

FINANCE BILL, 2026

PROVISIONS RELATING TO DIRECT TAXES

Introduction

The provisions of Finance Bill, 2026 (hereinafter referred to as “the Bill”), relating to direct taxes seek to amend the Income-tax Act, 2025 (‘the Act’), the Income-tax Act, 1961, The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 and the Finance (No. 2) Act, 2004.

With a view to achieving the above, the various proposals for amendments are organized under the following heads :—

- A. Rates of tax for financial year 2026-2027;
- B. Ease of Living;
- C. Rationalising penalty and prosecution;
- D. Cooperatives;
- E. Supporting IT sector as India’s growth engine;
- F. Attracting global business and investment;
- G. Rationalisation of corporate tax regime;
- H. Rationalisation of other direct tax provisions.

DIRECT TAXES

A. Rates of tax for financial year 2026-2027

A. RATES OF INCOME-TAX

I. Rates of income-tax in respect of income liable to tax for the assessment year 2026-27 for the purposes of the Income-tax Act, 1961.

In respect of income of all categories of assesseees liable to tax for the assessment year 2026-27, the rates of income-tax have either been specified in specific sections of the Income-tax Act, 1961 (like section 115BAA or 115BAB for domestic companies, section 115BAC for individual/Hindu undivided family (HUF)/Associations of Persons (AOP) (other than a co-operative society)/Body of Individuals (BOI)/Artificial Juridical Person (AJP) and section 115BAD or 115BAE for cooperative societies) or have been specified in Part I-A of the First Schedule to the Bill. There is no change proposed in tax rates either in these specific sections or in the First Schedule. The rates provided in sections 115BAA or 115BAB or 115BAC or 115BAD or 115BAE of the Act for the assessment year 2026-27 would be same as already enacted. Similarly, rates laid down in Part III of the First Schedule to the Finance Act, 2025, for the purposes of computation of “advance tax”, deduction of tax at source from “Salaries” and charging of tax payable in certain cases for the financial year 2025-26 would now become Part I of the First Schedule.

Tax rates under section 115BAC of the Income-tax Act, 1961—

For assessment year 2026-27, as per the provisions of section 115BAC(1A) of the Income-tax Act, 1961, an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in section 2(31)(vii), has to pay tax in respect of the total income at following rates:

<i>Sl. No.</i>	<i>Total income</i>	<i>Rate of tax</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>
1.	Upto ₹ 4,00,000	Nil
2.	From ₹ 4,00,001 to ₹ 8,00,000	5%
3.	From ₹ 8,00,001 to ₹ 12,00,000	10%
4.	From ₹ 12,00,001 to ₹ 16,00,000	15%
5.	From ₹ 16,00,001 to ₹ 20,00,000	20%
6.	From ₹ 20,00,001 to ₹ 24,00,000	25%
7.	Above ₹ 24,00,000	30%

2. The above-mentioned rates shall apply, unless an option is exercised as per provisions of section 115BAC(6). Thus, rates specified in section 115BAC(1A) are the default rates.

3. In respect of income chargeable to tax under section 115BAC(1A)(iii), the income-tax for the assessment year 2026-27 shall be increased by a surcharge, for the purposes of the Union, computed, in the case of every individual or Hindu undivided family or association of persons, or body of individuals, whether incorporated or not, or every artificial juridical person referred to in section 2(31)(vii) of the Act,-

(i) having a total income (including the dividend income or capital gains under the provisions of section 111A, section 112 and section 112A of the Income-tax Act, 1961) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;

(ii) having a total income (including the dividend income or capital gains under the provisions of section 111A, section 112 and section 112A of the Income-tax Act, 1961) exceeding one crore rupees but not exceeding two crore rupees, at the rate of 15% of such income-tax;

(iii) having a total income (excluding the dividend income or capital gains under the provisions of section 111A, section 112 and section 112A of the Income-tax Act, 1961) exceeding two crore rupees, at the rate of 25% of such income-tax;

(iv) having a total income (including the dividend income or capital gains under the provisions of section 111A, section 112 and section 112A of the Income-tax Act, 1961) exceeding two crore rupees, but is not covered under clause (iii) above, at the rate of 15% of such income-tax;

3.1 In case where the provisions of section 115BAC(1A) are applicable and the total income includes any dividend income or capital gains under the provisions of section 111A, section 112 and section 112A of the Income-tax Act, 1961, the rate of surcharge on the income-tax in respect of that part of income shall not exceed 15%.

