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ASSET MANAGEMENT

The COMMUNIQUE



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Our Leadership Speaks

Rise of Data-Driven Tax Administration

India’s income-tax administration is steadily moving from a return-centric model to a data-integrated model. The recent collaboration between the Income Tax Department and the Stamp Duty and Registration Department to strengthen Statement of Financial Transaction (SFT) reporting and Form 165 is a clear example. The emphasis is increasingly on accurate PAN-linked data, transaction values, validation, and correction of reporting gaps, ensuring that information entering the tax system is reliable and usable.

This evolution is being reinforced by the Annual Information Statement (AIS), which brings together a growing range of financial information available to the tax administration. With foreign-asset information also becoming visible through AIS, taxpayers are operating in an environment where significant financial transactions can increasingly be viewed and cross-checked against their tax declarations.

The strategic message for taxpayers and businesses is clear: tax compliance is moving beyond simply filing a return correctly to ensuring that the entire financial data trail is consistent. For businesses, this means stronger data governance and reconciliation will increasingly become part of tax risk management. For individuals, it means the question is no longer only “What did I report?” but also “Does my reported position align with the information available to the tax administration?” India’s tax system is, in effect, moving from tax reporting towards tax intelligence.

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Never miss a date

October 7th Payment of TDS/TCS deducted or collected during September 2026. Government offices have a same-day payment requirement in the specified case.	October 7th Form 127 – Declaration by a buyer for obtaining goods without collection of tax, relating to amounts received during September 2026.	October 15th Form 132 – Issue of TDS certificate for tax deducted during August 2026.	October 15th Form 137 – TDS/TCS Book Adjustment Statement to be furnished by a government office for September 2026.
October 30th Form 141 – Challan-cum-statement for specified TDS transactions during September 2026.	October 30th Form 142 – Quarterly statement of tax deposited in relation to transfer of Virtual Digital Assets (VDAs), to be furnished by an exchange for the quarter ended 30 September 2026.	October 31st Income-tax Return (ITR) – AY 2026-27 for corporate assessees, non-corporate assessees whose books are required to be audited, and partners of firms whose accounts are required to be audited, where there are no international or specified domestic transactions.	October 31st Form 3CA-CD / 3CB-CD – Audit report under section 44AB for AY 2026-27 in cases also requiring a report relating to international or specified domestic transactions under section 92E.
October 31st Form 3CEB – Report in respect of international transactions and specified domestic transactions.	October 31st Form 29B – Report under section 115JB for computing the book profits of a company for MAT purposes.	October 31st Forms 138, 140, 143 & 144 – Quarterly TDS/TCS statements for the quarter ended 30 September 2026, covering salary, other payments, non-resident payments, and TCS, as applicable.	October 31st Self-Assessment Tax payment, where the related return of income is due on 31 October 2026.

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ALL YOU NEED TO KNOW ABOUT FOREIGN ASSETS OF SMALL TAXPAYERS DISCLOSURE SCHEME, 2026

The Income Tax Department has opened a one-time compliance window for eligible taxpayers to disclose certain foreign assets and foreign income that were not properly reported earlier. But this is not a blanket amnesty, and the financial consequences depend heavily on why the asset was not disclosed.

A forgotten overseas bank account, shares received from a foreign employer, an old foreign investment, or property acquired while living abroad may seem like minor compliance oversights. Under India's foreign-asset reporting framework, however, such omissions can have significant tax and legal consequences.

The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (FADS 2026), provides eligible taxpayers an opportunity to address certain historical omissions. The scheme is now operational, with Form 1 available on the Income Tax e-Filing Portal. The declaration window remains open until 31 December 2026.

Two categories, two very different costs

The most important feature of FADS 2026 is that it distinguishes between two situations.

1. Undisclosed foreign asset or income

Where the taxpayer has an undisclosed foreign asset or foreign income covered by the scheme, the aggregate value must not exceed ₹1 crore.

The taxpayer is required to pay:

- 30% tax on the relevant amount; and
- an additional amount equal to 100% of that tax.

This effectively means a 60% payment on the amount covered under this category.

2. Foreign assets acquired from legitimate or already-taxed sources

The second category addresses specified foreign assets where the underlying circumstances are different, for example, assets acquired from income earned while the taxpayer was a non-resident or from income that had already been offered to tax in India, but the asset itself was not properly disclosed.

Here, the aggregate value of eligible assets can be up to ₹5 crore, with a flat fee of ₹1 lakh. All you need to know about

Foreign Assets of Small Taxpayers Disclosure Scheme, 2026

This distinction is crucial. A foreign asset that was simply omitted from a return is not necessarily treated in the same way as foreign income that was never disclosed or taxed.

What can be covered?

The scheme can potentially cover specified foreign assets and income, including interests such as:

- foreign bank and financial accounts;
- foreign securities and investments;
- interests in foreign entities;
- foreign immovable property; and
- other specified foreign financial interests.

However, eligibility depends on the taxpayer's residential status, source of funds, nature of the asset, previous tax disclosures and whether any proceedings are already pending.

The scheme also contains specific exclusions. It should therefore not be viewed as a general amnesty for all undisclosed overseas wealth.

Why does residential status matter?

This is particularly relevant for NRIs and returning Indians. Imagine an individual who worked overseas for several years, accumulated savings while non-resident and purchased foreign investments. After returning to India, the person became resident but failed to disclose those investments in the relevant tax returns.

The tax treatment of such a case can be very different from that of an Indian resident who earned taxable foreign income but deliberately failed to report it. That is why taxpayers should establish their residential status and source of funds for the relevant years before deciding which FADS category applies.

The 31 March 2026 valuation date

Another important feature is valuation. For the purposes of the scheme, the relevant valuation date is 31 March 2026, with detailed valuation rules applying to different categories of foreign assets.

Therefore, taxpayers should not simply use today's market value of their overseas investments. The prescribed valuation methodology must be followed.

How does the process work?

The process begins with Form 1, which is available electronically through the Income Tax e-Filing Portal. The broad sequence is:

Declaration → Determination of amount payable → Payment → Certification

A taxpayer therefore needs to establish the facts and calculate the relevant value before filing rather than treating Form 1 as a simple disclosure exercise.

What protection does the scheme provide?

For a valid declaration satisfying the statutory conditions and payment requirements, FADS provides specified immunity from further tax, penalty, and prosecution under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, in respect of the assets or income covered by the declaration.

But the protection is conditional. Cases involving specified exclusions, including certain proceedings under the Black Money Act or assets connected with proceeds of crime, cannot simply be brought under the scheme.

Why taxpayers should pay attention

The significance of FADS goes beyond this one-time window. India's tax administration is becoming increasingly data-driven and interconnected. Foreign financial information, tax-return disclosures, information statements and international information exchange are making it progressively harder for overseas assets to remain invisible indefinitely.

For taxpayers with old foreign accounts or investments, the relevant question is therefore not merely "Did I forget to disclose it?". It is: "Is my foreign-asset position correctly reported under Indian tax law, and if not, what is the appropriate route to regularise it?"

FADS 2026 provides one such route for eligible cases.

Conclusion

FADS 2026 is a targeted compliance window, not a blanket amnesty. Eligible taxpayers should first reconstruct their foreign-asset history, establish their residential status, trace the source of funds and compare their assets with previous tax-return disclosures.

The declaration deadline is 31 December 2026, while the scheme's financial consequences can vary dramatically, from a substantial tax and additional amount under Category 1 to a ₹1 lakh fee under Category 2. For someone with an old foreign asset sitting quietly in the background, this may be the year to stop treating it as a forgotten footnote.

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