# DIVISION 1: COMPACT REFERENCER
# CR-1
## Amendments brought in the Income-Tax Act, 2025 by The Finance Bill, 2026

## Rates of income-tax for Tax Year 2026-27

**1. Rates of income-tax on certain specified incomes for all categories of persons**

| | *Particulars* | *Rate of Tax for tax year 2026-27 whether assessee is under old regime or new regime* |
|---|---|---|
| (*a*) | Winnings from lotteries, crossword puzzles or races including horse races or card games and other games of any sort or from gambling or betting of any form or nature whatsoever [Section 194 (Table Sl. No. 1)], Tax on income from virtual digital asset [Section 194 (Table Sl. No. 4)], Tax on winning from online [Section 194 (Table Sl. No. 5)] | 30% |
| (*b*) | Short-term capital gain on equity shares in a company or units of an equity oriented fund where the transaction is chargeable to securities transaction tax [Section 196] | 20% |
| (*c*) | Long-term capital gains [Section 197] | 12.5% |
| (*d*) | Long-term capital gain referred to in section 198 | 12.5% of the amount exceeding ₹1,25,000 |

**2. Rates of income tax on normal income for all categories of persons**

**In the case of every Individual or Hindu Undivided Family or Association of Persons (AOP) (other than a Co-operative Society) or Body or Individuals (BOI), whether incorporated or not, or an Artificial Juridical Person (AJP)**

**(i) Tax Rates**

**Where the individual or HUF *or AOP or (other than a Co-operative Society) or BOI or AJP* does not opt under section 202(4) to be taxed under old regime.** Hence, such person by default is chargeable to tax under **section 202(1)** of the Income-tax Act (i.e the new regime)

**For tax year 2026-27**

| | |
|---|---|
| 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% |

**I. Where the individual (other than those mentioned in (II) or (III) below) or HUF *or AOP or (other than a Co-operative Society) or BOI or AJP* opts under section 202(4) to be taxed under old regime.**

**For tax year 2026-27**

| ***Total income*** | ***Rate of tax*** |
|---|---|
| Upto ₹2,50,000 | Nil |
| ₹2,50,001 to ₹5,00,000 | 5% |
| ₹5,00,001 to ₹10,00,000 | 20% |
| Above ₹10,00,000 | 30% |

**II.** In the case of every **individual,** being a **resident in India,** who is of the **age of 60 years or more but less than 80 years** at any time during the previous year.

| ***Total income*** | ***Rate of tax*** |
|---|---|
| Upto ₹3,00,000 | Nil |
| ₹3,00,001 to ₹5,00,000 | 5% |
| ₹5,00,001 to ₹10,00,000 | 20% |
| Above ₹10,00,000 | 30% |

**III.** In the case of every **individual,** being a **resident in India,** who is of the **age of 80 years or more** at any time during the previous year.

| ***Total income*** | ***Rate of tax*** |
|---|---|
| Upto ₹5,00,000 | Nil |
| ₹5,00,001 to ₹10,00,000 | 20% |
| Above ₹10,00,000 | 30% |

**(ii) Surcharge on Income-tax**

The amount of income-tax shall be increased by a surcharge for the purposes of the Union calculated at the following rates—

| ***Sl. No.*** | ***1. In the case of every Individual or HUF or AOP (other than a Co-operative Society or an AOP referred in 2 below) or BOI, whether incorporated or not, or an Artificial Juridical Person (AJP)*** | ***Rate of Surcharge*** |
|---|---|---|
| (i) | Where the total income (including dividend income or capital gains under the provisions of sections 196, 197 and 198 of the said Act) exceeds ₹50,00,000 but does not exceed ₹1,00,00,000 | 10% |
| (ii) | Where the total income (including dividend income or capital gains under the provisions of sections 196, 197 and 198 of the said Act) exceeds ₹1,00,00,000 but does not exceed ₹2,00,00,000 | 15% |
| (iii) | Where the total income (excluding dividend income or capital gains under the provisions of sections 196, 197 and 198 of the said Act) exceeds ₹2,00,00,000 but does not exceed ₹5,00,00,000 | 25% |
| (iv) | Where the total income (excluding dividend income or capital gains under the provisions of sections 196, 197 and 198 of the said Act) exceeds ₹5,00,00,000 | 37% |
| (v) | Where the total income (including dividend income or capital gains under the provisions of sections 196, 197 and 198 of the said Act) exceeds ₹2,00,00,000, but is not covered in clauses (*iii*) and (*iv*) | 15% |
| (vi) | Where the total income includes any dividend income or capital gains under the provisions of sections 196, 197 and 198 of the said Act, the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed and the provisions of clause (*i*) or (*ii*), as the case may be, shall apply accordingly. | 15% |
| **Note: Where the total income of individual or HUF or AOP or (other than a Co-operative Society) or BOI or AJP is chargeable to tax under section 202 of the Income-tax Act (i.e. under the new regime), the rate of surcharge shall not exceed 25%.** | | |

| Sl. No. | 2. In case of Association of Persons consisting of only companies as its members. | Rate of Surcharge |
|---|---|---|
| (i) | Where the total income exceeds ₹50,00,000 but does not exceed ₹1,00,00,000 | 10% |
| (ii) | where the total income exceeds ₹1,00,00,000 | 15% |

**(iii) Marginal Relief:** See para 3 below.

**(iv) Cess:** See para 4 below.

**In the case of every co-operative society**

| **Co-operative societies (other than those who opt to be taxed under section 203 or 204)** | | **Co-operative societies who opt to be taxed under section 203 provided the conditions mentioned u/s 203(1) are satisfied** | **Co-operative societies who opt to be taxed under the newly inserted section 204 provided the conditions mentioned u/s 204(3) are satisfied** |
|---|---|---|---|
| (1) where the total income does not exceed ₹10,000 | 10% of the total income; | **22% of total income** | **15% of total income** |
| (2) where the total income exceeds ₹10,000 but does not exceed ₹20,000 | ₹1,000 *plus* 20% of the amount by which the total income exceeds ₹10,000; | | |
| (3) where the total income exceeds ₹20,000 | ₹3,000 *plus* 30% of the amount by which the total income exceeds ₹20,000. | | |
| **Surcharge** | | **Surcharge** | **Surcharge** |
| The amount of income-tax computed as above, or as per the provisions of section 196 or section 197 or section 198 of the Income-tax Act, shall, be increased by a surcharge for the purposes of the Union, calculated in the case of every co-operative society,—<br>(a) having a total income exceeding ₹1crore but not exceeding ₹10 crore, @7% of such income-tax;<br>(b) having a total income exceeding ₹10crore, @12% of such income-tax: | | 10%<br>(irrespective of the fact whether the total income is less than or more than ₹1 crore) | 10%<br>(irrespective of the fact whether the total income is less than or more than ₹1 crore) |
| **Marginal relief** | | **Marginal relief** | **Marginal relief** |
| See para 3 below | | Not applicable | Not applicable |
| **Cess** | | | |
| See para 4 below | | | |

