

Exploring Provisions

2026, February

dailytaxreporter.com;
relegal.in

From Courtroom Cheers to
Revenue Triumphs –
Budget 2026's
Retrospective Power Play
Against Taxpayers

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YathaDrishhti, TathaSrishti- As the vision, so the world”

PREFACE

The handbook contains reflections on Union Budget 2026 that looks to build tomorrow’s economy, but also revisits yesterday’s rules. While taxpayers celebrated recent High Court and Supreme Court victories on procedural safeguards, the Centre quietly rewrote history overnight. The retrospective ‘clarifications’ have turned taxpayer wins into revenue windfalls—proving that in tax law, the past is never truly settled until the Finance Bill says so. It’s an infrastructure push to digital and green ambitions and signals the government’s intent to fuel long-term growth and economic resilience but the government just hit ‘undo’ on your favourable court orders. Welcome to Budget 2026, where retrospective magic makes adverse judgments vanish... and tax demands reappear.

Purpose of this Document

In the flagship, the budget is designed to attract significant global investment in both financial services and digital infrastructure. More importantly it also assures long-term tax certainty to the foreign investors. This Tax Alert attempts to highlight Big Promises, Bigger Questions and a tightrope walk between Growth and Gaps

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I. Carrot and Stick Approach to Reduce Litigation

The government has indeed adopted strategies to discourage prolonged litigation while encouraging compliance:

1. Carrot elements

Amendments allow taxpayers to file **updated returns** (even in reopened cases) with additional tax (e.g., 10% extra) to settle disputes, avoid penalties, and escape prosecution for underreporting or misreporting of income. This provides an upfront compliance route for "solace" without full litigation risks.

These align with broader efforts to rationalize penalties, promote voluntary compliance, and minimize disputes.

2. Stick elements

The Centre overrode pending court battles by retrospective clarifications and deeming provisions using strong overriding language nullifying Judicial victories (e.g., "Notwithstanding anything contained in any judgment, order or decree of any court, for the removal of doubts, it is hereby clarified that...") clearly indicating to and deterring taxpayers not to resort to litigation on questions of law.

Thus there appears to be no any good motivation for the taxpayers to initiate litigation as a verdict later pronounced in their favour may get over-ruled by amendment in law anytime in future

The controversy stemmed from **SPECIAL LEAVE PETITION (CIVIL) NO. 25798 of 2024** (and connected SLPs) in Assistant Commissioner of Income Tax (International Taxation) & Others vs. Shelf Drilling Ron Tappmeyer Ltd. & Others.

On August 8, 2025, the Supreme Court delivered a split verdict:

Justice B.V. Nagarathna opined that Section 153 sets an outer limit for completing assessments/reassessments including DRP reference in transfer pricing cases. And since the Parliament has not carved out an exception for DRP reference cases therefore, according to her the DRP process must be completed inside the outer limit else the order shall be time-barred.

Justice S.C. Sharma held an opinion that Section 144C is a self-contained code. According to him the Parliament wanted a full DRP process to precede assessment, so that section 153 limit must yield to it for meaningful purpose to DRP scheme.

The split created uncertainty, especially for non-residents and transfer pricing cases involving DRP references. There were four special leave petitions filed before the Supreme court on this subject for different assessment years.

Before a larger bench could resolve it, the **Finance Bill 2026** introduced retrospective amendments to **Sections 144C, 153, and 153B** (effective from dates like April 1, 2009, for older provisions, with replication in the new Income-tax Act, 2025, from April 1, 2026). Deeming

provisions have now been introduced in the two sections by which the timelines for passing of draft assessment order and final assessment order in DRP reference cases shall stand reconciled.

It is now provided in the law that draft of the proposed order of assessment in sub-section (4) of section 144C shall always be deemed to have been made within the outer time limits specified in Ss. (1) to (4) of section 153

II. Senior Citizens Rejoice: Submit Form 15H Just Once & Enjoy Hassle-Free Dividends & Interest!

Tired of chasing multiple companies and banks every year to avoid unwanted TDS cuts on your hard-earned dividends and interest? Good news — the government has simplified life for you!

In a major taxpayer-friendly move announced in Budget 2026, senior citizens (aged 60 years and above) can now submit **Form 15H** — a simple self-declaration — **just once** to their depository participant (NSDL or CDSL) if they hold securities and investments in **demat form**.