3.2 Further, in the case of an association of persons consisting of only companies as its members, and having its income chargeable to tax under section 115BAC(1A), the rate of surcharge on the income-tax shall not exceed 15%.

3.3 Marginal relief shall be provided in such cases.

Tax rates under Part I-A of the First Schedule applicable for the assessment year 2026-27

A. Individual, HUF, association of persons, body of individuals, artificial juridical person.

Paragraph A of Part-I-A of First Schedule to the Bill provides following rates of income-tax:—

- (i) The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in section 2(31)(vii) of the Income-tax Act, 1961 (not being a case to which Paragraph B, C, D or E of Part I-A applies) are as under:—

(1)	Upto ₹ 2,50,000	Nil
(2)	From ₹ 2,50,001 to ₹ 5,00,000	5%
(3)	From ₹ 5,00,001 to ₹ 10,00,000	20%
(4)	Above ₹ 10,00,000	30%

- (ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year,—

(1)	Upto ₹ 3,00,000	Nil
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(2)	From ₹ 3,00,001 to Rs.5,00,000	5%
(3)	From ₹ 5,00,001 to Rs.10,00,000	20%
(4)	Above ₹ 10,00,000	30%

(iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year,—

(1)	Upto ₹ 5,00,000	Nil
(2)	From ₹ 5,00,001 to Rs.10,00,000	20%
(3)	Above ₹ 10,00,000	30%

These rates are the same as those applicable for the assessment year 2025-26.

B. Co-operative Societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part I-A of the First Schedule to the Bill. They remain unchanged at (10% up to ₹ 10,000; 20% between ₹ 10,001 to ₹ 20,000; and 30% when income excess ₹ 20,000).

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part I-A of the First Schedule to the Bill. They remain unchanged at 30%.

D. Local authorities

In the case of local authority, the rate of income-tax has been specified in Paragraph D of Part I-A of the First Schedule to the Bill. They remain unchanged at 30%.

E. Companies

In the case of companies, the rates of income-tax have been specified in Paragraph E of Part I-A of the First Schedule to the Bill and remain unchanged vis-à-vis those for the AY 2025-26. In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the previous year 2023-24 does not exceed ₹ 400 crores and in all other cases the rate of income-tax shall be 30% of the total income.

2. In the case of companies other than domestic companies, the rate of income-tax shall be 35%, on the total income other than income chargeable at special rates.

(1) Surcharge on income-tax

The rates of surcharge on the amount of income-tax for the purposes of the Union are specified in Paragraph F of Part I-A of the First Schedule and are the same as that specified for the AY 2025-26. The surcharge shall not apply on income-tax computed on income of specified fund (referred to in section 10(4D)[Explanation(c)]) that is chargeable under

section 115AD(1)(a). Further, for person whose income is chargeable to tax under section 115BAC(1A) of the Act, the surcharge at the rate of 37% on the income or aggregate of income of such person (excluding the dividend income or capital gains under the provisions of section 111A, section 112 and section 112A of the Income-tax Act, 1961) exceeding five crore rupees is not applicable. In such cases the surcharge is restricted to 25%.

(2) Marginal Relief—

Marginal relief has also been provided in all cases where surcharge is proposed to be imposed.

(3) Education Cess—

For assessment year 2026-27, “Health and Education Cess on income-tax” is to be levied at the rate of 4% on the amount of income-tax so computed, inclusive of surcharge wherever applicable, in all cases. No marginal relief shall be available in respect of such cess.

II. Rates of income-tax in respect of income liable to tax for the tax year 2026-27 for the purposes of Income-tax Act, 2025.