**In case of a firm (including limited liability partnership) or every local authority**

**(i) Rate of tax:** The rate of tax on total income (exclusive of short-term capital gain covered under section 196 and long-term capital gain) shall be 30%.

**(ii) Surcharge:** The amount of income-tax computed as above, or as per the provisions of section 196 or section 197 or section 198 of the Income-tax Act, shall, in the case of every firm (including limited liability partnership) or every local authority, having a total income exceeding ₹1 crore, be increased by a surcharge for the purposes of the Union calculated @12% of such income-tax:

**(iii) Marginal Relief:** See para 3 below.

**(iv) Cess:** See para 4 below.

**In the case of a company**

*(I) For domestic companies*:

| **If the company opts to be taxed as per the old regime** | | **If the company opts to be taxed under the new regime i.e. u/s 200 provided it satisfies the conditions of section 200(1)** | **If the company is a new manufacturing company and it opts to be taxed u/s 201 provided it satisfies the conditions of section 201(3)** |
|---|---|---|---|
| **(1)** (a) If the total turnover or gross receipts of the previous year 2023-24 does not exceed ₹400 crore | 25% | 22% | 15% |
| (b) In all other cases | 30% | | |
| **(2)** Certain manufacturing domestic companies, who opt to be taxed u/s 115BA provided it satisfies the conditions of section 115BA(2) | 25% | | |
| **Surcharge** | | **Surcharge** | **Surcharge** |
| The amount of income-tax computed as above, or as per the provisions of section 111A or section 112 or section 112A of the Income-tax Act, shall, be increased by a surcharge for the purposes of the Union calculated, in the case of every such company,—<br>(a) having a total income exceeding ₹1 crore but not exceeding ₹10 crore, @7% of such income-tax; and<br>(b) having a total income exceeding ₹10 crore, @12% of such income-tax; | | 10%<br>(irrespective of the fact whether the total income is less than or more than ₹1 crore) | 10%<br>(irrespective of the fact whether the total income is less than or more than ₹1 crore) |
| **Marginal relief** | | **Marginal relief** | **Marginal relief** |
| See para 3 below | | Not applicable | Not applicable |
| **Cess** | | | |
| See para 4 below. | | | |

*(II) For foreign company*:

**(i) Rate of tax:** 35%

**(ii) Surcharge:** In case of companies other than domestic companies,—

(a) the surcharge of 2% shall be levied if the total income exceeds ₹1 crore but does not exceed ₹10 crore.

(b) The surcharge at the rate of 5% shall be levied if the total income of the company other than domestic company exceeds ₹10 crore.

**(iii) Marginal relief:** See para 3 below.

**(iv) Cess**: See para 4 below.

**Marginal Relief**

In respect of the persons mentioned in column B of the Table 2 below, having total income exceeding the amount as specified in column C of the said Table but does not exceed the amount specified in column D thereof, the **total amount payable as income-tax and surcharge thereon shall not exceed the amount determined as per the following formula**:—

$$W_n = U_n + V_n$$

where,—

$W_n$ = the total amount beyond which the total amount payable as income- tax and surcharge thereon shall not exceed;

$U_n$ = the total amount payable as income-tax and surcharge, if applicable, on an amount as specified in column C of the Table 2 below; and

$V_n$ = the total income – amount as specified in column C of the said Table.

Table

| *Sl. No.* | *Person* | *Amount* | *Amount* |
|---|---|---|---|
| *A* | *B* | *C* | *D* |
| 1. | Individual or Hindu Undivided Family or Association of Persons (AOP) (other than a Cooperative Society or an AOP referred in 2 below) or Body or Individuals (BOI), whether incorporated or not, or an Artificial Juridical Person (AJP) | ₹50,00,000<br>₹1,00,00,000<br>₹2,00,00,000<br>₹5,00,00,000 | ₹1,00,00,000<br>₹2,00,00,000<br>₹5,00,00,000<br>— |
| 2. | Association of Persons consisting of only companies as its members | ₹50,00,000<br>₹1,00,00,000 | ₹1,00,00,000<br>— |
| 3. | Co-operative society | ₹1,00,00,000<br>₹10,00,00,000 | ₹10,00,00,000<br>— |
| 4. | Firm or local authority | ₹1,00,00,000 | — |
| 5. | Company | ₹1,00,00,000<br>₹10,00,00,000 | ₹10,00,00,000<br>— |

**Cess**

'Health and Education Cess' @ 4% on income tax (inclusive of surcharge, wherever applicable) shall be levied.

**IMPORTANT NOTE FOR READERS**

The Income-tax Act, 2025 is set to come into force with effect from 1st April, 2026 and will repeal the Income-tax Act, 1961, subject to the provisions of **section 536 (repeals and savings) (SEE CR-22)**. The Finance Bill, 2026 has introduced certain amendments in both the Income-tax Act, 1961 as well as the Income-tax Act, 2025. It is pertinent to note that a majority of the amendments made to the Income-tax Act, 2025 have been brought into effect from 1st April, 2026 itself, i.e., the very date on which the said Act comes into force.

Accordingly, the provisions as originally enacted in the Income-tax Act, 2025, which stand substituted or amended by the Finance Bill, 2026 with effect from 1st April, 2026, have limited practical relevance and, therefore, have not been reproduced in the Chapters for the sake of brevity. However, for academic purposes and to facilitate better understanding, such provisions have been compiled separately in this CR-1 under the heading "Pre-amended provisions".

The "Reasons for making amendment" as well as the "Amendment made by the Act" follow such "Pre-amended provisions".