This single submission gets electronically transmitted to all relevant issuers (companies, mutual funds, etc.), preventing unnecessary **Tax Deducted at Source (TDS)** on:

- Dividend income

- Interest from bonds, debentures, NCDs, and other securities

Previously, you had to submit separate Forms 15H to each company or entity — a tedious, repetitive process that often led to accidental TDS deductions and refund hassles.

Key Benefits of This Change:

- Drastically reduces paperwork and administrative burden.
- Ensures smoother cash flow from regular income sources.
- The name of the depository (or relevant agency) handling your demat holdings will appear in your **Form 26AS / AIS (Annual Information Statement) / TIS** under Specified Financial Transactions (SFT) reporting, making tracking easier.

Quick Eligibility Reminder for Form 15H:

- You must be a resident senior citizen (60+ years).
- Your total tax liability for the year should be nil (after considering rebates like Section 87A, deductions, etc.).
- This applies especially when your income is below or around the basic exemption limit (₹3 lakh for 60-79 years / ₹5 lakh for 80+ under old regime, or higher effective limits in new regime with rebate).

Note: This simplified single-submission facility is expected to take effect from April 1, 2027 (as per Budget proposals). For the current financial year, continue submitting to individual payers as before, but watch for implementation updates from NSDL/CDSL.

This step is a thoughtful gesture to make retirement years less stressful — more income in your pocket, less paperwork on your table! Consult your depository or tax advisor for personalized guidance.

III. GIFT City Gets a 20-Year Tax Supercharge: Double Holiday + 15% Long-Term Rate to Attract Global Finance Giants!

The Union Budget 2026 delivers a major boost to India's ambition of becoming a global financial powerhouse, with significant enhancements for units in the International Financial Services Centre (IFSC), particularly in GIFT City! (Gujarat International Finance Tec-City)

has extended the 100% income tax holiday for eligible units in the International Financial Services Centre (IFSC) — including banks, insurers, fund managers, aircraft lessors, and more operating in GIFT City — from 10 consecutive years (out of 15) to 20 consecutive years (out of a 25-year block) from the year of registration/commencement.

- Offshore Banking Units (OBUs) also see their tax holiday extended from 10 to 20 consecutive years.

- After the tax holiday expires, business income of these IFSC units and OBUs will be taxed at a concessional flat rate of **15%** (a sharp reduction from the earlier effective rates of 22–35% or normal corporate rates), ensuring predictable and attractive post-holiday taxation.

Anti-Misuse Safeguard:

To prevent abuse of incentives, units commencing operations on or after April 1, 2026, that are formed through splitting up, reconstruction, reorganization, or transfer of an existing Indian business will not qualify for the tax holiday.

These amendments shall provide long-term tax predictability in case of IFSC units. This proactive reform signals India's serious intent to build a robust, globally competitive onshore financial ecosystem. Existing and prospective IFSC units should review eligibility and plan accordingly — consult a tax advisor or the IFSCA for specific guidance. With this, GIFT City is firmly on the map as a long-haul destination for international finance!

IV. India Bets Big on AI & Cloud: 21-Year Tax Holiday Till 2047 to Turn Data Centres into Global Compute Hubs!

The Union Budget 2026 is turbocharging India's push to become a global powerhouse in AI, cloud computing,

and digital infrastructure — and it's rolling out the red carpet for hyperscalers!

- **Key Proposal Details:**

1. Foreign companies (e.g., global cloud providers) providing cloud services to customers worldwide using data centres located in India like Google, META, Amazon, Microsoft etc. who have been investing large sums in cloud and compute infrastructure to meet AI and machine learning demands will enjoy a 100% income tax holiday until 2047 (effectively ~21 years from FY 2026-27 onwards).
2. It is desired that such companies must serve Indian customers through an Indian reseller entity. The aim is to position India as a global digital infrastructure hub and ensuring domestic taxation and value addition in India.
3. A complementary 15% cost-plus safe harbour has been introduced for Indian entities providing data centre services to related foreign companies, offering predictability in transfer pricing and reducing litigation risks

- **Suggestion for Broader Inclusivity & Enhanced Appeal:**

To make this policy truly transformative and support India's homegrown tech ecosystem, the incentives should be extended (or mirrored) to **domestic tech companies** building similar hyperscale data centres and cloud infrastructure.

This levels the playing field, fosters local innovation, and prevents over-reliance on foreign players.

