

Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026

Rules, valuation method and Forms notified

Notification No. 114/2026 [G.S.R. 732(E)] dated 14 August 2026

DECLARATION WINDOW 16 August – 31 December 2026 Electronic filing in Form 1	VALUATION DATE 31 March 2026 Higher of cost and market value, as per Rule 3
CATEGORY 1 – UNDISCLOSED ASSET / INCOME 30% tax + 100% of tax Aggregate value up to ₹1 crore	CATEGORY 2 – ASSET NOT REPORTED Fee of ₹1,00,000 Asset acquired out of taxed income or income earned as a non-resident; value up to ₹5 crore

In brief

Residents are required to report all assets held outside India in Schedule FA of the Income-tax return. The Finance Act, 2026 has introduced a one-time Scheme under which taxpayers may declare foreign assets and foreign income that were not reported, and obtain immunity under the Black Money Act, 2015 on payment of the specified amount.

This alert explains, in simple terms, who may use the Scheme, how assets are valued, the amount payable and the procedure.

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1 Who may be affected

This alert is relevant if you or a member of your family is resident in India now, or was resident when the asset was acquired, and any of the following applies:

- ☒ ESOPs / RSUs from a foreign employer, or a foreign brokerage account
- ☒ Insurance, pension or savings policy from an earlier stay abroad
- ☒ A bank account opened abroad while studying or working
- ☒ A flat, land, shares or mutual funds held outside India

...and the asset was **not shown in Schedule FA** of your Income-tax return, or the return itself was not filed.

Background

India receives information on foreign accounts every year from more than 100 countries under the Common Reporting Standard and FATCA. The Scheme provides an opportunity to regularise the position voluntarily.

2 The two categories

CATEGORY 1 · UNDISCLOSED ASSET OR INCOME

Asset or foreign income on which Indian tax was not paid, or the source cannot be explained

30% + 30% = 60%

30% tax plus an equal amount as penalty

- Asset value (31 March 2026) plus income must not exceed **₹1 crore**
- Payable on the value of the asset, not on the gain

CATEGORY 2 · ASSET NOT REPORTED

Asset bought from income already taxed in India, or earned abroad while you were a non-resident

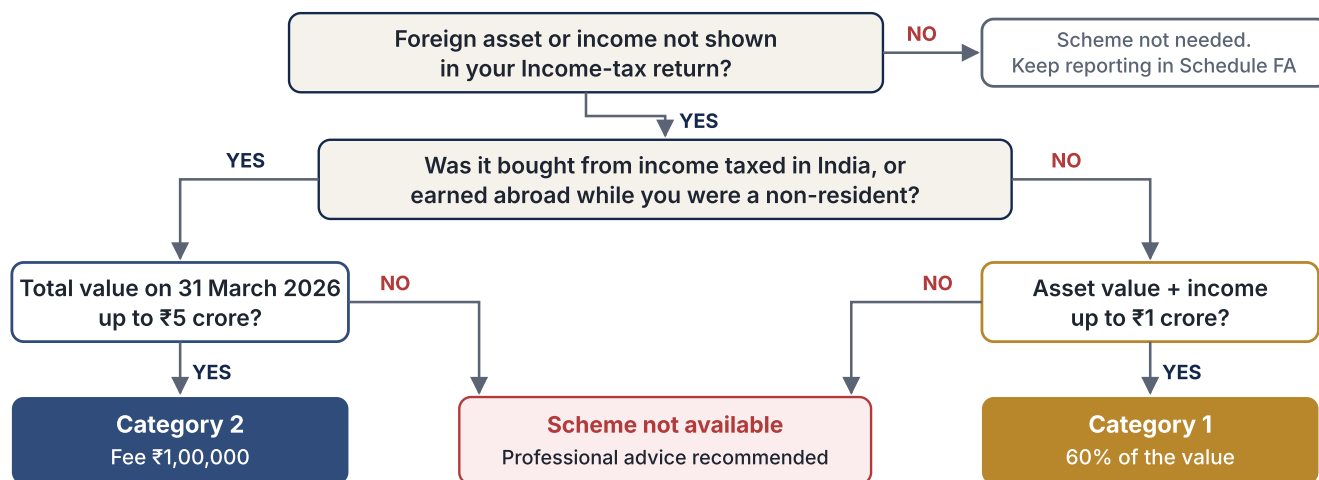
₹1,00,000 fee

only a flat fee – no tax, no penalty

- Value of all such assets on 31 March 2026 must not exceed **₹5 crore**
- The source of funds must be supported by records