## Amendments relating to "Definitions"

**1. Definition of 'Co-operative society' amended [section 2(32)] [w.e.f. 1.4.2026]**

**Pre-amended definition**

As per pre-amended definition, "co-operative society" means a co-operative society registered under the Co-operative Societies Act, 1912, or under any other law in force in any State or Union territory for the registration of co-operative societies.

**Reason for amendment**

In the above definition, the co-operative societies registered under the Multi-State Cooperative Societies Act, 2002, are not explicitly recognised in the definition presently provided in the said clause.

**Amended definition**

The definition is amended as under:

"co-operative society" means a co-operative society registered under the Co-operative Societies Act, 1912, or the Multi-State Co-operative Societies Act, 2002, or under any other law in force in any State or Union territory for the registration of co-operative societies.

**2. Definition of "dividend" amended [section 2(40)] [w.e.f. 1.4.2026]**

**(i) See Para 9**

(ii) **Rationalisation of certain terms for treasury centres in IFSC**

**Pre-amended provision**

Sub-clause (v) to long line of section 2(40) provides that dividend does not include any advance or loan between two group entities, where, —

(A) one of the group entities is a "Finance company" or a "Finance unit"; and

(B) the parent entity or principal entity of such group 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;

**Amendment made**

In order to rationalise the said provision, the Bill has substituted the said sub-clause (v) to provide that, the other group entity to the transaction shall also be located in a country or territory outside India which shall be a notified jurisdiction, Also, the parent entity or the principal entity of such group is listed on stock exchange in a country or territory outside India; and for such purposes the country or territory outside India shall be specified by the Central Government, by notification in the Official Gazette.

For the purposes of aforementioned provisions, the Bill has also given the definition the following terms, namely:—

(a) "group entity" shall have the same meaning as assigned to the expression "group entities" in clause (m) of sub-regulation (1) of regulation 2 of the International Financial Services Authority (Payment Services) Regulations, 2024 made under the International Financial Services Centres Authority Act, 2019;

(b) "parent entity" or "principal entity" in relation to one or more other group entities, shall be an entity of which other group entities are subsidiary and such entity,

(i) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiaries; or

(ii) controls the composition of the Board of Directors.

## Amendments relating to "Incomes which do not form part of total income"

**3. Exemption for Disability Pension to armed force personnel [Section 11, Schedule III (Table Sl. No. 38A) inserted] [w.e.f. 1.4.2026]**

**Reason for making amendment**

Disability pension is granted to members of the Armed Forces who are invalided out of service on account of a bodily disability that is attributable to, or aggravated by, military, naval or air force service, and comprises a service element and a disability element. The exemption was first provided under the Indian Income-tax Act, 1922. This has continued under the Income-tax Act 1961 through the repeal and savings clause, and notifications, administrative instructions and clarificatory circulars.

**Amendment made**

The Bill has inserted Sl. 38A in the Table under Schedule III

An express statutory exemption has been provided for exemption of disability pension, including both the service element and the disability element, only in cases where the individual has been invalided out of Armed Forces service on account of a bodily disability attributable to, or aggravated by, such service. However, the said exemption shall not be available where the individual has retired on superannuation or otherwise. It is also provided that this exemption will also be available to paramilitary personnel.

The said exemption shall apply on or after such date as may be notified by the Central Government. Pending such notification, the entire disability pension, that is, disability element and service element of a disabled officer of the Indian armed forces shall be exempt from income-tax.

**4. Exemption on interest income under the Motor Vehicles Act, 1988 [Section 11, Schedule III (Table Sl. No. 38B) inserted] [w.e.f. 1.4.2026]**

**Reason for making amendment**

Existing section 11 of the Income-tax Act, 2025 *inter alia* provides for the exemption of income of persons included in Schedule III subject to the fulfilment of conditions specified therein.

The provisions of Motor Vehicles Act, 1988 inter alia provides for compensation and interest on such compensation to be awarded by the tribunal under said Act, to an individual or his legal heir, on account of death or on account of permanent disability or any bodily injury under the said Act. The interest awarded on compensation was taxable under this Act.

Further, tax was also to be deducted at source under section 393(1) (Table: Sl. No. 5(ii)) on an amount of interest if it exceeded ₹50,000.

**Amendment made**

In order to alleviate sufferings of victims of such accident and their family which may cause extreme hardship to the aggrieved person and family, the Bill has inserted Sl. No. 38B in Schedule III which provides as under:

> *Sl. No. 38B: Any interest on compensation amount awarded by Motor Accident Claims Tribunal to an individual or his legal heir shall be exempt if such interest is received under the Motor Vehicles Act, 1988.*

Consequentially, Section 393 has been amended to provide that no tax shall be deducted in the above case i.e., when the claim is payable / paid to an individual.

**5. Exemption on income in respect of award or agreement made on account of compulsory acquisition of land [Section 11, Schedule III (Table Sl. No. 38C) inserted] [w.e.f. 1.4.2026]**

**Reason for making amendment**

Section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act) inter alia provides that income- tax shall not levied on any award or agreement made (except those made under section 46) under the said Act.

In order to resolve any ambiguity, CBDT vide Circular No.36/2016 clarified that compensation received in respect of award or agreement which has been exempted from levy of income-tax vide section 96 of the RFCTLARR Act shall also not be taxable under the provisions of Income-tax Act, 1961 even if there are no specific provisions of exemption for such compensation in the Income-tax Act, 1961.

**Amendment made**

In order to align the provisions of the Act with the RFCTLARR Act, the Finance Bill has inserted Sl. No. 38C to the Table under Schedule III to provide exemption on any income in respect of any award or agreement made on account of compulsory acquisition of any land, carried out on or after the 1st April, 2026, under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR) Act (other than the award or agreement made under section 46 of said Act.

**6. Exemption on income chargeable under the Head "Capital Gains" arising from transfer of specified capital asset under Land Pooling Scheme [Section 11, Schedule III (Table Sl. No. 38D) inserted] [w.e.f. 1.4.2026]**

**Amendment made**

Sl. No. 38 has been inserted in Table to Schedule III as under:

Any income chargeable under the head "Capital gains" arising from the transfer of specified capital asset to an Individal or a HUF where:

(a) Such eligible person was the owner of such specified capital asset as on the 2nd June, 2014;

(b) such specified capital asset is transferred under the Land Pooling Scheme covered under the Andıra Pradesh Capital City Land Pooling Scheme (Formulation and Implementation) Rules, 2015 made under the provisions of the Andhra Pradesh Capital Region Development Authority Act, 2014 and the rules, regulations and Schemes made under the said Act; and

(c) such eligible person was handed over of possession reconstituted plot or land on or before the 31st March, 2031.