- **Additional Recommended Exemptions for Maximum Impact:**
 - i. **Stamp duty** and other **state-level indirect taxes** on land acquisition, construction, and equipment for eligible data centre projects.
 - ii. **Withholding tax (TDS)** exemptions on payments received by these entities (foreign or domestic) for qualifying services, easing cash flows and reducing compliance burden.

Global tech leaders and Indian startups alike should evaluate opportunities here — consult tax experts or the Ministry of Electronics and IT (MeitY) for specifics!

V. End of TP Battles? Budget 2026 Rolls Out 15.5% Safe Harbour Shield for IT, GCCs, Data Centres & More!

With a view to provide tax certainty, to reduce several transfer pricing disputes and to encourage global companies to establish data centre operations in India flat 15.5% scale of margin is set as safe harbour for all related entities providing data centre services, IT, ITES, R&D, GCC services apart from the following:

1. Software development, IT-enabled services (ITES), Knowledge Process Outsourcing (KPO), contract R&D (related to software), and allied services are now consolidated under a single unified category: "Information Technology Services".

2. The eligibility threshold for availing safe harbour has been significantly hiked from ₹300 crore to ₹2,000 crore — bringing many large GCCs and mid-to-large IT firms into the fold.
3. Approvals will now be processed through an automated, rule-driven system (no manual scrutiny by tax officers), with the safe harbour valid for up to 5 consecutive years once elected.
4. Separately, for data centre services provided by Indian related entities to foreign associated enterprises (e.g., supporting global cloud providers), a specific 15% safe harbour on cost has been introduced to complement the tax holiday for foreign cloud companies using Indian data centres

Suggestion for Even Greater Impact – Litigation Cleanup:

One-time option may be given to transfer pricing litigants with similar profile to adopt the 15.5% safe harbour rule in their ongoing litigation with payment of 10% additional tax. This amnesty-like mechanism will drastically cut tax litigation from the country.

Existing and prospective players should review their TP positions and consider opting in — consult a transfer pricing specialist or tax advisor for tailored advice. With less litigation and more certainty, India's tech story just got a powerful upgrade!

VI. Budget 2026 Ends PF/ESI Deduction Nightmare: Employee Contributions Now Deductible Till ITR Filing Date!

Under the **Income-tax Act, 2025** (effective from April 1, 2026), section 2(49)(o) defines "income" to include any sums received by an employer (assessee) from employees as contributions to:

- Provident fund (PF),
- Superannuation fund,
- Funds under the **Employees' State Insurance Act, 1948** (ESI), or
- Any other fund set up for employee welfare.

Section 29(1)(e) allows a corresponding deduction for these amounts **only if** the employer credits them to the employee's account in the relevant fund(s) by the "due date."

Due date is defined to mean 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.

Section 29(1)(e) is amended to provide that the deduction is available if the employee contributions are credited on or before the due date for filing the return of income under section 263(1) of the Act.

Effective Date: The change applies from April 1, 2026 (for tax year 2026-27 and subsequent years). It does not apply retrospectively to earlier years under the current proposal.

Practical Note and suggestion:

For ongoing litigations (pre-2026-27) — Continue pursuing appeals; the curative nature may strengthen arguments before courts/tribunals, though retrospective application would require further clarification or judicial relief.

VII. Government's U-Turn on Sovereign Gold Bond Tax Exemption: Breaking a Promise to Secondary Market Investors?

Just when Sovereign Gold Bonds (SGBs) were hailed as a tax-smart way to invest in gold—with full capital gains exemption on maturity for any holder—the Budget 2026 has pulled the rug out from under secondary market buyers. From April 1, 2026, tax-free redemption gains will be reserved only for original subscribers who hold till maturity. This abrupt change has already triggered a sharp 10% slump in SGB prices and raised serious questions about trust in government-backed promises.

Under the SGB scheme the capital gains tax arising on redemption of SGB to an individual has been exempted. In any other case indexation benefits shall be provided on long terms capital gains arising to any person on transfer of bond. In the obvious therefore transfer would mean transfer any time before redemption date.