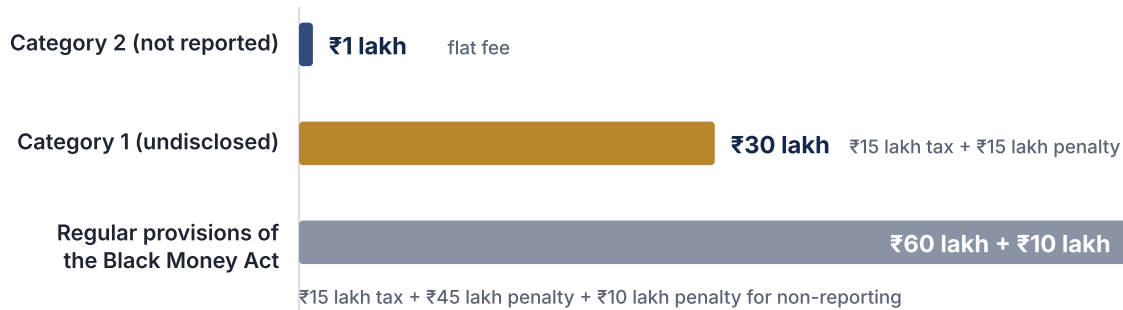
Category 1 and Category 2 are Sl. No. 1 and Sl. No. 2 of the Table in section 133 of the Finance Act, 2026.

Which category applies to me? – a quick guide



3 Amount payable – an illustration

Example: a foreign asset worth ₹50 lakh on 31 March 2026.



Black Money Act: tax at 30% (section 3), penalty equal to three times the tax (section 41) and penalty of ₹10 lakh for not reporting the asset (sections 42 and 43). From 1 October 2024, the ₹10 lakh penalty does not apply where the aggregate value of assets other than immovable property does not exceed ₹20 lakh. Prosecution may also apply. Shown only for comparison; the actual levy depends on the facts of each case.

4 Valuation of assets

General rule: the value is the **higher of the cost and the market value on 31 March 2026**. Where a valuation is not obtained, the cost adjusted for inflation (indexed cost) is taken as the value. Values are converted into Indian rupees at the RBI reference rate on 31 March 2026.

Asset	Value taken under the Scheme
Listed shares, ESOP / RSU shares	Higher of cost and the average of the highest and lowest prices on 31 March 2026
Flat, house, land	Higher of cost and market value (report from a valuer recognised in that country), or indexed cost
Jewellery, gold, paintings	Higher of cost and market value as per valuer, or indexed cost
Unlisted shares	Higher of cost and book net-asset value as per the formula in the Rules, or indexed cost
Share in a foreign firm / LLP	Your share of the net assets of the firm
Insurance policies, fund units and other assets	Higher of amount invested and market value, or indexed cost
Asset sold before 31 March 2026	Higher of cost and sale price – it still has to be declared
Bank account	Total of all deposits made since the account was opened , excluding re-deposits of earlier withdrawals – not the balance (see the next page)

Safety margin of 20% on valuation

For assets other than bank accounts, if the Department later arrives at a different value, your declaration will not be treated as invalid merely for that reason, provided the difference does not exceed 20% of the value declared.

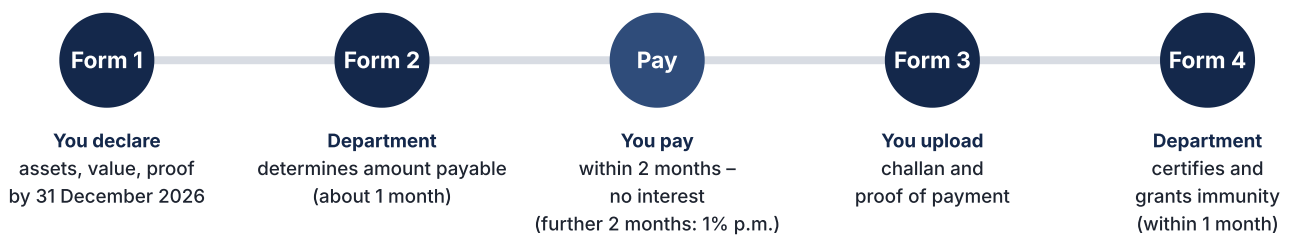
Bank accounts – how the value is worked out

Simple rule: the value of a foreign bank account is the **total of all deposits made into it from the date of opening up to 31 March 2026**. An amount withdrawn from the account and later deposited back is counted only once. The balance in the account is not relevant.

Year	What happened (example given in the Rules)	Counted
2010	Account opened with a deposit of \$1,000	\$1,000
2011	Deposited \$500	\$500
2011	Withdrew \$700	–
2012–13	Deposited \$1,000 – of this, \$700 is the amount withdrawn in 2011 being deposited back, so only \$300 is a new deposit	\$300
2019	Deposited \$2,500	\$2,500
2020	Withdrew \$400	–
2021	Deposited \$1,000 – of this, \$400 is the amount withdrawn in 2020 being deposited back, so only \$600 is a new deposit	\$600
2024	Withdrew \$500 – withdrawals do not reduce the value	–
Value of the account (to be converted into Indian rupees at the RBI reference rate on 31 March 2026)		\$4,900

5 Procedure and time limits

The entire process is online, through the Income-tax e-filing portal.