For the purposes of Sl. No. 38D, "specified capital asset" means--

(a) the land or building or both owned by the assessee as on the 2nd June, 2014 and which has been transferred under the Scheme; or

(b) the land pooling ownership certificate issued under the Scheme to the assessee in respect of land or building or both referred to in clause (a); or

(c) the reconstituted plot or land, as the case may be, received by the assessee in lieu of land or building or both referred to in clause (a) in accordance with the Scheme, if such plot or land, as the case may be, so received is transferred within two years from the end of the financial year in which the possession of such plot or land was handed over to him.

**7. Exemption provided to New Development Bank [Section 11, Schedule III (Table Sl. No. 49) inserted w.e.f. 1.4.2026]**

The Finance Bill provides for an exemption to New Development Bank subject to such conditions as may be prescribed.

## Amendments relating to Computation of income under the head "Profit and Gains of Business or Profession"

**8. Rationalisation of the due date of deposit of employee's contribution by the employer to claim such contribution as deduction**

**Pre-amended Provisions**

Section 29(1)(e)(i) of the Income-tax Act, 2025 relating to deductions related to employee welfare 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.

Further, section 29(1)(e)(ii) provides that “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.

**Amendment made w.e.f. 1.4.2026 in relation to the tax year 2026-2027 and subsequent years**

The Bill has substituted section 29(1)(e)(i) and (ii) by section 29(1)(e) so as to provide that due date for the purposes of the said section shall mean **date on or before the due date of filing of return of income under section 263(1)** for the assessee.

# Amendments relating to "Capital gains"

**9. Capital gains on purchase by company of its own shares or other specified securities.**

**Pre-amended provision**

Under the pre-amended provisions of the Income-tax Act, 2025, consideration received by a shareholder on buy-back of shares by a company is treated as dividend income under section 2(40)(f) of the Act and taxed accordingly, while the cost of acquisition of the shares extinguished on buy-back is recognised separately as a capital loss under section 69.

**Reason for making amendment**

To rationalise the taxation of buy-back of shares, the Bill provides that the consideration so received shall not be treated as dividend but it will be subject to capital gain as per section 69.

**Amendment made**

There is no change in section 69(1) and hence if a shareholder or a holder of other specified securities receives any consideration from any company for the purchase of its own shares or other specified securities, then the difference between the cost of acquisition and the value of consideration so received shall be deemed to be the short-term or long-term capital gains as the case may be arising to such shareholder or the holder of other specified securities, **in the year in which the company purchases the shares or other specified securities**.

Hence, the short-term or long-term capital gain so computed shall be taxed as under:

| *Sl. No.* | *Income* | *Rate of tax* |
|---|---|---|
| 1. | Short-term capital gains from listed securities referred to in section 196. | 20% |
| 2. | Short-term capital gains from securities other than referred to in section 196. | Normal rate of tax |
| 3. | Long-term capital gains from unlisted or listed securities referred to in section 197 or section 198. | 12.5% |

Moreover, as per section 69(2) in respect of capital gains referred to in section 69(1) above, where a company purchases its own shares or other specified securities in accordance with the provisions of section 68 of the Companies Act, 2013 and the shareholder or holder of other specified securities is a promoter, the aggregate income-tax payable on such capital gains shall be—

(a) the income-tax payable on such capital gains in accordance with the provisions of this Act (for taxability see the Table above); and

(b) **an additional income tax** in respect of capital gains specified in column B of the Table below, computed at the rate specified in column C or column D of the said Table.

TABLE

| *Sl. No.* | *Income* | *Rate, where the promoter is a domestic company* | *Rate, where the promoter is other than a domestic company* |
|---|---|---|---|
| *A* | *B* | *C* | *D* |
| 1. | Short-term capital gains referred to in section 196 arising from the transfer of such securities. | 2% | 10% |
| 2. | Short-term capital gains from securities other than referred to in section 196. | Nil | Nil |
| 3. | Long-term capital gains referred to | 9.5% | 17.5% |

| | | | |
|---|---|---|---|
| | in section 197 or section 198 arising from the transfer of such securities. | | |

Hence, in case of promotors, the effective tax liability on gains arising from buy-back shall be 30%, comprising tax payable at the applicable rates together with an additional tax. Whereas in case of promoter companies, the effective tax liability will be 22%.

As per section 69(3) so substituted by the Finance Bill, 2026.

For the purposes of this section,—

(a) in the case of a company whose shares are listed on a recognised stock exchange in India, 'promoter' shall have the same meaning as assigned to it in regulation 2(k) of the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 made under the Securities and Exchange Board of India Act, 1992;

(b) in any other case, "promoter" means,—

(i) a "promoter" as defined in section 2(69) of the Companies Act, 2013; or

(ii) a person who holds, directly or indirectly, more than 10% of the shareholding in the company;

(c) "specified securities" shall have the same meaning as assigned to it in Explanation 1 to section 68 of the Companies Act, 2013.

**Consequential Amendment in Section 2(40)**

**Pre-amended definition**

Definition of Dividend is given under Section 2(40)(a) to 2(40)(f). As per clause 2(40)(f), the consideration received from the buy-back of shares is treated as deemed dividend.

**Reason for amendment**

As per the amendment made by the Finance Bill, 2026, such consideration from buy-back (Deemed as dividend as per Section 2(40)(f)) shall now be subject to capital gain as per section 69.

**Amendments made**

Thus, sub-clause (f) of section 2(40) has been omitted.

**10. Exemption for Sovereign Gold Bond to be allowed only when original subscriber gets such gold bond redeemed [Section 70(1)(x)] [w.e.f. 1.4.2026]**

**Pre-amended provisions**

The provisions of section 70(1)(x) of the Act provide an exemption from capital gains tax in respect of income arising from redemption of Sovereign Gold Bonds issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015. Sovereign Gold Bonds have been issued by the Reserve Bank of India on a recurring basis through multiple series notified from time to time, each constituting a separate issuance.

