NSIGHT

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INVENTURE ADVISERS

Taxation and Other Laws (Amendment) Bill 2026

- The Parliament passed the Taxation and Other Laws (Amendment) Bill, 2026, ratifying the Income-tax (Amendment) Ordinance, 2026 and amending the Income-tax Act 2025, Finance Act, 2026, and Payment and Settlement Systems Act, 2007. The Bill was passed on 10.8.2026. Key amendments made are as under:

  - **Exemption to FIIs and BIS on income from government securities:** The Bill exempts foreign institutional investors (FIIs) and the Bank for International Settlements (BIS) from paying income tax on: (i) interest earned on investments in government securities, and (ii) capital gains arising from sale, exchange or transfer of such securities, subject to furnishing of information in such form and manner, as may be prescribed. The exemption will apply to income arising on or after 1.4.2026.

  - **Foreign companies engaged in businesses of selling rough diamonds:** The Bill amends the Income-tax Act to give tax exemptions to certain foreign companies earning income from sale of rough diamonds in a notified special zone, subject to furnishing of information in such form and manner, as may be prescribed. This will apply to foreign companies: (i) engaged in diamond mining or sight holders of such companies, and (ii) broker, aggregator, or a tender and auction entity connected with sale of rough diamonds. This exemption will be effective from 1.10.2026 and is available up to tax year ending on 31.3.2041.

  - **Exemption to foreign company storing component for sale to a contract manufacturer involved in manufacturing of specified electronic goods:** The Bill exempts from tax, income derived by an eligible foreign company from sale of components stored in a warehouse in a custom bonded area, subject to furnishing of information in such form and manner, as may be prescribed. Eligible foreign company is specified to be a foreign company which stores components in a warehouse in a custom bonded area for providing them to a contract manufacturer to be used for specified electronic goods.

    'Specified electronic goods' is defined to include mobile phones, laptops, all-in-one personal computers and tablets, servers and ultra small form factor (USFF) devices, sub-assemblies to these finished goods as well as their hearables, wearables and accessories. This exemption will be effective from 1.10.2026 and is available up to tax year ending on 31.3.2041.

  - **Foreign companies engaged in businesses of electronics manufacturing:** Income of a foreign company arising from providing capital goods, equipment or tooling to an Indian contract manufacturer for manufacture of specified electronic goods is presently exempt up to tax year 2030-31.

    The Bill extends the exemption available for foreign companies providing capital goods / equipment to contract manufacturers from tax year 2030-31 to tax year 2040-41. Further, the term 'specified electronic goods' is defined to include mobile phones, laptops, all-in-one personal computers and tablets, servers and ultra small form factor (USFF) devices, sub-assemblies to these finished goods as well as their hearables, wearables and accessories.

  - **Investment funds registered outside India but managed from India:** Under the Income-tax Act, fund management activity carried out by an eligible investment fund through eligible fund manager shall not constitute business connection in India, subject to prescribed conditions. The Bill rationalises eligibility framework for constituting business connection by reducing these restrictions.

  - **Special purpose vehicles of business trusts:** Rate of surcharge raised from 10% to 25% for a special purpose vehicle (SPV) of a business trust, under the Bill

  - **Data centres:** The Income-tax Act exempts income of specified foreign companies arising by way of procuring services from specified data centres, subject to certain specified conditions. In order to enhance ease of doing business and operational flexibility, the Bill omits the condition regarding notification of the foreign company by the central government. Further, under the Act, exemption is available for services procured from a data centre owned and operated by an Indian company. The Bill extends the exemption to data centres leased and operated by an Indian company.

- The Govt. has also issued a detailed FAQs on the Bill 2026 which can be viewed www.incometaxindia.gov.in/documents/d/guest/faqs_the_taxation_and_other_laws_amendment_bill_2026

Foreign Assets of Small Taxpayers Disclosure Scheme, 2026

- The Govt. of India had introduced 'Foreign Assets of Small Taxpayers Disclosure Scheme (FAST-DS) 2026' vide Finance Act 2026. FAST –DS 2026 is a one-time voluntary disclosure scheme which enables eligible taxpayers to declare certain undisclosed foreign assets, undisclosed foreign income, or undeclared foreign assets, on payment of a specified tax or fee. The Rules and FAQs on the Scheme have been notified by the Govt. on 14.8.2026. The Scheme comes into force on 16.8.2026. and the last date for filing Declaration under the Scheme is 31.12.2026. The fair market value of assets proposed to be declared must be computed as on 31.3.2026.