In respect of income of all categories of assessee liable to tax for the tax year 2026-27, the rates of income-tax have either been specified in specific sections of the Act (like section 200 or section 201 for domestic companies, section 202 for individual/HUF/AOP (other than a co-operative society)/BOI/AJP and section 203 or section 204 for cooperative societies) or have been specified in Part I-B of the First Schedule to the Bill. There is no change proposed in tax rates either in these specific sections or in the First Schedule. The rates provided in sections 200 or 201 or 202 or 203 or 204 of the Act for the tax year 2026-27 would be same as already enacted.

Tax rates under section 202—

For tax year 2026-27, as per the provisions of section 202 of the Act, an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in section 2(77)(g), has to pay tax in respect of the total income at following rates:

<i>Sl. No.</i>	<i>Total income</i>	<i>Rate of tax</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>
1.	Upto ₹ 4,00,000	Nil
2.	From ₹ 4,00,001 to ₹ 8,00,000	5%
3.	From ₹ 8,00,001 to ₹ 12,00,000	10%
4.	From ₹ 12,00,001 to ₹ 16,00,000	15%

5.	From ₹ 16,00,001 to ₹ 20,00,000	20%
6.	From ₹ 20,00,001 to ₹ 24,00,000	25%
7.	Above ₹ 24,00,0000	30%

2. The above-mentioned rates shall apply, unless an option is exercised as per provisions of section 202(4). Thus, rates specified in section 202 are the default rates.

3. In respect of income chargeable to tax under section 202, the income-tax for the tax year 2026-27 shall be increased by a surcharge, for the purposes of the Union, computed, in the case of every individual or Hindu undivided family or association of persons, or body of individuals, whether incorporated or not, or every artificial juridical person referred to in section 2(77)(g) of the Act,-

(i) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;

(ii) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding one crore rupees but not exceeding two crore rupees, at the rate of 15% of such income-tax;

(iii) having a total income (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding two crore rupees, at the rate of 25% of such income-tax;

(iv) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding two crore rupees, but is not covered under clause (iii) above, at the rate of 15% of such income-tax;

3.1 In case where the provisions of section 115BAC(1A) are applicable and the total income includes any dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act, the rate of surcharge on the income-tax in respect of that part of income shall not exceed 15%.

3.2 Further, in the case of an association of persons consisting of only companies as its members, and having its income chargeable to tax under section 202, the rate of surcharge on the income-tax shall not exceed 15%.

3.3 Marginal relief shall be provided in such cases.

Tax rates under Part I-B of the First Schedule applicable for the tax year 2026-27

A. Individual, HUF, association of persons, body of individuals, artificial juridical person.

With effect from tax year 2026-27, the following rates provided under section 202 of the Act shall be the rates applicable for determining the income-tax payable in respect of the total income of a person, being an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in section 2(77)(g) of the Act:—

<i>Sl. No.</i>	<i>Total income</i>	<i>Rate of tax</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>
1.	Upto ₹ 4,00,000	Nil
2.	From ₹ 4,00,001 to ₹ 8,00,000	5%
3.	From ₹ 8,00,001 to ₹ 12,00,000	10%
4.	From ₹ 12,00,001 to ₹ 16,00,000	15%
5.	From ₹ 16,00,001 to ₹ 20,00,000	20%
6.	From ₹ 20,00,001 to ₹ 24,00,000	25%
7.	Above ₹ 24,00,000	30%

2. However, if such person exercises the option under 202(4) of the Act, the rates as provided in Part I-B of the First Schedule shall be applicable.

3. Paragraph A of Part I-B of the First Schedule to the Bill provides following rates of income-tax:—

- (i) The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in section 2(77)(g) of the Act (not being a case to which Paragraph B, C, D, and E of Part I-B applies) are as under:—

(1)	Upto ₹ 2,50,000	Nil
(2)	From ₹ 2,50,001 to ₹ 5,00,000	5%
(3)	From ₹ 5,00,001 to ₹ 10,00,000	20%
(4)	Above ₹ 10,00,000	30%

- (ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the tax year,—

(1)	Upto ₹ 3,00,000	Nil
(2)	From ₹ 3,00,001 to Rs.5,00,000	5%
(3)	From ₹ 5,00,001 to Rs.10,00,000	20%
(4)	Above ₹ 10,00,000	30%