**Amendment made**

In order to ensure uniform application of the exemption across all such issuances and to align the provision with its intended scope, the Bill has amended section 70(1)(x) to provide that the **exemption shall be available only where** the Sovereign Gold Bond is subscribed to by a subscriber **at the time of original issue and is held continuously until redemption on maturity**, for all Sovereign Gold Bonds issued by the Reserve Bank of India from time to time.

## Amendments relating to "Computation of total income—Income from other sources"

**11. No deduction against Dividend Income [Section 93(2)] [w.e.f. 1.4.2026]**

**Pre-amended provisions**

Section 93(1) provides for deduction of commission or brokerage to banker for the purpose of realising such dividend. Further section 93(2) allows interest expenditure incurred for earning such dividend income, subject to a ceiling of 20% of the gross dividend or income from units of mutual funds.

**Reason for making amendment**

Dividend income and income from units of mutual funds constitute passive investment receipts taxable under the head "Income from other sources" and as such the above deductions should not be allowed.

**Amendment made**

Section 93(1) and (2) has been amended to provide that no deduction shall be allowed against earning dividend income or income from units of mutual funds or of a specified company of Unit Trust of India.

## Amendments relating to "Deductions to be made in Computing Total Income"

**12. Increase in Turnover threshold limit in the meaning of "Eligible Start-up" for claiming deduction under Section 140 (Erstwhile Section 80-IAC) [w.e.f. 1.4.2026]**

**Pre-amended provisions**

As per Section 140(16)(b), "eligible start-up" means a company or a limited liability partnership engaged in eligible business which fulfils the following conditions:—

(i) it is incorporated on or after the 1st April, 2016 but before the 1st April, 2030;

(ii) the total turnover of its business does not exceed one hundred crore rupees in the tax year relevant to the tax year for which deduction under sub-section (1) is claimed; and

(iii) it holds a certificate of eligible business from the Inter-Ministerial Board of Certification as may be notified by the Central Government.

**Amendment made**

The above turnover limit of ₹ 100 crore has been increased to ₹ 300 crore by Finance Bill, 2026 w.e.f. 1.4.2026.

**13. Extension of period of deduction for units in IFSC and rationalization of tax rate [Section 147 and Section 218] [w.e.f. 1.4.2026]**

**Pre-amended provisions**

The provisions of section 147(2) provide for deduction of 100% on certain incomes to the units of International Financial Center (IFSC) and Offshore Banking Units (OBUs). This is available for 10 consecutive years out of 15 years for units in IFSC and 10 consecutive years for OBUs from the tax year in which permission under relevant law was obtained.

**Amendment made**

The Finance Bill, 2026 has substituted section 147(2) to provide as follows:

Irrespective of anything contained in section 80LA of Income Tax Act, 1961, the deduction shall be allowed-

(a) for an entity mentioned in sub-section (1)(a) **(i.e. OBUs)**. --

(i) for twenty consecutive tax years beginning from the relevant tax year; and

(ii) in a case, where the tenth year, out of the period of ten consecutive years of deduction allowed under section 80LA(1) of the said Act has ended on the 31st March, 2025, for further ten consecutive years from the tax year beginning on the 1st April, 2026*; and

(b) in the case of an entity mentioned in sub-section (1)(b) **(i.e., Unit of an IFSC)**, for twenty consecutive tax years out of twenty-five years beginning from the relevant tax year, at the option of an assessee

* It may be noted that for those OBUs, whose 10th year of deduction under Section 80LA(1) expired on 31.03.2025, the deduction under Section 147 shall be allowed for a further period of 10 consecutive years from 01.04.2026.

In addition to the above, section 147(5) has been substituted to provide that the units referred to in section 147(1) which has commenced operation on or after 1.4.2026 the deduction under section 147(1) shall be available only if such unit is not formed by splitting up or reconstruction or reorganisation or transfer a business already in existence.

Besides the above, meaning of the "relevant tax year", “Unit” and “aircraft and ship” given in section 147(5) has been shifted to section 147(6).

The Finance Bill also provides that the income of units from IFSC or OBUs as referred in Section 147(3) will be taxed at a special rate of 15% by insertion of the following section:

**Tax on business income of Offshore Banking Units or International Financial Services Centre unit (Section 218 inserted by the Finance Bill, 2026 w.e.f. 1.4.2026)**

Where the total income of an assessee includes income of the nature referred to in section 147(3), the aggregate of income-tax payable by the assessee shall be the aggregate of income-tax computed on the income specified in column B of the Table below at the rate specified in the corresponding entry in column C of the said Table:

**TABLE**

| *Sl. No* | *Income* | *Rate of income- tax payable* |
|---|---|---|
| *A* | *B* | *C* |
| 1. | Income referred to in section 147(3) | 15% |
| 2. | Total income as reduced by income referred to in Sl. No. (1). | Rates in force.”. |

**14. Widening scope of deduction under section 149 by including ancilliary activities of cattle feed and cotton seeds [Section 149(2)(b)] [w.e.f. 1.4.2026]**

**Pre-amended provisions**

The pre-amended provisions under section 149(2)(b) of the Act provide for deduction of whole of the amount of profits and gains of business in the case of a co-operative society, being a primary society engaged in supplying milk, oilseeds, fruits, or vegetables raised or grown by its members to a federal co-operative society, engaged in the same business or to the Government or a local authority; or to a Government company or a corporation engaged in the same business.

**Reason for making amendment**

Besides the above, there are similar activities such as supplying of cattle feed and cotton seeds which are also undertaken by the members of the primary co-operative society.

**Amendment made**

The Bill has included "cotton seeds and cattle feed" also within the ambit of above activities in case of the said primary co-operative society to claim deduction under section 149.

### 15. Deductions in respect of dividends received and distributed by certain cooperative societies [Section 149(2)(d)] [w.e.f. 1.4.2026]

**Pre-amended provisions**

The provisions of section 149(2)(d) of the Act provide for deduction on the income of a cooperative society that is received as interest or dividend from any other co-operative society. This **deduction is allowed only in the old tax regime**.

However, the dividends received by a cooperative society **from a company** are taxed in the hands of the cooperative society.