- The Scheme is applicable to an "assessee"—

  (i) who is resident in India, (as per section 6 of the Income-tax Act, 1961), in the relevant previous year; or

  (i) who is a non-resident, or resident but not ordinarily resident (RNOR), in the relevant previous year, but was resident in India either- (A) in the previous year to which the undisclosed foreign income under section 4 of the Black Money Act, 2015 relates, or (B) in the previous year in which the undisclosed asset located outside India was acquired.

- Undisclosed foreign asset means an asset (including financial interest in any entity) located outside India, held by the taxpayer in his name or in respect of which he is a beneficial owner, and has no explanation about the source of investment in such asset or the explanation given by him is, in the opinion of the Assessing Officer, unsatisfactory. Undisclosed foreign income means the total amount of income of the taxpayer from a source located outside India which was chargeable to tax in India but has not been offered to tax.

- Taxpayers making a valid declaration and payment under the Scheme are eligible for immunity from further tax, penalty and prosecution under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 ('the Black Money Act'), subject to prescribed conditions.

- Following Forms have been prescribed under the Scheme:
  - Form 1: Declaration of foreign assets/income;
  - Form 2: Order by Tax Authorities determining amount payable;
  - Form 3: Intimation of payment by taxpayer;
  - Form 4: Order by Tax Authorities certifying validity of declaration and payment.

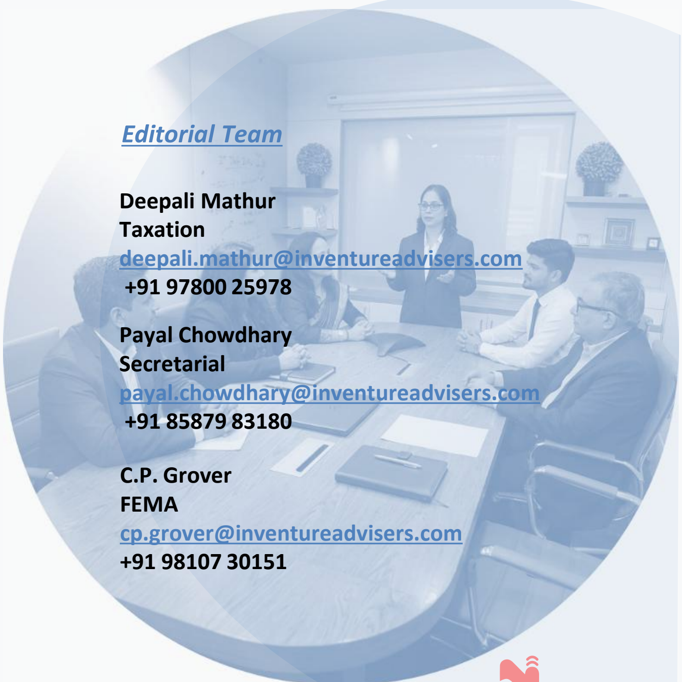
- The categories of declaration and the amount payable by such small taxpayers shall be as per Table – 1.

Table - 1

Sn	Type of undisclosed asset & income	Amount payable
1	• Undisclosed asset located outside India or undisclosed foreign income **Condition** Where the aggregate value of the above does not exceed INR 1 crore	Aggregate of: (i) Tax at 30 percent of value of undisclosed asset located outside India as on 31 March 2026; (ii) Tax at 30 percent of the undisclosed foreign income; (iii) 100 percent of the amount calculated in (i) and (ii) above.
2	• Asset located outside India acquired from income accruing or arising outside India, while being non-resident and not declared on becoming a resident; or • Asset located outside India acquired from income offered to tax in India, but such assets were not declared. **Condition** Where the aggregate value of such assets does not exceed INR 5 crores.	A fee of INR 1 lakh

- If the value of the assets is more than Rs. 5 crores, the assessee will not be eligible to avail the scheme.

www.incometaxindia.gov.in/documents/d/guest/notification-no-114-2026-pdf



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INVENTURE ADVISERS

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InVenture Advisers is an integrated professional services firm providing a range of consulting, transaction advisory, assurance and tax services. Our role is to understand and solve the complexities involved in growth, consolidation, governance and compliance issues facing client organisations. We deliver solutions that help implement strategic plans, increase market share, reduce costs, procure projects, raise funds, acquire businesses, manage risks, optimize taxes, ensure governance and timely compliance.

For further information on how we can help address your tax issues and compliance requirements, please contact any of our expert team or write to us at enquiries@inventureadvisers.com.

For more details on our range of services please visit us at www.inventureadvisers.com.

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