- (iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the tax year,—

(1)	Upto ₹ 5,00,000	Nil
(2)	From ₹ 5,00,001 to Rs.10,00,000	20%
(3)	Above ₹ 10,00,000	30%

4. The amount of income-tax computed in accordance with the preceding provisions of this Paragraph (including capital gains under section 196, 197 and 198), shall be increased by a surcharge at the rate of,—

- (a) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;
- (b) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding one crore rupees but not exceeding two crore rupees, at the rate of 15% of such income-tax;
- (c) having a total income (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding two crore rupees but not exceeding five crore rupees, at the rate of 25% of such income-tax;
- (d) having a total income (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding five crore rupees, at the rate of 37% of such income-tax;
- (e) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding two crore rupees, but is not covered under clauses (c) and (d), shall be applicable at the rate of 15% of such income-tax.

4.1 Provided that in case where the total income includes any dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act, the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed 15%.

4.2 Provided further that in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15%.

4.3 Further, for person whose income is chargeable to tax under section 202 of the Act, the surcharge at the rate 37% on the income or aggregate of income of such person (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding five crore rupees shall not be applicable. In such cases, the surcharge shall be restricted to 25%.

5. Marginal relief is provided in cases of surcharge.

B. Co-operative Societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part I-B of the First Schedule to the Bill. These rates will continue to be the same as those specified for FY 2025-26. The amount of income-tax shall be increased by a surcharge at the rate of 7% of such income-tax in case the total income of a co-operative society exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% of such income-tax shall continue to be levied in case of a co-operative society having a total income exceeding ten crore rupees.

2. Marginal relief is provided in cases of surcharge.

3. On satisfaction of certain conditions, a co-operative society resident in India shall have the option to pay tax at 22% as per the provisions of section 203 of the Act. Surcharge would be at 10% on such tax.

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part I-B of the First Schedule to the Bill. This rate will continue to be the same as that specified for FY 2025-26. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a firm having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

D. Local authorities

The rate of income-tax in the case of every local authority has been specified in Paragraph D of Part I-B of the First Schedule to the Bill. This rate will continue to be the same as that specified for the FY 2025-26. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a local authority having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

E. Companies

The rates of income-tax in the case of companies have been specified in Paragraph E of Part I-B of the First Schedule to the Bill. In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the tax year 2024-25 does not exceed four hundred crore rupees and where the companies continue in section 199 regime. In all other cases the rate of income-tax shall be 30% of the total income. However, domestic companies also have an option to opt for taxation under section 200 of the Act on fulfillment of conditions contained therein. The rate of income-tax rate is 22% in section 200. Surcharge would be at 10% on such tax.

2. In the case of a company other than a domestic company, the rates of income-tax shall be 35% of the total income, on income other than income chargeable at special rates.

3. Surcharge at the rate of 7% shall continue to be levied in case of a domestic company (except those opting for taxation under section 200 and section 201 of the Act), if the total income of the domestic company exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% shall continue to be levied, if the total income of the domestic company (except those opting for taxation under section 200 and section 201 of the Act) exceeds ten crore rupees.

4. In case of companies other than domestic companies, the existing surcharge of 2% shall continue to be levied, if the total income exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 5% shall continue to be levied, if the total income of the company other than domestic company exceeds ten crore rupees.

5. Marginal relief is provided in surcharge in all cases.

Surcharge on income-tax

The rates of surcharge on the amount of income-tax for the purposes of the Union are specified in Paragraph F of Part I-B of the First Schedule and are the same as that specified for the AY 2025-26. The surcharge shall not apply on income-tax computed on income of

specified fund (referred to in Schedule VI [Note 1(g)]) that is chargeable under section 210(1)[Table: Sl. No. 1]. Further, for person whose income is chargeable to tax under section 202 of the Act, the surcharge at the rate of 37% on the income or aggregate of income of such person (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding five crore rupees is not applicable. In such cases the surcharge is restricted to 25%.

Marginal Relief—

Marginal relief has also been provided in all cases where surcharge is proposed to be imposed.

Education Cess—

For tax year 2026-27, “Health and Education Cess on income-tax” is to be levied at the rate of 4% on the amount of income-tax so computed, inclusive of surcharge wherever applicable, in all cases. No marginal relief shall be available in respect of such cess.