The Government now proposes to limit such exemption benefit to original investor who hold such bonds till maturity

and not to any investor who purchases them from market and hold them till maturity. It is further stated that the amendments shall take effect from the 1st day of April, 2026, and shall apply in relation to the tax year 2026-27 and subsequent tax years

Current vs. Proposed Rules: A Clear Shift

Under the existing framework (as per the Income-tax Act, 2025), redemption of SGBs by an individual is exempt from capital gains tax, with no distinction between original buyers and those who acquire them later in the secondary market. The provision reads:

"(x) of Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015, by way of redemption, by an individual;"

This broad exemption encouraged liquidity in the secondary market, where investors could buy bonds (often at a premium during high gold price periods) and still enjoy tax-free gains on maturity.

The Budget 2026 proposes amending Section 70(1)(x) of the Income-tax Act, 2025 (effective April 1, 2026, for AY 2026-27 and beyond) to:

“(x) by way of redemption, of Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015 or any subsequent Sovereign Gold Bond Scheme, if held by an individual from the date of original issue till maturity;”

Key restrictions introduced:

- Exemption limited to individuals (not other entities).
- Must be the original subscriber (subscribed at the time of RBI's initial issue).
- Must hold continuously from issuance until maturity.
- Applies to all SGB series, but prospectively—SGBs issued before April 1, 2026, should continue under the old broad exemption (plain reading of the prospective application clause).
- Secondary market buyers (even if holding till maturity) lose the exemption → capital gains taxed as long-term (with indexation benefits available for non-individuals or non-qualifying cases).
- Notably, no parallel amendment appears in Section 47(viic) of the old 1961 Act (which had similar wording), potentially creating interpretive issues.

Suggestion to the Government

Withdraw or modify this proposal to honor the original intent. Restore the exemption for all individual holders redeeming at maturity, regardless of acquisition route. This would:

- Preserve investor trust.
- Maintain secondary market liquidity.
- Align with the scheme's goal of channeling savings into gold without physical hassles.

At minimum, grandfather all existing SGBs (issued before April 1, 2026) under the old exemption, ensuring no retrospective impact.

Carveout- SGB issued prior to 1 April, 2026

From the plain reading of the new provision the same shall apply prospectively only with respect to investment in SGB issued on or after 1 April 2026 so that bonds that are issued previous to April 1, 2026 shall continue to enjoy exemption at the time of their maturity regardless of whether they are held as original purchase or acquired from the market.

Not to miss that there is a ‘comma’ after the word redemption both in the previous 1961 Act and new 2025 Act clauses clearly highlighting the entitlement to exemption at the time of redemption.

Credibility questionable- Changing the rules mid-way—especially for a government-backed scheme—undermines predictability and the sanctity of assurances given at issuance. A promise from the RBI (under government authority) should not be retrospectively diluted or narrowed by later legislative tweaks.

VIII. Retrospective Corner:

Budget 2025 vs 2026: Retrospective Power Plays – From GST Overrules to Direct-Tax Checkmates

Courts handed wins. Governments hit ‘undo’ twice. But 2026’s direct-tax retrospectives strike harder and wider than 2025’s mainly GST-focused overrides.

Comparison Table (Key Retrospective Moves)

Budget 2025 (Finance Act 2025)

Focus: Primarily GST/indirect taxes — revenue-protective, often overriding Supreme Court wins.

Retrospective from 1 July 2017: Amended Section 17(5)(d) CGST Act — replaced “plant or machinery” with “plant and machinery” → Blocked ITC on construction of immovable property used for taxable supplies. Directly overruled Supreme Court’s decision in Chief Commissioner of Central Goods and Service Tax v. Safari Retreats Pvt. Ltd. [2025] 174 taxmann.com 894 (SC) allowing such credit.

Budget 2026 (Finance Bill 2026)

Focus: Direct taxes (Income-tax Act 1961 & new 2025 Act) — procedural/jurisdictional fixes overriding multiple High Court/pending SC rulings.

Retrospective from 1 Apr 2021: Clarified AO jurisdiction for reassessment notices (non-faceted/JAO only) → Nullifies faceless reassessment challenges (e.g., Roca Bathroom, Shelf Drilling).

Retrospective from 1 Apr 2009 / 1 Oct 2009: DRP timeline & draft order validity under Sections 144C, 153, 153B → Revives time-barred assessments hit by court rulings.

Retrospective from 1 Jun 2007: TPO 60-day order computation → Overrides limitation quashes in transfer pricing cases.

Retrospective from 1 Oct 2019: DIN defects cured if referenced “in any manner” → Neutralises Bombay HC views invalidating orders without proper DIN.

Style — Explicit “notwithstanding any judgment, order or decree” clauses; multi-year backdating; directly

targets pending/ongoing High Court & SC litigation on reassessment, timelines, jurisdiction.