**Amendment made**

The section 149(2)(d) has been substituted by the following:

In respect of any income derived by the co-operative society from its investments with any other co-operative society by way of–

(i) interest; or

(ii) dividends,

the whole of such income shall be allowed as deduction.

**Consequential amendment**

Section 203(7) and 204(5) have been inserted in the said sections 203 and 204 respectively.

In case of an assessee, being a co-operative society, which has exercised **option for new regime** under section 203 or 204, as the case may be, the deduction under section 149(2)(d)(ii) above (*relating to dividend*) shall be available to such assessee **to the extent such dividends are distributed to its members, in the new tax regime**.

Pre-amended Section 150 contained only the definition of "consumer co-operative society", “primary agricultural credit society” and “primary co-operative agricultural and rural development bank”. The same have now been shifted to Section 149(6).

### 16. Deduction in respect of income of federal co-operative (Section 150 substituted w.e.f. 1.4.2026)

**Amendment made**

In lieu of the shifting of pre-amended provisions of section 150 to section 149(6), the Finance Bill, 2026 has inserted new section 150 which provides as under:

(1) If the gross total income of an assessee **being a federal co- operative**, in any tax year, **includes any income by way of dividends received from its investment with any company**, a deduction shall be allowed from such income, **to the extent of the amount which,**—

  (a) **has arisen** from such investment as recorded in its books of account on or before the 31.1.2026; and

  (b) **has been distributed** by it to its members at least **one month before the due date** for filing the return of income under section 263(1).

(2) The provisions of this section shall not apply to any tax year beginning on or after the 1.4.2029.

(3) For the purposes of this section, "federal co-operative" means a "federal co-operative" as defined in section 3(k) of the Multi-State Co-operative Societies Act, 2002 and notified as such by the Central Government."

## Amendments relating to "Unexplained Credits, Investments, Asset, Expenditure, etc."

### 17. Rationalisation of tax rate under section 195 relating to tax on income referred to in section 102 to 106 [Sections 195, 443, 439(11) amended] [w.e.f. 1.4.2026]

**Pre-amended provisions**

Section 195 of the Income-tax Act, 2025 provides for tax on income referred to in section 102 to 106. Section 102 to 106 provides for income on account of unexplained credits, unexplained investment, unexplained asset, unexplained expenditure and amount borrowed or repaid through negotiable instrument, hundi, etc.

Section 195(1) further provides that where total income of an assessee includes any income referred to in section 102 or 103 or 104 or 105 or 106, the income-tax calculated on such income will be charged at the rate of 60% where the total income of an assessee—

(a) includes any income referred to in section 102 or 103 or 104 or 105 or 106 **and reflected in the return of income furnished under section 263**; or

(b) **determined by the Assessing Officer** includes any income referred to in any of the said section 102 or 103 or 104 or 105 or 106, if such income is not covered under clause (a),

Further, section 443 provides that, penalty amounting to 10% of the tax payable under section 195(1)(i), on an assessee if the income determined by the Assessing Officer in his case for any tax year includes any income referred to in section 102,103,104,105 or 106.

**Reason for making amendment**

With regard to the section 195 of the Act on the tax on income referred to in section 102 to 106, it is considered that the tax rate of 60% which is currently charged on income referred to in section 102 to 106 as per section 195, is not proportionate and needs rationalisation.

**Amendments made**

(1) The Finance Bill has amended section 195 of the Act, so as to reduce the rate of income-tax calculated on income referred to in sections 102 to 106 from **60% to 30%.**

(2) Further, in order to bring the penalty rate **on income determined by Assessing Officer** which is in nature of income referred to in section 102 to 106 **at par with the rate charged for misreporting of income under section 439** which is 200% of the income under reported in consequence of mis-reporting. Accordingly, penalty provision under section 443 (penalty for income referred to in section 102 to 106) is omitted and, in respect of such income, penalty is to be included in the cases of under-reporting of income in consequence of misreporting by including the **income referred to in section 195(1)(b)** within the ambit of income referred to in section 439(11) of the Act by inserting clause (g) under the said sub-section (11).

## Amendments relating to Computation of Tax Liability of Various Categories of Persons

**18. Amendment in section 202 relating to new tax regime w.e.f. 1.4.2026**

Sub-clause (iii) of clause (a) of section 202(2) provides that total income of the individual Hindu undivided family and others under the new regime, shall be computed without any deduction under section 144 (*relating to special provision in respect of newly established unit in Special Economic Zone*)

**Amendment made**

The Bill has omitted sub-clause (iii) of clause (a) of section 202(2) to omit the reference of section 144 and as such deduction will be allowed under section 144 while computing the total income of the said assessee even if such assessee is under the new regime.

**19. Sections 203 & 204 (relating to new regime in case co-operative society amended w.e.f. 1.4.2026)**

For details see 15 of CR-1.

**20. Rationalization of Minimum Alternate Tax provisions [Section 206] [w.e.f. 1.4.2026]**

The pre-amended provisions under section 206 of the Income-tax Act, 2025 provide for Minimum Alternate Tax (MAT) which is applicable for companies. This tax is charged on the Book profit of the assessee at the rate of 15% for corporates (other than units located in an International Financial Services Centre). In case the MAT is higher than the income-tax payable on the company's total income computed under normal tax provisions, the assessee pays MAT.

When a company pays MAT when it is higher than regular tax, the excess amount paid is allowed as a tax credit. This credit can be carried forward up to 15 years and set off in future years where the company's regular tax liability exceeds the MAT liability. The MAT regime is presently in place only for the old tax regime.

**Amendment made**

The Bill has provided that the tax paid under provisions of section 206 (*relating to the provision of MAT*) shall be final tax in the old regime and no new MAT credit may be allowed. The tax rate of MAT has been reduced to 14% of book profit from the existing 15%, if the company continue to remain under the old regime.

However, set-off of MAT credit is to be allowed if such company has exercised the option under section 200(5) or section 201(2), as the case may be, for new regime for a tax year beginning on or after 1.4.2026. Further, for domestic companies, set-off of such MAT credit brought forward shall be allowed to the extent of 25% of the tax payable on the total income computed as per the other provision of the Act for that tax year and the remaining credit can be carried forward to the subsequent tax year but subject to maximum 15 years.

