Tax alert: The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026

18 August 2026

The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 was introduced vide the Finance Act, 2026. The Central Board of Direct Taxes (CBDT) has now notified the scheme, bringing into force with effect from 16 August 2026.

Background:

The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 (Scheme) is a one-time voluntary disclosure scheme introduced vide 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.

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.

It has come into force from 16 August 2026 and the last date for the same is 31st December 2026 beyond which date no declaration can be filed. The declaration for the scheme is to be filed electronically in Form 1 with the prescribed income-tax authority[1].

Eligible taxpayer under the Scheme

- A "taxpayer" eligible under the scheme is a person:
  i. who is resident in India[2], in the relevant previous year; or
  ii. who is a non-resident, or resident but not ordinarily resident (RNOR)[3], 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.

Thus, the Scheme specifically covers non-resident and RNOR persons who meet the residency conditions.

[1] 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

[2] Resident as per section 6 of the Income-tax Act, 1961

[3] As per section 6(6) of the Income-tax Act, 1961

- The declaration under the Scheme can be made where the taxpayer:
  - has failed to furnish a return[4] ; or
  - has failed to disclose the asset or income in a return furnished before the Scheme commenced; or
  - such asset or income has escaped assessment[5].

Scope of declaration and amount payable under the scheme

Sr. No.	Type of assets	Amount payable	Conditions
1.	**Undisclosed foreign asset or foreign income** (*a*) Undisclosed asset located outside India[6]; or (*b*) undisclosed foreign income[7].	Aggregate of: (a) tax at the rate of 30% of the value of the undisclosed asset located outside India as on the 31 March 2026; (b) tax at the rate of 30% of the undisclosed foreign income; and (c) an amount equal to 100% of tax determined in para (a) and (b) above	The aggregate value of the undisclosed asset located outside India and the undisclosed foreign income does not exceed INR 10 million.
2.	**Undeclared foreign asset** (*a*) Asset located outside India acquired from income accruing or arising outside India, by an assessee, during the period in which such assessee was a non-resident, but such assets were not declared by him in the relevant Schedule in the return of income on becoming a resident; or (*b*) asset located outside India acquired from income which has been offered to tax under the Income-tax Act, 1961 (43 of 1961) by the assessee, but such assets were not declared by him in the relevant Schedule in the return of income.	A fee of one lakh rupees.	The value of the asset located outside India does not exceed INR 50 million

[4] As per Section 139 of the Income-tax Act, 1961

[5] Within the meaning of section 147 of the Income-tax Act ,1961

[6] 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

[7] 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.

Computation of value of assets

- The Fair Market Value (FMV) of the declared asset must be computed as on the valuation date (viz. 31 March 2026), following the specific mechanism prescribed under Rule 3 of the Foreign Assets of Small Taxpayers – Disclosure Scheme Rules, 2026, for that class of asset — such as bullion, jewellery, artistic works, quoted and unquoted shares/securities, immovable property, foreign bank accounts, and interests in foreign firms/LLPs. As a general principle, FMV is taken as the higher of the cost of acquisition and the open-market price on the valuation date, supported by a recognized valuer's report. Where such market valuation is not carried out, the indexed cost of acquisition is deemed to be the FMV.

Processing of the declaration

- Once Form 1 is filed and electronically verified, the income-tax authority communicates the amount payable through an order in Form 2, within one month from the end of the month of declaration. This amount must be paid within two months from the end of the month the order is received, failing which a further period not exceeding two months is allowed with simple interest at 1% per month (or part thereof) of delay. Payment is to reported by furnishing an intimation electronically in Form 3, and once found to be in order, the authority issues a certifying order in Form 4 within one month from the end of the month the intimation would be received.

Effect of a Valid Declaration — Benefits and Immunities

- In respect of the income or asset declared, or any amount paid, the taxpayer can neither claim any rectification or revision in respect of assessment already made under the ITA or the Black Money Act, 2015, nor any set-off in related appeals or proceedings.
  It grants immunity from further tax, penalty, and prosecution under the Black Money Act, 2015 in respect of the declared income or asset. The same is also not included in the total income of the taxpayer. Where assessment proceedings are already pending for the relevant year, the Assessing Officer is required to take the declaration into account while finalizing the assessment order.

Comments:

The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 was introduced vide the Finance Act, 2026, read with the Foreign Assets of Small Taxpayers – Disclosure Scheme Rules, 2026 and offers eligible taxpayers a one-time window to voluntarily disclose undisclosed foreign assets or income.

Following the notification the Scheme has come into force with effect from 16 August 2026. The Central Board of Direct Taxes (CBDT) has also issued a set of clarificatory FAQs to guide taxpayers on eligibility, scope, valuation, filing procedure, and the immunities available under the Scheme.

The Scheme gives an opportunity to eligible taxpayers to declare **undisclosed** foreign assets, **undisclosed** foreign income, or **undeclared** foreign assets, on payment of a specified tax or fee.