



**SUPPLEMENTARY FOR
JUNE 2026 TERM
OF EXAMINATION**

PAPER – 7

SECTION - A

DIRECT TAXATION

SYLLABUS 2022



SUPPLEMENTARY_PAPER_7_SECTION_A_FOR_JUNE 2026 TERM OF EXAMINATION_SYLLABUS 2022

Default Tax Regime for Individual / HUF / AOP / BOI / AJP [Sec. 115BAC]

Applicable to

Individual / HUF / AOP (other than co-operative society) / BOI / AJP

Rate of Tax

Under this tax regime, income tax shall be computed at the option of the assessee considering the following rate:

Total income	Rate of tax
Upto ₹ 4,00,000	Nil
From ₹ 4,00,001 to ₹ 8,00,000	5%
From ₹ 8,00,001 to ₹ 12,00,000	10%
From ₹ 12,00,001 to ₹ 16,00,000	15%
From ₹ 16,00,001 to ₹ 20,00,000	20%
From ₹ 20,00,001 to ₹ 24,00,000	25%
Above ₹ 24,00,000	30%

Rebate u/s 87A for tax computed as per sec. 115BAC

Applicable to: Resident Individual

Conditions to be satisfied: The total income of the assessee does not exceed ₹ 12,00,000.

Taxpoint: Rebate u/s 87A is not available on tax on income chargeable at special rates under any provisions [e.g. rebate u/s 87A is not available on tax on capital gains covered u/s 111A / 112 / 112A, tax on winning from lottery u/s 115BB, etc.]

Quantum of Rebate: Lower of the following:

- 100% of tax liability as computed above; or
- ₹ 60,000/-

Marginal relief is available even if total income exceeds ₹ 12,00,000 [available upto ₹ 12,70,587]

Marginal relief = Positive value of (Tax on income – Income in excess of ₹ 12,00,000)



SUPPLEMENTARY PAPER 7 SECTION A FOR JUNE 2026 TERM OF EXAMINATION SYLLABUS 2022

Surcharge on tax after rebate u/s 87A

Surcharge at the following rate is also payable on tax as computed above after rebate u/s 87A

Total Income	Rate of Surcharge
Total income does not exceed ₹ 50 lacs	Nil
Total income exceeds ₹ 50 lacs but does not exceed ₹ 1 crore	10% of tax
Total income exceeds ₹ 1 crore but does not exceed ₹ 2 crores	15% of tax
Total income exceeds ₹ 2 crores	25% of tax*

Marginal Relief as discussed in the old regime is also available.

* Where the total income includes dividend, any income chargeable u/s 111A, 112 and 112A, the surcharge on the amount of income-tax computed on that part of income shall not exceed 15%. In other words, surcharge higher than 15% is applicable only on tax on income other than dividend, income covered u/s 111A, 112 and 112A. Moreover, in case of an AOP consisting of only companies as its members, the rate of surcharge on the amount of Income-tax shall not exceed 15%.

Health & Education Cess

Applicable on: All assessee

Rate of cess: 4% of Tax liability after Surcharge

Rate of tax under old tax regime

In that case, following tax rates are applicable:

Individual/HUF/Association of Persons/Body of Individuals/Artificial Juridical Person

In case of Super Senior citizen

Total Income Range	Rates of Income Tax
Up to ₹ 5,00,000	Nil
₹ 5,00,001 to ₹ 10,00,000	20% of (Total income – ₹ 5,00,000)
₹ 10,00,001 and above	₹ 1,00,000 + 30% of (Total income – ₹ 10,00,000)

Super Senior Citizen means an individual who is resident in India and is of at least 80 years of age at any time during the relevant previous year (i.e. any resident person, male or female, born before 02-04-1946).