In the case of foreign companies, set off is to be allowed to the extent of the difference between the tax on the total income and the minimum alternate tax, for the tax year in which normal tax is more than MAT.

These amendments will allow companies to make a smooth transition from the old tax regime (with deductions and exemptions) to the new tax regime.

# Amendments relating to "Return of Income and Procedure of Assessment"

**21.Rationalising due dates for filing of return of Income [Section 263(1)(c)] (Amended w.e.f. 1.4.2026)**

**Pre-amended Provision**

Section 263(1)(c) defines the expression "due date" as the date of the financial year succeeding the relevant tax year for filing the return of income by different classes of assessee or person with different conditions applied therein.

The pre-amended section provided 3 different dates for furnishing the return of income for different categories of assessee and there was no separate due-date for assessee having Income under the Head "Profits and Gains from Business or Profession" but were not required to get their accounts audited.

**Amendment made**

The Bill has substituted said clause (c) for the purposes of this section "due date" in respect of the persons mentioned column B of the Table below, subject to the conditions mentioned in column C of the said Table, shall be the due date of the financial year succeeding the relevant tax year as mentioned in column D thereof:

TABLE

| *Sl. No.* | *Person* | *Conditions* | *Due date* |
|---|---|---|---|
| *A* | *B* | *C* | *D* |
| 1. | Assessee, including the partners of the firm or the spouse of such partner (if section 10 applies to such spouse). | Where the provisions of section 172 apply. | 30th November. |
| 2. | (i) Company;<br>(ii) Assessee (other than a company) whose accounts are required to be audited under this Act or under any other law in force;<br>(iii) partner of a firm whose accounts are required to be audited under this Act or under any other law in force; or the spouse of such partner (if section 10 applies to such spouse). | Where the provisions of section 172 do not apply. | 31st October. |
| 3. | (i) Assessee having income from profits and gains of business or profession whose accounts are not required to be audited under this Act or under any other law in force;<br>(ii) partner of a firm whose accounts are not required to be audited under this Act or under any other law in force or the spouse of such partner (if section 10 applies to such spouse). | Where the provisions of section 172 do not apply. | 31st August. |
| 4. | Any other assessee. | | 31st July. |

**22. Extending the period of filing revised return [Section 263(5) amended w.e.f. 1.4.2026]**

**Pre-amended provisions**

Section 263(5) deals with the revised return of income. It allows a person who has already furnished a return under section 263(1) and (4) to file a revised return, if any omission or wrong statement is discovered in the original or belated return. Such revised return required to be furnished **within 9 months from the end of the relevant tax year or before completion of assessment, whichever is earlier.**

**Amendment made**

The Bill has amended the section 263(5) so as to increase the prescribed time limit for filing the revised return from its **existing time limit of 9 months to 12 months** from the end of the relevant tax year.

**Consequential amendments**

**Pre-amended section 428**

**Fee for default in furnishing return of income. [Section 428]**

Without prejudice to the provisions of this Act, where, a person required to furnish a return of income under section 263 fails to do so within such time as may be prescribed in section 263(*1*), he shall pay, by way of a fee,–

(*a*) a sum not exceeding ₹1000, if the total income of such person does not exceed ₹500000;

(*b*) a sum of ₹5000, in any other case.

**Amendments made**

The pre-amended section 428 has been renumbered as clause (a) to Section 438.

A new clause (b) to Section 428 has been inserted which provides as under:

*Without prejudice to the provisions of this Act, where any person–*

*(b) furnishes a return of income under section 263(5) beyond 9 months from the end of relevant tax year, he shall be liable to pay by way of fee,—*

*(i) a sum of ₹1000, if the total income of such person does not exceed ₹500000; and*

*(ii) a sum of ₹5000, in any other case;*

**Note:** The fee for clause (a) of section 428 is for furnishing belated return under section 263(4), whereas fee for clause (b) of section 428 is for furnishing revised return under section 263(5) after 31st December but on or before 31st March from the end of the relevant tax year.

If the return of income furnished on or before the due date specified under section 263(1) is revised on or before 31st December, there is no fee for furnishing such revised return. However, if such return is revised after 31st December but on or before 31st March, the assessee shall be liable to pay fee under section 428(b).

On the other hand, if the assessee has furnished belated return and the same is revised after 31st December, he shall have to pay fee both under section 428(a) which is for furnishing the belated return and section 428(b) for furnishing the revised return after 31st December.

**23. Expanding the scope of updated return of income (Amendment made w.e.f. 1.4.2026)**

Section 263(6) provides for filing of updated return of income. It allows any taxpayer, whether or not he had furnished a return earlier, to file an updated return within 48 months from the end of the financial year succeeding the relevant tax year. This provision promotes voluntary compliance on the part of taxpayer to offer the income for taxation.

**(A) Filing of updated return in the case of reduction of losses also to be allowed [Section 263(6)(b)(i)]**

**Pre-amended Provisions**

Section 263(6)(c)(i) read with Section 263(6)(b) does not allow to update the loss return **unless it is converted into income**.

**Amendment made**

The Bill has substituted Section 263(6)(b) to provide for filing updated return in cases where the taxpayer has furnished the return of loss within the due date, even if such updated return has the effect of reducing such loss.

**(B) Allowing the filing of updated return after issuance of notice of reassessment under section 280 [Section 263(6)(b)(ii)]**

**Pre-amended provisions**

Section 263(6)(c)(v) **prohibits** filing of updated return in the cases where any proceedings for assessment or reassessment or recomputation or revision of income **is pending or has been completed for the said tax year**.

**Amendment made**

The Bill has substituted section 263(6)(b) by inserting sub-clause (ii) to provide that an updated return may be furnished by a person for the relevant tax year in pursuance of a notice issued under section 280 **within such period as specified in the said notice and** in such a case, the assessee shall be precluded from filing of return in pursuance of the said notice in any other manner.

**Consequential amendments**

(1) Additional income-tax payable under section 267 shall be increased by a further sum of 10% [Section 267(5)(ii) inserted]

**Pre-amended Provisions**

Section 267(5) provides that additional income-tax amounting to 25%, 50%, 60% and 70% of the aggregate of tax and interest payable, shall be paid alongwith original tax and interest payable, for filing the updated return in first, second, third and fourth year, respectively from the end of the financial year succeeding the relevant tax year.

