

Budget 2026–27: Key Changes Impacting Individuals

Concise, business-linked Budget proposals that can influence individual taxpayers, investors, professionals and families, with short explanations and likely implications.

DIRECT TAXES – INDIVIDUALS

1. Income Tax Act, Return Compliance & Ease of Living

New Income Tax Act, 2025 from 1 April 2026

WHAT CHANGES

The Income-tax Act, 1961 will be replaced by the Income Tax Act, 2025 from 1 April 2026. Rules and forms are being simplified and redesigned to make compliance easier for ordinary taxpayers.

Implication: Individuals and small businesses should expect new section references and return formats, and may need to adjust tax-planning, documentation and software tools in advance of FY 2026–27.

Extended Time to Revise Returns

WHAT CHANGES

The deadline to file a revised or belated return is extended from 31 December to 31 March following the tax year, with a nominal fee if revised after 31 December.

Implication: Salaried and business taxpayers get additional time to correct errors or include missed income, reducing future scrutiny risk, but should still review returns proactively rather than waiting till March.

Staggered ITR Due Dates

WHAT CHANGES

ITR-1 and ITR-2 continue with a 31 July due date. Non-audit business cases and trusts are proposed to have a slightly extended due date of 31 August.

Implication: Non-audit proprietors and small trusts get a modest buffer but must still complete bookkeeping and computations early to avoid interest and late-fee exposure.

Interest on MACT Compensation Exempt

WHAT CHANGES

Interest awarded by Motor Accident Claims Tribunals to a natural person is proposed to be fully exempt from income tax, with no TDS requirement on such interest.

Implication: Accident victims and their families will receive the complete awarded interest, improving the actual relief available in an already stressful situation.

One-Time Foreign Asset Disclosure (FAST-DS 2026)

WHAT CHANGES

A time-bound scheme is introduced for small taxpayers (students, professionals, relocated NRIs, etc.) to declare smaller overseas income and assets within specified thresholds, with defined tax or fee and immunity from prosecution.

Implication: Individuals who unintentionally missed reporting foreign assets or income get a clean-up window to regularise their affairs before the new law stabilises, reducing future enforcement risk.

Lower TCS on Overseas Tours & LRS for Education/Medical

WHAT CHANGES

TCS on overseas tour programme packages is reduced to 2% without any threshold. TCS on remittances under LRS for education and medical purposes is reduced from 5% to 2%.

Implication: Families funding foreign holidays, studies or medical treatment face lower upfront TCS outflows, easing short-term liquidity, though final tax still depends on overall income and filing.

Streamlined TDS & Declarations

WHAT CHANGES

Depositories can accept a single Form 15G/15H from an investor and forward it to relevant companies for interest, dividend and mutual fund unit payouts. Small taxpayers can obtain lower or nil TDS certificates through an automated, rule-based online process.

Implication: Senior citizens and small investors with multiple holdings should see fewer TDS mismatches and faster processing, reducing the need for refunds and rectifications.

Simpler TDS on Property Purchases from NRIs

WHAT CHANGES

Resident individuals and HUFs buying immovable property from a non-resident will not be required to obtain a TAN; TDS can be deposited via a PAN-based challan, similar to domestic transactions.

Implication: Individual buyers dealing with NRI sellers will find the process simpler, with lower compliance burden and potentially reduced professional costs on such deals.

2. Impact on Investors, Capital Markets & Gold

Buyback Taxation Shifted to Capital Gains

WHAT CHANGES

Share buyback proceeds will now be taxed as capital gains in the hands of all shareholders. Promoters will additionally pay a buyback tax (with different effective rates for corporate and non-corporate promoters).

Implication: For individual investors, tax treatment of buybacks becomes more aligned with capital gains rules, which may improve post-tax outcomes in some cases. Promoter groups may reconsider how they return capital to shareholders.

Higher STT on Futures & Options

WHAT CHANGES

Securities Transaction Tax on index and stock futures is increased, and STT on options (both on premium and on exercise) is also raised.

Implication: Active F&O traders, especially high-frequency and low-margin strategies, will see higher transaction costs. This may discourage excessive speculative churn and favour more deliberate hedging or positional use of derivatives.

Sovereign Gold Bonds – Stricter Exemption Conditions

WHAT CHANGES

Capital gains exemption on Sovereign Gold Bonds will apply only if an individual subscribes in the original issue and holds the bonds continuously until redemption on maturity, across all SGB series.

Implication: Secondary-market buyers of SGBs will not enjoy capital gains exemption at maturity. Long-term investors seeking tax-efficient gold exposure should favour fresh issues and hold them till maturity.

No Interest Deduction Against Dividend / MF Income

WHAT CHANGES

Interest expenditure incurred to earn dividend income or income from units of mutual funds will no longer be allowable as a deduction; earlier limited deductions are being withdrawn.

Implication: Investors using borrowed funds (including margin or loans against securities) to invest in equity or mutual funds will face higher effective tax on such income, making leveraged investment strategies less attractive on a post-tax basis.

3. Penalties, Prosecution & Crypto Reporting

Integrated Assessment & Penalty Orders

WHAT CHANGES

Assessment and penalty proceedings will be combined into a single order. Interest on penalty will not run during the period of appeal before the first appellate authority. Pre-deposit for filing an appeal is reduced from 20% to 10% of the core tax demand.