SUPPLEMENTARY_PAPER_7_SECTION_A_FOR_JUNE 2026 TERM OF EXAMINATION_SYLLABUS 2022

In case of Senior citizen

Total Income Range	Rates of Income Tax
Up to ₹ 3,00,000	Nil
₹ 3,00,001 to ₹ 5,00,000	5% of (Total Income – ₹ 3,00,000)
₹ 5,00,001 to ₹ 10,00,000	₹ 10,000 + 20% of (Total income – ₹ 5,00,000)
₹ 10,00,001 and above	₹ 1,10,000 + 30% of (Total income – ₹ 10,00,000)

Senior Citizen means an individual who is resident in India and is of at least 60 years of age at any time during the relevant previous year. (i.e., a resident person, male or female, born on or after 02-04-1946 but before 02-04-1966)

In case of other Individual¹ / HUF / Association of Persons / Body of Individuals / Artificial Juridical Person

Total Income Range	Rates of Income Tax
Up to ₹ 2,50,000	Nil
₹ 2,50,001 to ₹ 5,00,000	5% of (Total Income – ₹ 2,50,000)
₹ 5,00,001 to ₹ 10,00,000	₹ 12,500 + 20% of (Total income – ₹ 5,00,000)
₹ 10,00,001 and above	₹ 1,12,500 + 30% of (Total income – ₹ 10,00,000)

¹. born on or after 02-04-1966 or non-resident individual

Rebate u/s 87A

Applicable to: Resident Individual

Conditions to be satisfied: Total income of the assessee does not exceed ₹ 5,00,000.

Taxpoint: Rebate u/s 87A is not available on tax on capital gains covered u/s 112A

Quantum of Rebate: **Lower** of the following:

- 100% of tax liability as computed above; or
- ₹ 12,500/-

Surcharge on tax after rebate u/s 87A

Surcharge at the following rate is also payable on tax as computed above after rebate u/s 87A

Total Income	Rate of Surcharge
Total income does not exceed ₹ 50 lacs	Nil
Total income exceeds ₹ 50 lacs but does not exceed ₹ 1 crore	10% of tax
Total income exceeds ₹ 1 crore but does not exceed ₹ 2 crores	15% of tax
Total income exceeds ₹ 2 crores but does not exceed ₹ 5 crores	25% of tax*
Total income exceeds ₹ 5 crores	37% of tax*

Surcharge is subject to marginal relief.



SUPPLEMENTARY_PAPER_7_SECTION_A_FOR_JUNE 2026 TERM OF EXAMINATION_SYLLABUS 2022

* Where the total income includes dividend, any income chargeable u/s 111A, 112 and 112A, the surcharge on the amount of income-tax computed on that part of income shall not exceed 15%. In other words, surcharge higher than 15% is applicable only on tax on income other than dividend, income covered u/s 111A, 112 and 112A. Moreover, in case of an AOP consisting of only companies as its members, the rate of surcharge on the amount of Income-tax shall not exceed 15%.

Health & Education Cess

Applicable on: All assessee

Rate of cess: 4% of Tax liability after Surcharge

Firm or Limited Liability Partnership (LLP)

A partnership firm (including limited liability partnership) is taxable at the rate of 30%

Surcharge: 12% of income-tax (if total income exceeds ₹ 1 crore otherwise Nil)

Marginal Relief: Available

Health & Education Cess: 4% of tax liability after surcharge

Company

<i>Company</i>	<i>Rate</i>
In the case of a domestic company	
- Where its total turnover or gross receipts during the previous year 2023-24 does not exceed ₹ 400 crore	25%
- In any other case	30%
In the case of a foreign company	35%

Surcharge

Total Income	Domestic Company	Foreign Company
If total income exceeds ₹ 10 crore	12%	5%
If income exceeds ₹ 1 crore but does not exceed ₹ 10 crore	7%	2%
If income does not exceed ₹ 1 crore	Nil	Nil

Marginal Relief: Available at both points (i.e., income exceeds ₹ 1,00,00,000 or ₹ 10,00,00,000)

Health & Education Cess: 4% of tax liability after surcharge



SUPPLEMENTARY_PAPER_7_SECTION_A_FOR_JUNE 2026 TERM OF EXAMINATION_SYLLABUS 2022

Harmonisation of Significant Economic Presence applicability with Business Connection [Sec. 9]

Sec. 9(1)(i), *inter alia*, provides that all income accruing or arising, whether directly or indirectly, through or from any business connection in India shall be deemed to accrue or arise in India.

Clause (b) of *Explanation 1* to sec. 9(1)(i) provides that in the case of a non-resident, no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of export.

Explanation 2A to sec. 9(1)(i), *inter alia*, provides that the significant economic presence of a non-resident in India shall constitute “business connection” in India and “significant economic presence” for this purpose shall *inter alia* mean transaction in respect of any goods carried out by a non-resident with any person in India.