**Amendments made**

1. The Bill has inserted clause (ii) under section 267(5) to prescribe that where an updated return is filed in pursuance of a notice issued under section 280 within the period specified in the said notice, the additional income-tax payable shall be increased by a **further sum of 10% of the aggregate of tax and interest payable** on account of furnishing the updated return.
2. Further new sub-section (13A) has been inserted under section 439 to provide that where additional income-tax is paid in accordance with section 267(5)(ii), the income on which such additional income-tax is paid shall not form the basis of imposition of penalty.

**24. Clarifying time-limit for completion of assessment under section 275.**

**Pre-amended provision**

Section 275, *inter alia*, provides for the procedure and scheme for making a reference to the Dispute Resolution Panel in respect of certain eligible assessee. Further, section 286 of the said Act provides for the time limits for completion of assessment, reassessment and recomputation proceedings and sets the time limit for concluding such proceedings.

The Dispute Resolution Panel mechanism, as provided under section 275 of the said Act provides for a specific procedure as below:—

(i) filing of objections before the Dispute Resolution Panel — within thirty days from the date of receipt of the draft assessment order;

(ii) issuance of directions by the Dispute Resolution Panel — within nine months from the end of the month in which the draft assessment order is forwarded to the eligible assessee; and

(iii) passing of the final assessment order — irrespective of anything contained in section 286 of the said Act, within one month from the end of the month in which the directions of the Dispute Resolution Panel are received, as mandated under section 275(14) of the said Act.

In cases where the assessee accepts the draft assessment order and does not file objections before the Dispute Resolution Panel, the Assessing Officer is required, notwithstanding anything contained in sections 286 of the said Act, as the case may be, to pass the final assessment order within one month from the end of the month in which the period specified for filing objections expires, in terms of section 275(4) of the said Act.

**Amendment made**

The Bill has amended sections 275(4) and (14) to clarify that the period available to the Assessing Officer under the section shall be in addition to the period available to him under section 286 of the said Act.

**Consequential Amendment**

Amendment of section 286

**Pre-amended Provision**

Section 286 provides for the time limits for completion of assessment, reassessment, and recomputation proceedings and sets the time limit for concluding such proceedings.

**Amendment made**

The Bill has amended section 286(2) to clarify that in terms of provisions of section 286(1) [Table: Sl No. 1 to 5] and sub-section (2), the draft of the proposed order of assessment referred to in section 275 shall be made at any time up to the time limit of assessment, reassessment or recomputation referred in the said table and the said sub-section.

### 25. Meaning of "Assessing Officer" for the purposes of issue of notice under section 280 and for carrying out pre-assessment procedure u/s 281 [Section 279(3) inserted w.e.f. 1.4.2026]

**Pre-amended provisions**

Section 279 empowers the Assessing Officer to assess, reassess, or recompute income if any income chargeable to tax has escaped assessment **for** a particular assessment year.

Further, as per section 280, Assessing Officer is mandated to issue a notice to the assessee so as to furnish a return of income where income chargeable to tax has escaped assessment.

Section 281 provides that the Assessing Officer shall, before issuing any notice under section 280 provide an opportunity of being heard to such assessee by serving upon him a notice to show cause as to why notice under section 280 should not be issued.

**Amendment made**

The Bill has inserted sub-section (3) under section 279 to provide that the "Assessing Officer" for the purposes of sections 280 and 281 shall mean to be an Assessing Officer other than the National Faceless Assessment Centre or any assessment unit referred to in section 273(3).

### 26. Minimum period for filing a return under section 280 prescribed (applicable w.e.f. 1.4.2026).

**Pre-amended Provisions of Section 280(1)**

(a) Before making the assessment, reassessment or recomputation under section 279, the Assessing Officer shall, subject to the provisions of section 281, issue a notice to the

assessee, along with a copy of the order passed under section 281(3);

(b) Such notice shall require the assessee to furnish, within such period as may be specified therein, a return of his income or income of any other person in respect of whom he is assessable under this Act during the relevant tax year;

(c) The period specified in the notice, **shall not exceed 3 months** from the end of the month in which such notice is issued.

**Amendment made**

As per the pre-amended provisions of Section 280(1)(c) only a maximum limit of 3 months for furnishing the return of income under section 280 was provided. The Bill has now provided that a minimum period of 30 days shall be given from the date of issuance of notice under section 280 for furnishing the return of income.

**27. Provision for cases where assessment is in pursuance of an order on appeal, etc (Section 283 substituted w.e.f. 1.4.2026).**

**Pre-amended provision**

(1) Irrespective of anything contained in section 282, the notice under section 280 may be issued at any time for the purpose of making an assessment or reassessment or recomputation in consequence of or to give effect to—

(a) any finding or direction contained in an order passed by any authority, Tribunal or court in any proceeding under this Act by way of appeal, reference or revision or by a Court in any proceeding under any other law; or

(b) the directions issued by the Approving Panel under section 274(6).

(2) The provisions of sub-section (1) shall not apply in any case where any such assessment, reassessment or recomputation as is referred to in that sub-section relates to a tax year in respect of which an assessment, reassessment or recomputation could not have been made, by reason of any other provisions limiting the time within which any action for assessment, reassessment or recomputation may be taken, at the time when,—

(a) the order which was the subject-matter of the appeal, reference or revision, as the case may be, was made; or

(b) the reference from the jurisdictional Principal Commissioner or Commissioner is made to the Approving Panel under section 274(4).

**Amendment made**

Section 283 has been substituted as under:

(1) Irrespective of anything contained in section 282, the notice under section 280 may be issued at any time for the purpose of making an assessment or reassessment or recomputation in consequence of, or to give effect to. --

(a) any finding or direction contained in an order passed by any authority, Tribunal or Court in any proceeding under this Act or any other law; or

(b) the directions issued by the Approving Panel under section 274(6).

(2) The provisions of sub-section (1) shall not apply in any case, where the assessment or reassessment or recomputation as is referred to in that sub-section relates to a tax year in respect of which an assessment or reassessment or recomputation could not have been made under this Act due to it being time-barred, at the time when, --

(a) the order, which was the subject matter before any authority, Tribunal or Court, was made, or

(b) the proceedings relating to assessment or reassessment or recomputation under this Act