Implication: Business owners and professionals get faster closure and lower cash lock-in during appeals, but need to present strong facts and documentation at the initial assessment to minimise adverse additions.

Updated Returns Even After Reassessment

WHAT CHANGES

Taxpayers may file an updated return even after reassessment has started, by paying an additional 10% tax over and above the applicable rate for that year. Penalty on the additional income in such updated returns will not be levied.

Implication: Individuals and businesses gain another opportunity to voluntarily enhance income and settle matters, reducing the risk of protracted litigation and heavier penal consequences.

Simplified & Softer Prosecution Framework

WHAT CHANGES

Technical defaults, such as non-production of books in some situations and TDS payment where amounts are in kind, are decriminalised or converted into monetary fees. Remaining offences are graded based on tax evasion; maximum imprisonment for most is reduced, and courts may convert imprisonment into fine.

Implication: Genuine taxpayers face lower criminal risk for procedural lapses, helping reduce fear around minor mistakes, while serious evasion still attracts strong action tied to the quantum involved.

Crypto-Asset Reporting Penalties

WHAT CHANGES

New penalties are introduced for non-filing of required statements or for furnishing inaccurate information in respect of crypto-asset transactions, including per-day penalties and lump-sum fines.

Implication: Exchanges, platforms and other reporting entities must strengthen their systems. Individual investors can expect their crypto transactions to be more visible to tax authorities, making accurate reporting essential.

4. Pensions, Land Acquisition & Armed Forces

Disability Pension Exemption for Armed Forces

WHAT CHANGES

A specific exemption is provided for disability pension – including both service and disability components – paid to armed forces and paramilitary personnel who are invalided out of service due to disability attributable to, or aggravated by, service.

Implication: Affected personnel and their families receive assured tax-free support, improving net post-service income and reducing ambiguity that has existed in some cases.

Exemption for Land Acquired under RFCTLARR Act

WHAT CHANGES

Income in respect of compulsory acquisition of land under the 2013 Land Acquisition, Rehabilitation and Resettlement Act (other than certain specific cases) is expressly exempt for individuals and HUFs.

Implication: Families whose land is acquired for public projects can plan reinvestment, debt repayment and relocation with greater certainty about the tax status of compensation received.

5. Customs Duty & Cross-Border Consumption

Standardised Customs Duty on Personal Imports

WHAT CHANGES

Basic customs duty on all dutiable goods imported for personal use under heading 9804 is standardised at 10%, replacing the earlier 10%/20% structure, with effect from 1 April 2026.

Implication: High-net-worth individuals and frequent overseas shoppers may see modest duty savings and simpler computation when importing legitimate personal goods into India.

Revised Baggage Rules & Duty-Free Allowances

WHAT CHANGES

Baggage rules for international passengers are being updated to increase duty-free allowances and to clarify norms for temporary carriage of goods brought in or taken out.

Implication: Regular travellers can expect fewer disputes at customs counters and clearer guidance on what is allowed duty-free, improving overall travel experience.

Rationalised TCS on Select Goods

WHAT CHANGES

TCS on sale of alcoholic liquor, scrap and certain minerals is aligned to a 2% rate; TCS on tendu leaves is reduced from 5% to 2%.

Implication: The change mainly affects traders, but individuals involved in such businesses will experience a more uniform TCS regime and minor changes to short-term cash flows; final tax outcome remains unchanged.

Business-linked individual impact

Duty Relief for Critical Drugs & Rare Diseases

WHAT CHANGES

Basic customs duty is removed on additional specified drugs and medicines. More rare diseases are added to the list eligible for duty-free personal imports of medicines and specialised nutrition.

Implication: Households facing high-cost treatments, including for certain cancers and rare diseases, receive some relief on imported therapies, although overall affordability will still depend on pricing and insurance support.

6. Service-Sector & Employment-Oriented Announcements

Education-to-Employment High-Powered Committee

WHAT CHANGES

A standing committee is proposed to focus on the services sector as a core driver of growth, identifying high-potential subsectors, assessing the impact of technologies like AI on jobs, and recommending changes to education and skilling.

Implication: Over the medium term, students and young professionals may benefit from curricula that better match emerging job requirements, improving employability in high-value services.

Allied Health, Caregivers & Tourism Jobs

WHAT CHANGES

Large-scale skilling initiatives are planned for allied health professionals, multiskilled caregivers, medical tourism hubs, hospitality education and guide training across prominent tourist sites.

Implication: Youth and career-switchers can explore new vocational tracks in healthcare, wellness and tourism, diversifying income opportunities beyond traditional corporate roles.

Support for AVGC & Design Careers

WHAT CHANGES

AVGC content creator labs in schools and colleges, along with a new National Institute of Design, aim to address shortages of talent in animation, gaming, visual effects and design.

Implication: Individuals interested in the “orange economy” (creative and cultural industries) will have more structured learning paths and better prospects in domestic and global markets.

This document summarises selected Budget measures that have a reasonably direct or indirect impact on individuals, especially where business, investment or professional decisions may need realignment. It is not exhaustive and should be read alongside detailed legislation and professional advice before taking financial or tax decisions.