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FAQ's

The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (Chapter IV, sections 130 to 144 of the Finance Act, 2026, read with the Foreign Assets of Small Taxpayers – Disclosure Scheme Rules, 2026)

A. About the Scheme

Q1. What is the Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026?

Ans: It is a one-time voluntary disclosure scheme contained in Chapter IV (sections 130 to 144) of the Finance Act, 2026. It enables eligible taxpayers to declare certain undisclosed foreign assets, undisclosed foreign income, or undeclared foreign assets, on payment of a specified tax or fee.

Q2. What does the Scheme commence?

Ans: The Scheme comes into force on 16th August, 2026.

Q3. What is the "last date" for filing a declaration?

Ans: The last date has been fixed as 31st December, 2026. No declaration can be filed after this date.

Q4. What is the "valuation date" for the Scheme?

Ans: The valuation date is 31st March, 2026. The fair market value of assets proposed to be declared must be computed as on this date.

Q5. Which income-tax authority administers declarations under the Scheme?

Ans: The "income-tax authority" for the purposes of the Scheme is the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems), as the case may be. The entire process will be done online.

B. Who Can Make a Declaration (Eligibility)

Q6. Who is the "assessee" eligible to declare under the Scheme?

Ans: An "assessee" eligible under the scheme is one —

(i) who is resident in India, (as per section 6 of the Income-tax Act, 1961), in the relevant previous year; or

(ii) who is a non-resident, or resident but not ordinarily resident (RNOR), [as per section 6(6) of the Income-tax Act, 1961], in the relevant previous year, but was resident in India either-

(A) in the previous year to which the undisclosed foreign income under section 4 of the Black Money Act, 2015 relates, or

(B) in the previous year in which the undisclosed asset located outside India was acquired.

Q7. Can a person who is presently a non-resident still make a declaration?

Ans: Yes, a person being a non-resident but was resident in India either

(i) in the year to which the undisclosed income relates; or

(ii) in the year in which the undisclosed asset was acquired

can make a declaration.

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Q8. Is RNOR (Resident but Not Ordinarily Resident) status relevant?

Ans: Yes. The definition of "assessee" specifically covers non-resident and RNOR persons who meet the residency conditions noted above. The declarant can state his residential status for the previous year of acquisition of the asset or earning of the income in Form 1.

Q9. On what grounds can a declaration be made?

Ans: A declaration may be made where the assessee —

(a) has failed to furnish a return under section 139 of the Income-tax Act, 1961; or

(b) has failed to disclose the asset or income in a return furnished before the Scheme commenced; or

(c) such asset or income has escaped assessment within the meaning of section 147 of the Income-tax Act, 1961.

Q10. Within what time-window must the declaration be filed?

Ans: On or after the date of commencement of the Scheme, but on or before the last date (i.e., between 16th August 2026 and 31st December, 2026).

Q11. Can a declaration be made for any previous year?

Ans: Yes, a declaration can be made for any previous year in respect of income or assets covered by the Table in section 133, subject to the monetary thresholds and other conditions of the Scheme.

C. What Can Be Declared — Scope of the declaration

Q12. What are the categories of declaration recognised under the Scheme?

Ans: There are two broad categories of declaration —

a) an undisclosed asset located outside India or undisclosed foreign income which was not offered to tax. [Section 133 – Table: Sl. No. 1]

b) an asset located outside India, which was already offered to tax or was acquired when the assessee was a non-resident, but not declared in the relevant Schedule of the return. [Section 133 – Table: Sl. No. 2]

Q13. What does "undisclosed asset located outside India" mean?

Ans: An asset (including a financial interest in any entity) located outside India, held by the assessee in his own name or in respect of which he is the beneficial owner, where he has no explanation about the source of investment, or the explanation given is, in the opinion of the Assessing Officer, unsatisfactory.

Q14. What does "undisclosed foreign income" mean?

Ans: The total amount of income of an assessee from a source located outside India, which was chargeable to tax in India but which has not been offered to tax.

Q15. What is the monetary threshold for a declaration under Section 133 – (Table: Sl. No. 1)?