Explanation 2A of sec. 9 has been amended so as to provides that the transactions or activities of a non-resident in India which are confined to the purchase of goods in India for the purpose of export shall not constitute significant economic presence of such non-resident in India.

The sunset dates for commencement of operations of IFSC units for several tax concessions, or relocation of funds to IFSC, in sec. 10(4D) / (4F) / (4H), sec. 80LA(2)(d) and sec. 47(viiad), is extended to 31st day of March, 2030.

Amendment to sec. 10(4E)

The existing provisions of clause (4E) of section 10 of the Act provide that any income accrued or arisen to, or received by a non-resident on account of transfer of non-deliverable forward contracts or offshore derivative instruments or over the-counter derivatives, or distribution of income on offshore derivative instruments entered into with an offshore banking unit of an International Financial Services Centre referred to in sub-section (1A) of section 80LA shall not be included in the total income of the non-resident.

In order to further incentivize operations from the IFSC, sec. 10(4E) has been amended to provide that the income of a non-resident on account of transfer of non-deliverable forward contracts or offshore derivative instruments or over the-counter derivatives, or distribution of income on offshore derivative instruments, entered into with Foreign Portfolio Investors being an IFSC unit shall also not be included in the total income subject to certain conditions as may be prescribed.



SUPPLEMENTARY_PAPER_7_SECTION_A_FOR_JUNE 2026 TERM OF EXAMINATION_SYLLABUS 2022

Amendment to sec. 10(4H) and 10 (34B)]

Sec. 10(4H) provides exemption to non-residents or unit of IFSC engaged in aircraft leasing on capital gains tax on transfer of equity shares of domestic companies being units of IFSC, engaged in aircraft leasing. Further, sec. 10(34B) provides exemption to dividend paid by a company being a unit of IFSC engaged in aircraft leasing, to a unit of IFSC engaged in aircraft leasing.

Similar to aircraft leasing business, in the ship leasing business, separate special purpose vehicles (SPVs) are created for one or more vessels to safeguard the investors. Therefore, on the lines of aircraft leasing, the exemption is also extended:

- Sec. 10(4H) to non-residents or units of IFSC engaged in ship leasing on capital gains tax on transfer of equity shares of domestic companies being units of IFSC, engaged in ship leasing.
- Sec. 10(34B) to dividend paid by a company being a unit of IFSC engaged in ship leasing, to a unit of IFSC engaged in ship leasing.

Amendment to sec. 10(10D)

Sec. 10(10D) provides exemption to sum received under a life insurance policy including the sum allocated by way of bonus on such policy, subject to the conditions specified therein. The said provisions are also applicable to insurance policies issued by IFSC Insurance Offices.

Provisos (fourth, fifth, sixth and seventh provisos) to the said clause, *inter alia*, provide that the exemption under the said clause is not available if annual amount of premium or aggregate of premiums payable is above ₹ 2.5 lakhs for unit linked insurance policies, and ₹ 5 lakhs for life insurance policies other than unit linked insurance policies.

In order to provide parity to non-residents availing life insurance from insurance office in IFSC vis a vis other foreign jurisdiction, sec. 10(10D) has been amended so as to provide that proceeds received on life insurance policy issued by IFSC insurance intermediary office shall be exempted without the condition related to the maximum premium payable on such policy as mentioned above.

Partial withdrawal from NPS Vatsalya Scheme [Sec. 10(12BA)]

The NPS Vatsalya Scheme also allows for partial withdrawal from the minor's account to address certain contingency situations like education, treatment of specified illnesses and disability (of more than 75%) of the minor. Accordingly, sec. 10(12BA) has been inserted to provides that any income received on partial withdrawal made out of the minor's account, shall not be included in the total income of the parent/guardian to the extent it does not exceed 25% of the amount of contributions made by him and in accordance with the terms and conditions, specified under the Pension Fund Regulatory and Development Authority Act, 2013 and the regulations made thereunder.



SUPPLEMENTARY_PAPER_7_SECTION_A_FOR_JUNE 2026 TERM OF EXAMINATION_SYLLABUS 2022

Amendment to sec. 10(23FE)

Sec. 10(23FE) provides for the exemption to specified persons from the income in the nature of dividend, interest, long-term capital gains or certain other incomes arising from an investment made by it in India. Specified persons *inter alia* are Sovereign Wealth Fund (SWF), Pension Fund (PF) which fulfills conditions prescribed therein and are specified for this purpose by the Central Government through notification in the Official Gazette. This provision was introduced through the Finance Act, 2020 to encourage investments of SWF and PF into infrastructure sector of India.

