

INCOME TAX

Union Budget 2026–27

Complete Guide to Individual Tax Benefits

Overview

The Union Budget 2026–27 focuses on continuity and simplification. Key benefits from Budget 2025 remain fully in force. The New Income Tax Act, 2025 comes into force from 1 April 2026, replacing the 65-year-old Act of 1961.

Key Highlights

- Zero income tax up to ₹12 lakh under the new regime
- Effective tax-free limit ₹12.75 lakh for salaried (with ₹75,000 standard deduction)
- Section 87A rebate of ₹60,000 retained
- LRS TCS reduced to flat 2% (overseas tours, education, medical remittances)
- Armed Forces disability pension fully exempt from income tax
- New Income Tax Act, 2025 effective 1 April 2026 (replaces 1961 Act)
- Revised return window extended to 31 March (with nominal fee)
- SGB capital gains exempt only for original subscribers at maturity

Tax Slabs — New Regime (FY 2026–27)

Income Range	Tax Rate
Up to ₹12,00,000	Nil (Rebate u/s 87A)
Up to ₹12,75,000 (Salaried)	Nil (with Standard Deduction)
₹12,00,001 – ₹16,00,000	15%
₹16,00,001 – ₹20,00,000	20%
₹20,00,001 – ₹24,00,000	25%
Above ₹24,00,000	30%

LRS – TCS Rate Changes

Tax Collected at Source (TCS) under the Liberalised Remittance Scheme is reduced to a flat 2% on overseas tour packages, education remittances, and medical treatment abroad — simplifying compliance for

individuals making foreign remittances.

What Stays the Same

- Standard deduction of ₹75,000 for salaried and pensioners continues
- Section 80C deductions remain available under the old regime
- HRA exemption rules unchanged under old regime
- Senior citizen interest income exemption (₹50,000) continues
- NPS employer contribution deduction of 14% (Government employees) retained

Disclaimer: This note is for informational purposes only. It does not constitute tax advice. Laws are subject to amendment — consult your CA for guidance specific to your situation.

Published: April 2026 | R. Mahesh & Associates, Chartered Accountants, Chennai