Ans: The aggregate value of the undisclosed asset located outside India (as on 31st March, 2026) and the undisclosed foreign income must not exceed ₹1 crore.

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Q16. What is the monetary threshold for a declaration under Section 133 – (Table: Sl. No. 2)?

Ans: The aggregate value of the assets located outside India must not exceed ₹5 crore.

D. Amount Payable

Q17. What is the amount payable for a declaration under Section 133 – (Table: Sl. No. 1)?

Ans: The total amount payable would be the aggregate of -

(i) tax of 30% of the value of the undisclosed asset located outside India or 30% of the undisclosed foreign income declared; and

(ii) amount equal to the tax paid in (i)

Q18. Please explain this with an example?

Ans: Where an undisclosed foreign bank account is valued at ₹60 lakh and undisclosed foreign income is ₹20 lakh, the aggregate payable is Rs 48 Lakh as given below

Si.No	Description	Value/Income	Tax payable	Additional 100% of tax payable	TOTAL Amount payable
1	Foreign bank account	60 Lakh	18 Lakh	18 Lakh	36 Lakh
2	Foreign income	20 Lakh	6 Lakh	6 Lakh	12 Lakh
	TOTAL		24 Lakh	24 Lakh	48 Lakh

Q19. What is the amount payable for a declaration under Section 133 – (Table: Sl. No. 2)?

Ans: A flat fee of ₹1 lakh, provided the aggregate value of the assets located outside India does not exceed ₹5 crore.

Q.20 What is the amount payable if the aggregate value of the assets located outside India is Rs 6.5 Cr?

Ans: If the value of the assets is more than Rs 5 Cr, the assessee will not be eligible to avail the scheme.

E. Valuation of Assets (Rule 3)

Q21. What is the general approach for computing fair market value (FMV)?

Ans: As a general rule, FMV is the higher of

(a) the cost of acquisition, and

(b) the price the asset would ordinarily fetch if sold in the open market on the valuation date, ideally supported by a report from a valuer recognised by the government (or its agency) of the country where the asset is located.

Where such market valuation is not carried out, the indexed cost of acquisition is deemed to be the fair market value.

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Q22. How is FMV computed for bullion, jewellery or precious stones?

Ans: FMV is the higher of the cost of acquisition and its open-market price on the valuation date (supported by a recognised valuer's report); if such valuation is not carried out, the indexed cost of acquisition shall be the FMV.

Q23. How is FMV computed for archaeological collections, paintings, sculptures or other artistic works?

Ans: FMV is the higher of the cost of acquisition and its open-market price on the valuation date (supported by a recognised valuer's report); if such valuation is not carried out, the indexed cost of acquisition shall be the FMV.

Q24. How is FMV computed for quoted shares and securities?

Ans: FMV is the higher of the cost of acquisition and the average of the lowest and highest price quoted on an established securities market on the valuation date;

Q.25 In case there is no trading of quoted shares and securities on the valuation date, how is the FMV calculated?

Ans: In case of no trading on valuation date, the FMV is the average of the lowest and highest price on the nearest preceding date on which the shares/securities were traded.

Q26. How is FMV computed for unquoted equity shares?

Ans: FMV is the higher of the cost of acquisition and the value computed by a prescribed formula based on the book value of specified assets, the fair market value of bullion, jewellery, shares, securities and immovable property, liabilities (excluding specified items such as paid-up capital and reserves), and the paid-up value of the equity shares. If this valuation is not carried out, indexed cost of acquisition is deemed to be the FMV.

Q27. How is FMV computed for unquoted shares/securities other than equity shares?

Ans: FMV is the higher of cost of acquisition and the open-market price (the price that the share or securities would ordinarily fetch if sold on the open market) on the valuation date, supported by a recognised valuer's report; if such valuation is not carried out, the indexed cost of acquisition shall be the FMV.

Q28. How is FMV computed for immovable property located outside India?

Ans: FMV is the higher of the cost of acquisition and the open-market price on the valuation date, as per a valuation report from a valuer recognised by the government (or its agency) of the country where the property is located; if such valuation is not carried out, the indexed cost of acquisition shall be the FMV.