Sec. 10(23FE)(i), *inter alia*, provides that investment is made on or after 01-04-2020 but on or before 31-03-2025.

Further, the amendments to sec. 50AA by Finance (No. 2) Act, 2024, have re-classified all the capital gains from unlisted debt securities as short-term capital gains, irrespective of the holding period. This will result in the long term capital gains from investment in unlisted debt investments to be taxable in the hands of SWFs and PFs. Prior to the said amendments, notified SWFs or PFs were eligible for exemptions on long-term capital gains from unlisted debt securities u/s 10(23FE)

Considering all, sec. 10(23FE) has been amended so as to provide that,—

- long-term capital gains (whether or not such capital gains are deemed as short-term capital gains u/s 50AA) arising from an investment made by it in India, shall *inter alia* not be included in the total income of a specified person u/s 10(23FE); and
- the date of investment under the said clause shall extended from to 31-03-2030.

Specified Employee: The monetary threshold limit to considered as a “specified employee” is increased to ₹ 4,00,000

Medical facility outside India: The expenditure incurred by the employer for travel outside India on the medical treatment of employee or his family member would not be treated as a perquisite, if salary of such employee does not exceed ₹ 2,00,000. Now the limit has been increased to ₹ 8,00,000.

Annual value of the self-occupied property simplified

Sec. 23(2) provides that where house property is in the occupation of the owner for the purposes of his residence or owner cannot actually occupy it due to his employment, business or profession carried on at any other place, in such cases, the annual value of such house property shall be taken to be nil.



SUPPLEMENTARY_PAPER_7_SECTION_A_FOR_JUNE 2026 TERM OF EXAMINATION_SYLLABUS 2022

Further, sec. 23(4) provides that provisions of sec. 23(2) will be applicable in respect of two house properties only, which are to be specified by the owner.

With a view to simplifying the provisions, provision has been amended so as to provide that the annual value of the property consisting of a house or any part thereof shall be taken as nil, if the owner occupies it for his own residence or cannot actually occupy it due to any reason. The provision of sec. 23(4) which allows this benefit only in respect of two of such houses shall continue to apply as earlier.

Amendment of definition of capital asset [Sec. 2(14)]

Sec. 2(14) defines the term “capital asset” to include property of any kind held by an assessee, whether or not connected with his business or profession, but does not include any stock-in-trade or personal assets as provided in the definition. The securities held by a Foreign Institutional Investor which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 are also defined as capital assets.

There has been some uncertainty in characterization of income arising from transaction in securities as to whether it is capital gain or business income for investment funds (specified in clause (a) of Explanation 1 to section 115UB in the Act).

With a view of providing certainty in respect of the above, It is amended to provide that any security held by investment funds referred to in sec. 115UB which has invested in such security in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 would be treated as capital asset only so that any income arising from transfer of such security would be in the nature of capital gain.

Amendment of definition of virtual digital asset [Sec. 2(47A)]

Sec. 2(47A) has been amended so as to provide that the definition of virtual digital asset also includes any crypto-asset being a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions, whether or not already included in the definition of virtual digital asset or not.

Bringing clarity in income on redemption of Unit Linked Insurance Policy

Sec. 10(10D) provides for income-tax exemption on the sum received under a life insurance policy, including bonus on such policy. There is a condition that the premium payable for any of the years during the terms of the policy should not exceed 10% of the actual capital sum assured.



SUPPLEMENTARY PAPER 7 SECTION A FOR JUNE 2026 TERM OF EXAMINATION SYLLABUS 2022

It may be pertinent to note that to restrict the benefit of exemption u/s 10(10D), to small and genuine cases of life insurance, the Finance Act, 2021, *inter alia*, made amendments to sec. 10(10D) to provide that the exemption under this clause shall not apply with respect to any unit linked insurance policy or policies issued on or after the 01.02.2021, if the amount of premium or aggregate amount of premium payable during the term of such policy or policies exceeds ₹ 2,50,000

It is to be noted that ULIP is a capital asset only when the exemption u/s (10D) does not apply on such policies on account of the applicability of the 4th and 5th proviso and accordingly, taxation as capital gains in case of only such ULIPs. However, in case of life insurance policy (other than a ULIP), the sum received is chargeable to income-tax under “Income from other sources” for any such policy to which exemption u/s 10(10D) does not apply.