Part payments are allowed. The Form 2 timeline is as per the CBDT FAQs; the other timelines are as per the Rules and Form 2.

Example of payment dates (from the Rules)

If Form 2 is issued on	22 September 2026
Payment without interest	On or before 30 November 2026
Payment in December 2026	Interest of 1% to be added
Payment in January 2027	Interest of 2% to be added; the last date for payment is 31 January 2027
Payment after 31 January 2027	The declaration becomes void, and the amount paid is not refunded .

6 Benefits and limitations

BENEFITS

- No further tax, penalty or prosecution under the **Black Money Act** for what you declare – including the ₹10 lakh non-reporting penalty
- The declared income or investment is not included in total income under the Income-tax Act
- A certificate in Form 4, which is conclusive
- A pending assessment must take your declaration into account

LIMITATIONS

- No protection under **FEMA** or any other law – this needs to be examined separately
- No cover for any asset or income not included in Form 1
- No refund of the amount paid
- No re-opening of an assessment already completed
- No relief from future reporting – the asset must be shown in Schedule FA every year

The Scheme is not available where

- the asset or income represents proceeds of crime in a case where proceedings under the Prevention of Money Laundering Act, 2002 have been initiated or are pending;
- assessment under the Black Money Act for that year is already completed;
- the value is above ₹1 crore (Category 1) or ₹5 crore (Category 2); or
- the declaration contains incorrect or incomplete particulars, or the payment is not made in time.

7 Our observations

- **Category 2 is meant for genuine reporting lapses.** If you worked abroad, or invested taxed savings abroad, and only missed reporting it, the amount payable is ₹1 lakh. Keep proof of the source ready – salary slips, Form 16, foreign tax returns, ESOP / RSU grant and vesting statements, and bank statements.
- **The limit applies to the value on 31 March 2026, not to the cost.** Shares that have appreciated, or a bank account used for many years, may cross the limit even if the original investment was small. Please work out the value first.
- **FEMA is separate.** Unlike the 2015 compliance window under the Black Money Act, this Scheme gives no protection under FEMA. If a foreign account was opened, or an investment made, otherwise than in accordance with FEMA (for example, the LRS or the ODI / OPI rules), the FEMA position should also be reviewed.
- **Documentation takes time.** Foreign banks may take weeks to send statements from the date of opening. Valuation reports also take time. Starting early avoids last-minute pressure in December.

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Action checklist

- (a)** List every asset you hold, or held, outside India – bank and brokerage accounts, ESOPs / RSUs, shares, funds, insurance policies, property and jewellery.
- (b)** Compare this list with Schedule FA of the returns already filed and identify the items not reported.
- (c)** For each item, note the year of acquisition, your residential status in that year, and the source of funds.
- (d)** Collect bank statements from the date of opening, purchase documents and, where needed, valuation reports.
- (e)** Work out the value as on 31 March 2026 and check it against the ₹1 crore / ₹5 crore limits.
- (f)** File Form 1 on or before 31 December 2026, pay within the time allowed, and file Form 3.
- (g)** Keep the Form 4 certificate safely with your tax records, and report the asset in Schedule FA every year from now on.

Documents to keep ready

- PAN, passport (for years as non-resident)
- Foreign bank statements since opening
- Purchase documents / grant and vesting letters
- Valuation report from a recognised valuer
- Proof of source – Form 16, salary slips, ITRs
- Travel records to establish residential status

The law in brief

Item	Reference
The Scheme	Chapter IV (sections 130 to 144) of the Finance Act, 2026
Rules and Forms 1 to 4	Foreign Assets of Small Taxpayers – Disclosure Scheme Rules, 2026 – Notification No. 114/2026 [G.S.R. 732(E)] dated 14 August 2026, in force from 16 August 2026
Valuation	Rule 3 (valuation date: 31 March 2026)
Clarifications	FAQs issued by CBDT on the Scheme

9 Contact for clarifications

Clients who need any clarification on this alert may contact any of the following members of our team:

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Last date: 31 December 2026

Collecting foreign bank statements and valuation reports usually takes a few weeks; an early review is advisable.

Vishnu Daya & Co. LLP

CHARTERED ACCOUNTANTS · BENGALURU

This alert is a simplified summary prepared for the general information of our clients, based on Chapter IV of the Finance Act, 2026, Notification No. 114/2026 dated 14 August 2026 and the FAQs issued by CBDT, as available on 23 October 2026. It is not professional advice for any particular case and should not be acted upon without examining the specific facts. Vishnu Daya & Co. LLP does not accept responsibility for any loss arising from action taken or not taken on the basis of this alert.