Q29. How is FMV computed for a foreign bank account?

Ans: The value shall be the sum of all deposits made into the account from the date it was opened up to the valuation date. However, certain exclusions are allowed.

- where the account (or a part of it) was earlier declared under Chapter VI of the Black Money Act, 2015, and tax and penalty were charged on the value so computed, only deposits made since the date of that earlier declaration are aggregated.

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- deposits made out of the proceeds of a withdrawal from the same account are also excluded, to avoid double counting.

Q30. Please explain this with an example.

Ans: Yes. An assessee had opened a foreign bank account (BA) in 2010. The following deposits and withdrawals were made in BA since then. Assuming that the withdrawals made were late re-deposited into the BA, the value of the asset shall be calculated as follows.

Date	Deposits	Withdrawals	Calculation of value of asset
01.04.2010	$ 1,000	-	$ 1,000
01.06.2011	$ 500	-	$ 500
01.08.2011	-	$ 700	-
01.04.2012	$ 500	-	-
01.08.2013	$ 500	-	$ 300
01.04.2019	$2,500	-	$ 2,500
01.06.2020	-	$ 400	-
01.09.2021	$ 1,000	-	$ 600
01.05.2024	-	$ 500	-
	TOTAL		$ 4,900

The value of this asset i.e $ 4,900 will be converted into Rupees as on 31.03.2026 for the purpose of valuation under these Rules.

Q31. Please explain this with an example if the account was already declared under Chapter VI of the Black Money Act, 2015**.**

Ans: If the above taxpayer in Q.30 had declared the deposits made in the above account under Chapter VI of the Black Money Act, 2015, the value of the asset shall be the sum of the deposits made since such date. In that case, the value of the asset shall be calculated as follows, assuming that the withdrawals made were late re-deposited into the BA.

Date	Deposits	Withdrawals	Calculation of value of asset
01.04.2019	$2,500	-	$ 2,500
01.06.2020	-	$ 400	-
01.09.2021	$ 1,000	-	$ 600
01.05.2024	-	$ 500	-
	TOTAL		$ 3,100

The value of this asset i.e $ 3,100 will be converted into Rupees as on 31.03.2026 for the purpose of valuation under these Rules.

Q32. How is FMV computed for an interest in a foreign partnership firm, association of persons, or LLP?

Ans: The value of an interest is calculated in the following steps

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- The net assets of the firm/AOP/LLP are first determined as on the valuation date.
- The portion of net assets equal to the capital contributed is allocated among partners/members in the ratio of capital contribution;
- The residual net assets are allocated as per the partnership/association agreement for distribution on dissolution, or, in its absence, in the profit-sharing ratio.

Q33. How is FMV computed for residuary assets (where an explicit valuation method is not provided)?

Ans: FMV is the higher of its cost of acquisition/amount invested and the price it would fetch if sold in the open market on the valuation date in an arm's-length transaction; if such valuation is not carried out, the indexed cost of acquisition shall be the FMV.

Q34. What if sale proceeds of one asset, or a withdrawal from a bank account, were used to acquire another asset?

Ans: To prevent the same value being counted twice, the FMV of the old asset (or the bank account, as the case may be) is reduced by the amount reinvested in the new asset.

For example, where a house property was sold and the proceeds deposited in a bank account, and part of that account was later used to buy another property, the FMV of the bank account is reduced by the amount invested in the new property, while the new property is separately valued at its own FMV.

Q35. In what currency is value to be reported, and how is foreign currency converted?

Ans: All values are to be reported in Indian Rupees. For conversion of foreign currency:-

- Where the currency in which the value is expressed is one of the currencies designated by the Reserve Bank of India under the Foreign Exchange Management (Deposit) Regulations, 2016, it is converted into Indian Rupees at the RBI's reference rate on the valuation date.
- If it is not such a designated currency, it is first converted into US Dollars at the rate specified by the central bank (or, failing that, another regulated bank) of the country where the asset is located, and the US Dollar value is then converted into Indian Rupees at the RBI reference rate on the valuation date.

Q36. Will my declaration be treated as invalid merely because the value declared differs from the value later determined by the Assessing Officer?