Further, any sum received under an insurance policy as provided in sec. 10(10D)(a) to (d) read with the provisos to sec. 10(10D) are not eligible for exemption u/s 10(10D). Such sub-clauses are applicable to unit-linked insurance policy as well.

Thus, to rationalise the provisions for unit-linked insurance policies, it has been amended so as to provide that,—

- a. ULIPs to which exemption u/s 10(10D) does not apply, is a capital asset [sec. 2(14)];
- b. the profit and gains from the redemption of ULIPs to which exemption u/s 10(10D) does not apply, shall be charged to tax as capital gains [sec. 45(1B)]; and
- c. ULIPs to which exemption u/s 10(10D) does not apply, shall be included in the definition of equity oriented fund [sec. 112A]

Amendment to sec. 47(viiad)

The existing provisions of sec. 47(viiad) provide that any transfer by a shareholder or unit holder or interest holder, in a relocation, of a capital asset being a share or unit or interest held by him in the original fund in consideration for the share or unit or interest in the resultant fund shall not be regarded as transfer for the purposes of calculating capital gains. The Explanation to the clause *inter-alia*, provides that “resultant fund” means a fund established or incorporated in India, which has been granted a certificate of registration as a Category I or Category II or Category III Alternative Investment Fund, is located in any International Financial Services Centre and is subject to certain conditions provided therein. Thus, the relocation of original funds to the resultant fund in the IFSC is a tax-neutral transaction.



SUPPLEMENTARY PAPER 7 SECTION A FOR JUNE 2026 TERM OF EXAMINATION SYLLABUS 2022

The income of retail schemes and Exchange Traded Funds (ETFs) located in the IFSC and, *inter alia*, is regulated under the International Financial Services Centres Authority Act, 2019 was granted exemption along with previously exempted specified funds as per sec. 10(4D) vide the Finance (No.2) Act, 2024.

It has been amended to include such retail schemes or Exchange Traded Funds (ETF) within the definition of resultant fund for the purposes of sec. 47(viia) so that relocation of original funds to such funds in the IFSC is also a tax-neutral transaction.

Notification No. 73/2025 dated 09-07-2025

For the purpose of sec. 54EC, Indian Renewable Energy Development Agency (IREDA) (a Public Limited Government Company established as a Non-Banking Financial Institution) has been notified as Long term specified asset

Cost Inflation Index for F.Y. 2025-26 is 376

Rationalisation of definition of 'dividend' for treasury centres in IFSC

Sec. 2(22)(e), *inter alia*, provides that dividend includes any sum by way of advance or loan to a shareholder paid by a company (not being a company in which the public are substantially interested), where shareholder is the beneficial owner of shares holding not less than 10% of the voting power, or to any concern in which such shareholder is a member or a partner and in which he has a substantial interest or any payment by any such company on behalf, or for the individual benefit, of any such shareholder, to the extent to which the company in either case possesses accumulated profits.

Sec. 2(22)(ii) excludes from the definition of dividend (may be referred to as deemed dividend) any advance or loan made to a shareholder or the said concern by a company in the ordinary course of its business, where the lending of money is a substantial part of the business of the company.

Sec. 2(22) has been amended to provide that any advance or loan between two group entities, where one of the group entity is a "Finance company" or a "Finance unit" in IFSC set up as a global or regional corporate treasury centre for undertaking treasury activities or treasury services and the 'parent entity' or 'principal entity' of such 'group entity' is listed on stock exchange in a country or territory outside India, other than the country or territory outside India as may be specified by the Board in this behalf, shall not be treated as 'dividend'. The conditions for a 'group entity', 'principal entity' and the 'parent entity' shall be prescribed.



SUPPLEMENTARY_PAPER_7_SECTION_A_FOR_JUNE 2026 TERM OF EXAMINATION_SYLLABUS 2022

Exemption to withdrawals by Individuals from National Savings Scheme from taxation /Sec.

