



CBDT Notifies Income-tax Rules, 2026 – Operational Framework for New Tax Regime Effective 1 April 2026

Notification No. 22/2026

The Central Board of Direct Taxes (CBDT), vide Notification No. G.S.R. 198(E) dated 20 March 2026, has notified the Income-tax Rules, 2026 under Section 533 of the Income-tax Act, 2025. These Rules, effective from 1 April 2026, lay down the procedural, compliance, and operational framework for implementation of the new Income-tax Act, 2025, with a focus on simplification and consolidation of tax processes.

Analysis

- The Income-tax Rules, 2026 have been notified pursuant to Section 533 of the Income-tax Act, 2025, which empowers the CBDT to prescribe rules for carrying out the provisions of the Act.
- The Rules adopt the **same simplification philosophy** as the Income-tax Act, 2025, with clearer language, structured drafting, and use of formulas and tables to enhance interpretability and reduce ambiguity
- A significant structural consolidation has been undertaken:
 - **Rules reduced from 511 (1962 Rules) to 333**
 - **Forms reduced from 399 to 190**

This reflects removal of redundancies, merging of overlapping provisions, and streamlining of compliance requirements

- The Rules codify detailed procedural aspects, including:
 - Dividend declaration and payment conditions within India
 - Recognition and compliance requirements for stock exchanges
 - Determination of capital asset holding periods in specific cases
 - Valuation mechanisms (fair market value, perquisites, securities, etc.)
 - Income attribution rules for non-residents and cross-border transactions



- The framework introduces formula-based computation mechanisms (e.g., FMV, income attribution, perquisite valuation), indicating a move towards standardised and objective tax computation
- Several provisions reflect increased data integrity and audit trail requirements, particularly for financial markets and transactions, including mandatory record maintenance and reporting obligations
- The Rules also integrate global taxation principles, including:
 - Attribution of income to Indian assets
 - Significant economic presence thresholds
 - Non-resident income determination methodologies
- Overall, the Rules function as a comprehensive procedural code, operationalising the substantive provisions of the Income-tax Act, 2025
- The Income-tax Rules, 2026 will require taxpayers to align systems and compliance processes before 1 April 2026. While consolidation reduces compliance burden, transition will require updates to systems and reporting formats. Enhanced documentation will necessitate stronger controls, and cross-border tax positions may need reassessment. Despite simpler drafting, new computational rules may lead to fresh litigation.
- Key Takeaways
 - Income-tax Rules, 2026 notified under Section 533, effective from 1 April 2026
 - Significant rationalisation with reduction to 333 rules and 190 forms
 - Emphasis on simplification, standardisation, and formula-driven computation
 - Establishes the operational backbone for the Income-tax Act, 2025
 - Businesses must undertake immediate transition planning for compliance, systems, and documentation
 - Likely to improve clarity but may introduce new interpretational and implementation challenges in the initial phase



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- The notification is attached herein.

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