III. Rates for deduction of income-tax at source during the financial year (FY) 2026-27 from certain incomes other than “Salaries”.

The rates for deduction of income-tax at source during the FY 2026-27 under the provisions of 393(1)[Table: Sl. Nos. 1(i) and 5], 393(2)[Table: Sl. Nos. 7, 8, 9 and 17] and 393(3)[Table: Sl. Nos. 1, 2 and 3] of the Act have been specified in Part II of the First Schedule to the Bill.

2. For sections specifying the rate of deduction of tax at source, the tax shall continue to be deducted as per the provisions of the relevant sections of the Act.
3. The rates will remain the same as those specified in Part II of the First Schedule to the Finance Act, 2025, for the purposes of deduction of income-tax at source during the FY 2025-26.
4. The surcharge on the amount of income-tax for the purposes of the Union is the same as that specified for the FY 2025-26.
5. “Health and Education Cess on income-tax” shall continue to be levied at the rate of 4% of income tax including surcharge wherever applicable, in the cases of persons not resident in India including company other than a domestic company.

IV. Rates for deduction of income-tax at source from “Salaries”, computation of “advance tax” and charging of income-tax in special cases during the FY 2026-27 (Tax Year 2026-27).

The rates for deduction of income-tax at source from “Salaries” or under section 393(1)[Table: Sl. No. 8(iii)] of the Act during the FY 2026-27 and also for computation of “advance tax” payable during the said year in the case of all categories of assessee have been specified in Part III of the First Schedule to the Bill. These rates are also applicable for charging income-tax during the FY 2026-27 on current incomes in cases where accelerated assessments have to be made, for instance, provisional assessment of shipping profits arising in India to non-residents, assessment of persons leaving India for good during the financial year, assessment of persons who are likely to transfer property to avoid tax, assessment of bodies formed for a short duration, etc. The salient features of the rates specified in the said Part III are indicated in the following paragraphs-

A. Individual, HUF, association of persons, body of individuals, artificial juridical person.

With effect from tax year 2026-27, the following rates provided under section 202 of the Act shall be the rates applicable for determining the income-tax payable in respect of the total income of a person, being an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in section 2(77)(g) of the Act:—

<i>Sl. No.</i>	<i>Total income</i>	<i>Rate of tax</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>
1.	Upto ₹ 4,00,000	Nil
2.	From ₹ 4,00,001 to ₹ 8,00,000	5%
3.	From ₹ 8,00,001 to ₹ 12,00,000	10%
4.	From ₹ 12,00,001 to ₹ 16,00,000	15%
5.	From ₹ 16,00,001 to ₹ 20,00,000	20%
6.	From ₹ 20,00,001 to ₹ 24,00,000	25%
7.	Above ₹ 24,00,000	30%

2. However, if such person exercises the option under 202(4) of the Act, the rates as provided in Part III of the First Schedule shall be applicable.

3. Paragraph A of Part III of the First Schedule to the Bill provides following rates of income-tax:—

The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in section 2(77)(g) of the Act (not being a case to which Paragraph B, C, D, and E of Part III applies) are as under:—

(1)	Upto ₹ 2,50,000	Nil
(2)	From ₹ 2,50,001 to ₹ 5,00,000	5%
(3)	From ₹ 5,00,001 to ₹ 10,00,000	20%
(4)	Above ₹ 10,00,000	30%

(ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the tax year,—

(1)	Upto ₹ 3,00,000	Nil
(2)	From ₹ 3,00,001 to Rs.5,00,000	5%
(3)	From ₹ 5,00,001 to Rs.10,00,000	20%
(4)	Above ₹ 10,00,000	30%

(iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the tax year,—

(1)	Upto ₹ 5,00,000	Nil
(2)	From ₹ 5,00,001 to Rs.10,00,000	20%
(3)	Above ₹ 10,00,000	30%

4. The amount of income-tax computed in accordance with the preceding provisions of this Paragraph (including capital gains under section 111A, 112 and 112A), shall be increased by a surcharge at the rate of,—

(a) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;

- (b) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding one crore rupees but not exceeding two crore rupees, at the rate of 15% of such income-tax;
- (c) having a total income (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding two crore rupees but not exceeding five crore rupees, at the rate of 25% of such income-tax;
- (d) having a total income (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding five crore rupees, at the rate of 37% of such income-tax;
- (e) having a total income (including the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding two crore rupees, but is not covered under clauses (c) and (d), shall be applicable at the rate of 15% of such income-tax.