80CCA

Sec. 80CCA, *inter-alia*, provides for a deduction to an individual, or a Hindu undivided family, for any amount deposited in the National Savings Scheme (NSS). It is also provided that no deduction would be allowed in relation to such amount on or after 01-04-1992.

Sec. 80CCA(2), *inter-alia*, provides that where such amount, together with the interest accrued on such amount standing to the credit of the assessee under the scheme is withdrawn, it shall be deemed to be the income of the assessee and shall be chargeable to tax. Since this provision has been sunset from 01.04.1992, the amounts taxable on withdrawal are those which were deposited in financial year 1991-92 and earlier, and on which deduction had been claimed. Further, Circular No 532 issued on 17.03.1989 provided that the withdrawal on closure of account due to death of the depositor was not chargeable to tax in the hands of the legal heirs. The Department of Economic Affairs issued a Notification dated 29.08.2024 providing that no interest would be paid on the balances in the NSS after 01.10.2024.

Thus, sec. 80CCA has been amended to provide exemption to the withdrawals made by individuals from these deposits for which deduction was allowed, on or after 29-08-2024. This exemption is provided to the deposits, with the interest accrued thereon, made before 01.04.1992 as these are the amounts in respect of which a deduction has been allowed.

Deduction under section 80CCD for contributions made to NPS Vatsalya

The NPS Vatsalya Scheme, officially launched on 18-09-2024, enables parents and guardians to start a National Pension Scheme (NPS) account for their children. This savings-cum-pension scheme is designed exclusively for minors and will be operated by the guardian for the exclusive benefit of the minor till they attain majority. When a minor attains 18 years, the account will continue to be operational, transferred to the child's name with the accumulated corpus and will be shifted into the NPS-Tier 1 Account - All Citizen Model or other non-NPS scheme account.

In order to extend the tax benefits available to the National Pension Scheme (NPS) u/s 80CCD of the Act to the contributions made to the NPS Vatsalya accounts following amendments has been made:

- a. A deduction to be allowed to the parent/guardian's total income, of the amount paid or deposited in the account of any minor under the NPS to a maximum of ₹ 50,000/- overall as mandated u/s 80CCD(1B);



SUPPLEMENTARY_PAPER_7_SECTION_A_FOR_JUNE 2026 TERM OF EXAMINATION_SYLLABUS 2022

- b. The amount on which deduction has been allowed u/s 80CCD(1B) or any amount accrued thereon, will be charged to tax when such amount is withdrawn, in the case where deposit was made in the account of a minor; and
- c. The amount on which deduction has been allowed and is received on closure of the account due to the death of the minor shall not be deemed to be the income of the parent/guardian

The NPS Vatsalya Scheme also allows for partial withdrawal from the minor's account to address certain contingency situations like education, treatment of specified illnesses and disability (of more than 75%) of the minor. Accordingly, sec. 10(12BA) has also been inserted to provides that any income received on partial withdrawal made out of the minor's account, shall not be included in the total income of the parent/guardian to the extent it does not exceed 25% of the amount of contributions made by him and in accordance with the terms and conditions, specified under the Pension Fund Regulatory and Development Authority Act, 2013 and the regulations made thereunder.

Extension of timeline for tax benefits to start-ups [Sec. 80-IAC]

The existing provisions of sec. 80-IAC, *inter alia*, provide for a deduction of an amount equal to 100% of the profits and gains derived from an eligible business by an eligible start-up for 3 consecutive assessment years out of 10 years, beginning from the year of incorporation, at the option of the assessee subject to certain condition.

It has been amended so as to extend the benefit for another period of 5 years, i.e. the benefit will be available to eligible start-ups incorporated before 01.04.2030.

Extending the time-limit to file the updated return [Sec. 139(8A)]

Sec. 139(8A) relates to furnishing of updated return. An updated return can be filed upto 24 months from the end of the relevant assessment year. The facility of updated return has promoted voluntary compliance against payment of additional income-tax of 25% of aggregate of tax and interest payable for updated return filed upto 12 months from the end of the relevant assessment year. For updated return filed after expiry of 12 months and upto 24 months from the end of the relevant assessment year, the additional income-tax of 50% of aggregate of tax and interest is to be paid.