Ans: For assets other than a bank account, a variance not exceeding 20% of the fair market value declared will not, by itself, render the declaration invalid or void on the ground of misrepresentation, suppression of facts, or furnishing of false particulars. *[Rule 5(2)]*

F. How to File a Declaration (Form 1)

Q37. How and where is the declaration to be filed?

Ans: The declaration is to be filed in Form 1 electronically, to the prescribed income-tax authority.

Q38. Can I declare more than one asset, or more than one type of asset/income, in a single Form 1?

Ans: Yes. The relevant parts of Form 1 (and its Annexure) provide for the entries to be repeated as many times as required for multiple assets or income items.

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Q39. Do I need to attach supporting documents or valuation reports?

Ans: Yes. Form 1 requires upload of documents evidencing acquisition of the asset or earning of the income, and, a valuation report where valuation is carried out (e.g., immovable property, jewellery, artistic work, unquoted shares and securities, or any other asset),

G. Processing of the Declaration — Orders and Payment (Forms 2, 3 and 4)

Q40. What happens after I submit Form 1?

Ans: After electronic verification of the declaration in Form 1, the income-tax authority communicates the amount payable by way of an order in Form 2, within one month from the end of the month in which the declaration was made. This is also communicated electronically.

Q41. Within what time must I pay the amount determined in the order in Form 2?

Ans: The amount must be paid within two months from the end of the month in which the order is received.

Q42. If I am unable to pay within this two-month period, will I be ineligible for this scheme?

Ans: No, the amount may be paid within a further period not exceeding two months along with simple interest at 1% for every month or part of a month of delay.

Q43. What is the interest payable if the payment is delayed?

Ans: The delayed payment is allowed for a further period of up to two months with simple interest at 1% for every month or part of a month of delay, computed on the amount due.

Q44. Is there an outer time-limit for making the payment, beyond which the Scheme benefit is lost?

Ans: Yes. The maximum additional period allowed is four months from the end of the month in which the original payment order (Form 2) was passed. If payment is not made within this outer limit, the benefit of the Scheme ceases to be available for that declaration.

Q45. How do I report that I have made the payment?

Ans: The payment is to be reported by furnishing an intimation of payment, together with proof of payment (including interest, if any), electronically in Form 3, to the income-tax authority, within the period allowed for payment.

Q46. What is the confirmation issued after the payment is done?

Ans: Once the intimation in Form 3 is found to be in accordance with the Form 2 order, the income-tax authority issues an order certifying the payment, electronically in Form 4, within one month from the end of the month in which the intimation was received.

H. Effect of a Valid Declaration — Benefits and Immunities

Q47. Can I claim rectification, revision or relief in respect of income/assets already assessed, once I have declared under the Scheme?

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Ans: No. In respect of the income or asset declared, or any amount paid, the declarant cannot claim rectification or revision of any assessment already made under the Income-tax Act, 1961 or the Black Money Act, 2015, nor claim any set-off or relief in any appeal, reference or other proceeding relating to such assessment.

Q48. What is the immunity provided on making a valid declaration and payment?

Ans: Immunity is provided from the levy of any further tax or penalty, and from prosecution, under the Black Money Act, 2015, in respect of the income or asset so declared. Further, the income or amount of investment in the asset declared under this scheme shall not be included in the total income of the taxpayer under the Income-tax Act, 1961 or the Black Money Act, 2015.

Q49. If assessment proceedings for the relevant year are already pending when I file my declaration, how is that dealt with?

Ans: Where assessment proceedings under the Income-tax Act, 1961, or the Black Money Act, 2015, are pending in respect of the declared income or asset, the Assessing Officer is required to take the declaration into account while finalising the assessment order.

I. Where the Scheme Does Not Apply

Q50. In what situations is the Scheme not available at all?

Ans: The Scheme does not apply in respect of —

(a) any income or asset which directly or indirectly represents proceeds of crime in respect of which proceedings have been initiated, or are pending, under the Prevention of Money-laundering Act, 2002; or

(b) any income or asset relating to an assessment year for which assessment proceedings have already been completed under the Black Money Act, 2015.

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