4.1 Provided that in case where the total income includes any dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act, the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed 15%.

4.2 Provided further that in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15%.

4.3 Further, for person whose income is chargeable to tax under section 202 of the Act, the surcharge at the rate 37% on the income or aggregate of income of such person (excluding the dividend income or capital gains under the provisions of sections 196, 197 and 198 of the Act) exceeding five crore rupees shall not be applicable. In such cases, the surcharge shall be restricted to 25%.

5. Marginal relief is provided in cases of surcharge.

B. Co-operative Societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part III of the First Schedule to the Bill. These rates will continue to be the same as those specified for FY 2025-26. The amount of income-tax shall be increased by a surcharge at the rate of 7% of such income-tax in case the total income of a co-operative society exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% of such income-tax shall continue to be levied in case of a co-operative society having a total income exceeding ten crore rupees.

2. Marginal relief is provided in cases of surcharge.

3. On satisfaction of certain conditions, a co-operative society resident in India shall

have the option to pay tax at 22% as per the provisions of section 203 of the Act. Surcharge would be at 10% on such tax.

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for FY 2025-26. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a firm having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

D. Local authorities

The rate of income-tax in the case of every local authority has been specified in Paragraph D of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for the FY 2025-26. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a local authority having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

E. Companies

The rates of income-tax in the case of companies have been specified in Paragraph E of Part III of the First Schedule to the Bill. In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the tax year 2024-25 does not exceed four hundred crore rupees and where the companies continue in section 199 regime. In all other cases the rate of income-tax shall be 30% of the total income. However, domestic companies also have an option to opt for taxation under section 200 of the Act on fulfillment of conditions contained therein. The rate of income-tax rate is 22% in section 200. Surcharge would be at 10% on such tax.

2. In the case of a company other than a domestic company, the rates of income-tax shall be 35% of the total income, on income other than income chargeable at special rates.

3. Surcharge at the rate of 7% shall continue to be levied in case of a domestic company (except those opting for taxation under section 200 and section 201 of the Act), if the total income of the domestic company exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% shall continue to be levied, if the total income of the domestic company (except those opting for taxation under section 200 and section 201 of the Act) exceeds ten crore rupees.

4. In case of companies other than domestic companies, the existing surcharge of 2% shall continue to be levied, if the total income exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 5% shall continue to be levied, if the total income of the company other than domestic company exceeds ten crore rupees.
5. Marginal relief is provided in surcharge in all cases.
6. In other cases [including section 170(5) and 352], the surcharge shall be levied at the rate of 12%
7. For FY 2026-27, additional surcharge called the “Health and Education Cess on income-tax” shall be levied at the rate of 4% on the amount of tax computed, inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such cess.

[Clauses 2, 3 and the First Schedule]

B. Ease of Living

Rationalising the due date to credit employee contribution by the employer to claim such contribution as deduction

Section 29 of the Act provides for deductions related to employee welfare. Clause (e)(i) of sub-section (1) of the said section provides for deduction of any amount of contribution received by the assessee being an employer, from an employee to which the provisions of section 2(49)(o) apply, if such amount is credited by the assessee to the account of the employee in the relevant fund or funds by the due date.

2. For the purposes of said clause, “due date” means the date by which the assessee is required as an employer to credit employee contribution to the account of an employee in the relevant fund under any Act, rule, order or notification issued under it or under any standing order, award, contract of service or otherwise.
3. It is proposed to amend section 29(1)(e) to provide that the due date for the said clause shall be the due date of filing of return of income under section 263(1) of the Act.
4. The amendment will take effect from the 1st day of April, 2026 and will, accordingly, apply to tax year 2026-27 and subsequent tax years.

[Clause 31]