Litigation Impact

- 2025 hit real-estate/commercial sectors post-SC win.
- 2026 broadly revives revenue demands in reassessment/search/TP cases
- taxpayers thought won on technical grounds.

Conclusion

2025 overruled one big SC GST verdict retroactively. 2026 went further rewriting direct-tax history across decades to erase multiple court-favourable procedural escapes. These changes are strategically designed to clarify procedural ambiguities in favor of the revenue authorities, explicitly overriding conflicting court judgments, orders, or decrees. This approach effectively nullifies taxpayer-favorable interpretations from High Courts and potentially the Supreme Court, even in cases where matters are sub-judice.

“Courts interpret; Parliament rewinds. Taxpayers, Your judicial relief now has a retroactive asterisk. The revenue playbook just levelled up.

Retrospective Amendments in Union Budget 2026: Overriding Judicial Precedents

Such moves ensure that assessments, notices, and timelines previously challenged on technical grounds are deemed valid retrospectively, reducing litigation wins for taxpayers and strengthening the department’s position. Below, I detail the key adverse retrospective

provisions, quoting relevant excerpts from the Finance Bill to highlight the “notwithstanding” clauses that sideline judicial oversight.

1. Clarification on Assessing Officer for Reassessment Notices (Section 147A)

Retrospective Effect: From 1 April 2021.

Impact on Taxpayers: This amendment addresses jurisdictional disputes arising from cases like *Hexaware Technologies Ltd. v. Asstt. CIT* [2024] 162 taxmann.com 225/464 ITR 430 (Bombay), where courts questioned the validity of reassessment notices issued by faceless assessment units or non-designated officers. By retrospectively deeming only traditional Assessing Officers (excluding National Faceless Assessment Centre or units under Section 144B) as competent, it validates thousands of notices that might have been quashed, forcing taxpayers back into reassessment proceedings without procedural escapes.

Key Quote from Finance Bill: “Notwithstanding anything contained in any judgement, order or decree of any court or in section 151A or in any scheme framed thereunder, for the removal of doubts, it is hereby clarified that the Assessing Officer for the purposes of sections 148 and 148A shall mean and shall always be deemed to have meant to be an Assessing Officer other than the National Faceless Assessment Centre or any assessment unit referred to in sub-section (3) of section 144B.” 19 This provision cleverly retrofits the law to

align with revenue practices, disregarding ongoing Supreme Court appeals on faceless reassessments.

2. Time Limits for Draft Assessment Orders in DRP Cases (Section 144C Amendments)

Retrospective Effect: Sub-sections (4A) and (13A) from 1 April 2009; (4B) and (13B) from 1 October 2009.

Impact on Taxpayers: In disputes involving the Dispute Resolution Panel (DRP), courts have often invalidated assessments for exceeding timelines under Sections 153 or 153B. This retrospective clarification deems draft orders forwarded within these limits as valid, extending the effective period for final assessments. Taxpayers in pending High Court or Supreme Court cases (e.g., on transfer pricing adjustments) may lose grounds for challenging time-barred actions, leading to revived demands and prolonged litigation.

Key Quote from Finance Bill: “Notwithstanding anything contained in any judgment, order or decree of any court, or section 153B, for the removal of doubts, it is hereby clarified... where a draft of the proposed order of assessment under sub-section (1) is forwarded within the time period allowed under section 153B, time period available for the Assessing Officer under sub-section (13) to pass the assessment order... shall be governed and shall always be deemed to have been governed by

the provisions of sub-sections (12) and (13).” 19 This move preempts judicial scrutiny by retroactively sanctifying procedural lapses, even as similar issues remain under appeal.

3. Validity of Draft Orders Within Overall Assessment Timelines (Sections 153(10) and 153B(1A))

Retrospective Effect: Section 153(10) from 1 April 2009; Section 153B(1A) from 1 October 2009.

Impact on Taxpayers: These insertions address court rulings that struck down assessments for missing internal deadlines in search cases or regular assessments involving DRP. By deeming drafts under Section 144C as compliant if issued before the overall limitation expiry, it revives potentially invalid orders. Taxpayers facing Supreme Court challenges on barred assessments (e.g., post-search proceedings) could see their defenses undermined, resulting in additional tax liabilities.

