFORMS : UNION BUDGET 2026-2027

**ANY INTEREST AWARDED BY THE MOTOR ACCIDENT
CLAIMS TRIBUNAL TO A NATURAL PERSON TO BE EXEMPT
FROM INCOME TAX**

**SCHEME FOR SMALL TAXPAYERS TO ENABLE OBTAINING
A LOWER OR NIL DEDUCTION CERTIFICATE BY A RULE-
BASED AUTOMATED PROCESS**

**TIME AVAILABLE FOR REVISING RETURNS EXTENDED
FROM 31st DECEMBER TO 31st MARCH, FOR A NOMINAL
FEE**

**ONE-TIME 6-MONTH FOREIGN ASSET DISCLOSURE
SCHEME FOR SMALL TAXPAYERS TO DISCLOSE INCOME
OR ASSETS**

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A range of proposals on Direct Taxes to ensure 'Ease of living' for taxpayers have been announced by Union Minister for Finance and Corporate Affairs Smt. Nirmala Sitharaman during the Union Budget 2026-27 speech in Parliament today.

Ease of Living

The Budget proposes that any interest awarded by the Motor Accident Claims Tribunal to a natural person will be exempt from Income Tax, and any TDS on this account will be done away with. It proposes to reduce TCS rate on the sale of overseas tour program package from the current 5 percent and 20 percent to 2 percent without any stipulation of amount.

It aims to reduce TCS rate for pursuing education and for medical purposes under the Liberalized Remittance Scheme (LRS) from 5 percent to 2 percent. Supply of manpower services is proposed to be specifically brought within the ambit of payment to contractors for the purpose of TDS to avoid ambiguity. Thus, TDS on these services will be at the rate of either 1 percent or 2 percent only.

A New Road to Ease of Living: Direct Tax Proposals

- > Interest awarded by the **Motor Accident Claims Tribunal** to a natural person to be **exempt from Income Tax**
- > Reduction of TCS* rate on the **sale of overseas tour program package** from the current 5% and 20% to **2% without any stipulation of amount**
- > Reduction of TCS rate for **pursuing education and for medical purposes** under the Liberalized Remittance Scheme (LRS) from 5% to 2%
- > **Extension of time** available for revising returns from **31st December to up to 31st March** with the payment of a nominal fee
- > Individuals with **ITR 1 and ITR 2** returns will continue to file till **31st July** and **non-audit business cases** or trusts are proposed to be allowed time till **31st August**

*Tax Collection at Source

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Ease for Taxpayers

A scheme for small taxpayers is proposed wherein a rule-based automated process will enable obtaining a lower or nil deduction certificate instead of filing an application with the assessing officer. For the ease of taxpayers holding securities in multiple companies, the budget proposes to enable depositories to accept Form 15G or Form 15H from the investor and provide it directly to various relevant companies. It extends time available for revising returns from 31st December to up to 31st March with the payment of a nominal fee.

Relaxed Tax return Timeline

The Budget proposes to stagger the timeline for filing of tax returns. Individuals with ITR 1 and ITR 2 returns will continue to file till 31st July and non-audit business cases or trusts are proposed to be allowed time till 31st August. TDS on the sale of immovable property by a non-resident is proposed to be deducted and deposited through resident buyer's PAN based challan instead of requiring TAN.

Focus on Small Taxpayers

To address practical issues of small taxpayers like students, young professionals, tech employees, relocated NRIs, and such others, it aims to introduce a one-time 6-month foreign asset disclosure scheme for these taxpayers to disclose income or assets below a certain size. This scheme would be applicable for two categories of taxpayers namely, (A) who did not disclose their overseas income or asset and (B) who disclosed their overseas income and/or paid due tax, but could not declare the asset acquired.

For category (A), the limit of undisclosed income/asset is proposed to be up to 1 crore rupees. They need to pay 30 percent of Fair Market Value of asset or 30 percent of undisclosed income as tax and 30 percent as additional income tax in lieu of penalty and would thereby get immunity from prosecution. For category (B), asset value is proposed to be up to 5 crore rupees. Here, immunity from both penalty and prosecution will be available with the payment of fee of 1 lakh rupees.

NB/VM/DAM

(रिलीज आईडी: 2221414) आगंतुक पटल : 1384

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