SUPPLEMENTARY_PAPER_7_SECTION_A_FOR_JUNE 2026 TERM OF EXAMINATION_SYLLABUS 2022

It has been amended so as to extend the time-limit to file the updated return from existing 24 months to 48 months from the end of relevant assessment year. Rate of additional income-tax payable for updated return filed after expiry of 24 months and upto 36 months from the end of the relevant assessment year shall be 60% of aggregate of tax and interest payable. The additional income-tax payable for updated return filed after expiry of 36 months and upto 48 months from the end of the relevant assessment year shall be 70% of aggregate of tax and interest payable.

It has also been amended to provide that no updated return shall be furnished by any person where any notice to show-cause u/s 148A has been issued in his case after 36 months from the end of the relevant assessment year. However, where subsequently an order is passed u/s 148A(3) determining that it is not a fit case to issue notice u/s 148, updated return may be filed upto 48 months from the end of the relevant assessment year.

Amendment to sec. 143(1)

The Assessing Officer may also make adjustments to address inconsistencies in the return in relation to information in the return of any preceding previous year, as may e prescribed.

Amendment to TDS Threshold limits

Sec.	Particulars	Revised Threshold
193	Interest on securities	₹ 10,000
194	Dividend to an individual	₹ 10,000
194A	Interest other than interest on securities	
	- Paid / payable by bank, post office, etc	₹ 50,000 (for senior citizen: ₹ 1,00,000)
	- Paid / payable by other	₹ 10,000
194B	Winning from Lottery, etc	₹ 10,000 for each single transaction
194BB	Winning from horse races	₹ 10,000 for each single transaction
194D	Insurance Commission	₹ 20,000
194G	Commission on lottery ticket	₹ 20,000



SUPPLEMENTARY_PAPER_7_SECTION_A_FOR_JUNE 2026 TERM OF EXAMINATION_SYLLABUS 2022

Sec.	Particulars	Revised Threshold
194H	Commission / Brokerage	₹ 20,000
194-I	Rent	₹ 50,000 p.m. or part thereof
194J	Technical or professional fee or royalty or non-compete fee	₹ 50,000
194K	Income in respect of units of mutual fund or specified company	₹ 10,000
194LA	Compensation / Enhanced compensation on acquisition of immovable property	₹ 5,00,000

Amendment in rate of TDS

Sec.	Particulars	Revised Rate of TDS
194D	Insurance Commission	2%
194LBC(1)	Income in respect of investment in securitization trust	10%

Definition of “forest produce” rationalised

Under sec. 206C(1) TCS @ 2.5% is required to be collected on sale of goods of the following nature:-

- (I) Timber obtained under a forest lease
- (II) Timber obtained by any mode other than under a forest lease
- (III) Any other forest produce not being timber or tendu leaves

Representations were received that no definition has been provided in the Act for “forest produce” which is creating difficulties in application of the relevant provisions of the Act. Also the provision is being made applicable to traders who are selling such produce. To bring clarity regarding the meaning of “forest produce”, it has been provided that “forest produce” shall have the same meaning as defined in any State Act for the time being in force, or in the Indian Forest Act, 1927.

Further, to address the applicability of TCS on traders of forest produce, it has been provided that only such other forest produce (not being timber or tendu leaves) which is obtained under forest lease will be covered under TCS.

The amended rate for collection of TCS are as under:

Nature of goods	Rate
Timber or any other forest produce (not being tendu leaves) obtained under a forest lease	2%
Timber obtained by any mode other than under a forest lease	2%



SUPPLEMENTARY_PAPER 7_SECTION A_FOR JUNE 2026 TERM OF EXAMINATION_SYLLABUS 2022

Further, rate of TCS has also been amended in case of remittance under LRS:

Particulars	Rate of TCS
a) if the amount being remitted out is a loan obtained from any financial institution as defined in sec. 80E, for the purpose of pursuing any education	0%
b) Remittance for education (other than above) or for medical purpose	5% (after threshold limit of ₹ 10 lakhs)
c) Overseas tour program package	- Upto ₹ 10 lakhs – 5% - Above ₹ 10 lakhs – 20% Non PAN Cases: 10% upto ₹ 10 lakhs and 20% thereafter
d) In other case	20% (after threshold limit of ₹ 10 lakhs)

Other amendments

1. TCS u/s 206C(1H) [i.e., TCS on sale of goods] is not applicable from 01-04-2025
2. Sec. 206AB has been omitted