Key Quote from Finance Bill: “Notwithstanding anything contained in any judgment, order or decree of any court, for the removal of doubts, it is hereby clarified that in terms of provisions of sub-sections (1) to (4), the draft of the proposed order of assessment referred to in sub-section (1) of section 144C shall be made, and shall always be deemed to have been made, at any time up to the time limit of assessment...” 19 The center’s strategy here is to use retrospective language to “clarify” ambiguities, effectively overriding

adverse judgments without awaiting final court resolutions.

4. Timeline for Transfer Pricing Officer Orders (Section 92CA(3AA))

Retrospective Effect: From 1 June 2007.

Impact on Taxpayers: Courts have quashed transfer pricing adjustments for delayed TPO orders. This amendment retrospectively standardizes the 60-day computation to fit within assessment limits under Sections 153/153B, validating past delays. For multinational enterprises in ongoing Supreme Court litigation on arm's-length pricing, this could mean upheld adjustments and higher taxes.

Key Quote from Finance Bill: "...the calculation of sixty days shall be made and shall always be deemed to have been made in the following manner..." (tailored to exclude extensions but align with overall limits). 19 This provision cleverly backdates uniformity, sidelining court interpretations on strict timelines.

5. Validity Despite DIN Defects (Section 292BA)

Retrospective Effect: From 1 October 2019.

Impact on Taxpayers: Based on rulings like Commissioner of Income-tax (International Taxation)-1 v. Brandix Mauritius Holdings Ltd. [2023] 149 taxmann.com 238 (Delhi), courts including Bombay, Madras and Calcutta High Court in the subsequent on one occasion or the other have invalidated

orders/directions without proper Document Identification Numbers (DIN). This retrospective clarification deems assessments valid if DIN is “referenced in any manner,” nullifying such technical defenses. Taxpayers in pending appeals may lose this ground, facing enforced demands.

Key Quote from Finance Bill: “Clarifies assessments valid despite mistakes in quoting computer-generated Document Identification Number if referenced.” 19 By retroactively curing procedural flaws, the government ensures revenue continuity, even amid Supreme Court deliberations on DIN mandates.

6. Other Adverse Provisions for Taxpayers in Budget 2026

Beyond retrospectives, the Budget introduces forward-looking changes that increase compliance burdens, taxes, or restrictions, often without offsetting reliefs:

- a. Disallowance of Deductions on Dividend and Mutual Fund Income (Section 93): No expenses deductible against such income from 1 April 2026, raising effective tax for banks, NBFCs, and investors with treasury portfolios. This hits corporate taxpayers hard, increasing taxable income without prior deductions.
- b. Taxation of Secondary Market Sovereign Gold Bonds (SGBs): Exemption on redemption limited to original subscribers; secondary buyers taxed

- on gains from 1 April 2026, curbing tax arbitrage but penalizing market liquidity.
- c. Increased Securities Transaction Tax (STT): Futures hiked from 0.02% to 0.05%; options from 0.1% to 0.15% (sale) and 0.125% to 0.15% (exercise), effective 1 April 2026, raising trading costs for derivatives and potentially reducing market participation.
 - d. Fees for Delayed Revised Returns (Section 234-I): ₹1,000 (income ≤ ₹5 lakh) or ₹5,000 otherwise for revisions after 9 months, from 1 March 2026, deterring corrections.
 - e. Additional Tax on Updated Returns During Reassessment (Section 140B(3A)): 10% extra on additional income-tax for updates post-Section 148 notice, from 1 March 2026, making voluntary disclosures costlier.

IX. Bitter Bites

“Courts said yes. Budget 2026 said ‘undo’. Retrospective magic just vaporized taxpayer wins overnight”

In the chess game of Indian taxation, Budget 2026 proves once again this year that the government holds the power to change the rules any time. By deploying retrospective ‘clarifications’ with surgical precision, the Centre has effectively neutralized several taxpayer-favourable High Court and Supreme Court interpretations on jurisdiction, timelines, DIN defects, and transfer pricing limits.

Some interpretations have not even seen the light of the day before larger Bench and scrapped overnight. Pending litigations now face an uphill battle, reassessments gain fresh life, and procedural defences evaporate overnight. For taxpayers and practitioners, the message is clear: vigilance must extend beyond courts to every Finance Bill. In India's tax landscape, judicial relief is valuable... but retrospective legislation remains the ultimate trump card. The era of the new Income-tax Act begins in April 2026—prepare for a more revenue-assertive future

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