



# THE INCOME TAX ACT, 2025 TO COME INTO EFFECT FROM 1ST APRIL, 2026

**TCS RATE FOR SCRAP AND MINERALS RATIONALIZED TO 2%**

**TCS FOR REMITTANCE UNDER LIBERALISED REMITTANCE SCHEME REDUCED FROM 5% TO 2% FOR EDUCATION AND MEDICAL TREATMENT**

**SHARES BUYBACK TO BE TAXED AS CAPITAL GAINS FOR ALL TYPES OF SHAREHOLDERS**

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Union Budget 2026-27 presented by the Union Minister of Finance and Corporate Affairs, Smt. Nirmala Sitharaman in the Parliament today emphasized the 'Kartavya' of sustaining the momentum of structural reforms. The Finance Minister proposed a slew of Direct tax reforms to simplify the tax regime and ensure better compliance by the citizens.

## **New Income Tax Act**

The Income Tax Act, 2025 is slated to come into effect from 1<sup>st</sup> April 2026. The simplified Income Tax Rules and Forms will be notified in due course giving adequate time to taxpayers to acquaint themselves with its requirements. The forms have been redesigned for simpler understanding and compliance for ordinary citizens.

## **Tax administration**

Smt. Sitharaman proposes to constitute a Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (IndAS). Separate accounting requirement based on ICDS will be done away with from the tax year 2027-28.

To support the Prime Minister's vision of home-grown accounting and advisory firms to become global leaders, the Budget proposes to rationalize the definition of accountant for the purposes of Safe Harbour Rules.

## **Other Tax proposals**

- To curb the improper use of buyback by promoters, the budget proposes to tax buyback for all types of shareholders as Capital Gains. However, to disincentivize misuse of tax arbitrage, promoters will

pay an additional buyback tax. This will make effective tax 22 percent for corporate promoters. For non corporate promoters the effective tax will be 30 percent.

- TCS rate for sellers of specific goods namely alcoholic liquor, scrap and minerals will be rationalized to 2 percent and that on tendu leaves will be reduced from 5 percent to 2 percent. TCS rate for Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding ten lakh rupees- (a) 2% for the purpose of education or medical treatment (b) 20% for the purpose of other than education or medical treatment
- Securities transaction tax (STT) proposed to be raised on Futures to 0.05 percent from present 0.02 percent. STT on options premium and exercise of options are both proposed to be raised to 0.15 percent from the present rate of 0.1 percent and 0.125 percent respectively.
- In continuance to simplified regime and lower tax rate for corporates, set-off of brought forward (Minimum Alternate tax) MAT credit is proposed to be allowed to companies only in the new regime to encourage companies to shift to the new regime. Set-off using available MAT credit is proposed to be allowed to an extent of 1/4th of the tax liability in the new regime.
- Ending further accumulation from 1<sup>st</sup> April, 2026, MAT is proposed to be made final tax. In line with this change, the rate of final tax will be reduced to 14 percent from the current MAT rate of 15 percent. The brought forward MAT credit of taxpayers accumulated till 31st March 2026, will continue to be available to them for set-off as above.

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NB/VM/SKS

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