Foreign Assets of Small Taxpayers - Disclosure Scheme Rules, 2026 notified

Summary

The Foreign Assets of Small Taxpayers - Disclosure Scheme Rules, 2026 prescribe the operating framework for making electronic declarations of specified foreign assets or foreign income under Chapter IV of the Finance Act, 2026. The Rules are effective from 16 August 2026, with 31 March 2026 as the valuation date and 31 December 2026 as the last date for filing declarations.

At a glance

Particular	Position under the Rules
Effective date	16 August 2026
Valuation date	31 March 2026
Last date for declaration	31 December 2026
Forms prescribed	Form 1 declaration; Form 2 payment order; Form 3 payment intimation; Form 4 certification of validity and immunity
Authority	Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems)

Who can consider making a declaration?

- Taxpayers seeking to declare undisclosed foreign income and/or undisclosed assets located outside India, where the aggregate value does not exceed INR 1 crore.
- Taxpayers seeking to disclose foreign assets acquired from income earned abroad while non-resident, but not reported after becoming resident in India, where the aggregate value does not exceed INR 5 crore.
- Taxpayers seeking to disclose foreign assets acquired from income already offered to tax in India but omitted from the relevant foreign asset schedule, where the aggregate value does not exceed INR 5 crore.

Amount payable

Nature of declaration	Threshold	Amount payable
Undisclosed foreign income and/or undisclosed foreign assets	Aggregate value up to INR 1 crore	Tax at 30% plus penalty equal to 100% of tax; effective outflow of 60% of declared value
Foreign assets funded from non-resident period income or previously taxed income but not disclosed	Aggregate value up to INR 5 crore	Fee of INR 1 lakh

Key valuation provisions

- Specific valuation rules are prescribed for bank accounts, immovable property, jewellery, artistic works, shares and securities, partnership/LLP interests and other assets.
- For jewellery, bullion or precious stones, fair market value is generally computed as the higher of cost of acquisition and market value/open market value on the valuation date.
- For shares and securities (quoted and unquoted) fair market value is generally computed as the higher of cost of acquisition and a prescribed manner of valuation on the valuation date.
- Where market valuation is not carried out in specified cases, indexed cost of acquisition is deemed to be the fair market value.
- Foreign bank account value is generally based on the aggregate of deposits from account opening until the valuation date, excluding redeposits sourced from withdrawals from the same account.
- Relief from double counting is available where sale proceeds; withdrawal amounts or foreign income are invested into another asset.

Important practical points

Clients should not rely only on year-end balances. Foreign bank accounts and reinvestment chains require transaction-level review because the Rules contain specific computation and reduction mechanisms.

Process and payment timeline

Step	Form	What happens	Client action
1	Form 1	Electronic declaration of asset/income with supporting details and documents	Prepare valuation and supporting evidence before filing
2	Form 2	Income-tax authority determines amount payable	Review order and confirm payment amount/timeline
3	Form 3	Declarant should inform of payment made, including interest if applicable	Pay within two months from end of month of receipt of Form 2; part payments are permitted
4	Form 4	Authority certifies validity of declaration and payment	Retain certificate and annexed forms for records

Immunity and key safeguards

- On successful payment and issue of Form 4, the declaration is certified as valid and immunity is granted from further tax, penalty and prosecution under the Black Money Act for the covered item, subject to sections 130 to 144 of the Finance Act, 2026.
- A declared fair market value variance of up to 20% compared with a value subsequently determined by the tax authority does not, by itself, invalidate the declaration for misrepresentation, suppression of facts or false material particulars.
- If payment is not made within the permissible timeline, the declaration becomes void and is deemed never to have been made.

Key client action points

Recommended immediate action
Identify affected clients, run a foreign asset and foreign income disclosure health check, and complete valuation/documentation work well before the 31 December 2026 declaration deadline.

Action point	What clients should do now
Conduct a foreign asset reporting health check	Review past income-tax returns, foreign asset schedules, foreign source income disclosures, foreign bank accounts, brokerage accounts, overseas securities, mutual funds, immovable property, partnership/LLP interests, jewellery, artwork and other overseas assets.
Classify each item into the correct Scheme bucket	Separate undisclosed foreign income/assets from foreign assets funded out of non-resident period income or previously taxed income that were omitted from return disclosures. This classification drives the applicable threshold and amount payable.
Test threshold eligibility early	Verify whether aggregate value is within INR 1 crore for undisclosed foreign income/assets and INR 5 crore for specified omitted foreign asset disclosures. Cases exceeding thresholds are not eligible under the Scheme.
Prepare valuations and fund-flow workings	Apply the valuation rules asset-by-asset. For bank accounts, consider aggregate deposits rather than only closing balances. For reinvestment cases, map sale proceeds, withdrawals and investments to claim permitted reductions and avoid double counting.
Collate supporting documents for Form 1	Gather asset acquisition documents, bank/investment statements, transaction records, valuation reports where applicable, proof of income/source of funds, passport details where non-resident status is claimed, and consolidated asset/income schedules.
Quantify cost and liquidity requirement	Compute the expected outflow: 60% for undisclosed foreign income/assets and INR 1 lakh fee for eligible specified omitted foreign asset disclosures. Confirm that liquidity is available for payment once Form 2 is issued.
Track payment timelines after Form 2	Payment must be made within two months from the end of the month of receipt of Form 2. If payment is delayed beyond that initial period, interest at 1% per month or part thereof applies for a further period not exceeding two months.
Retain final immunity documentation	After Form 3 payment intimation, obtain and retain Form 4, which certifies validity of the declaration and payment and grants immunity subject to statutory conditions.

Source: Foreign Assets of Small Taxpayers - Disclosure Scheme Rules, 2026, Notification No. 114/2026/F.No. 370142/18/2026-TPL dated 14 August 2026

How Grant Thornton Bharat can help

- Eligibility assessment and category mapping under the Scheme
- Review of historical foreign asset and foreign income reporting positions
- Valuation support, transaction tracing and double-counting analysis
- Preparation of Form 1 schedules and supporting documentation pack
- Computation of tax, penalty, fee and payment timeline implications
- End-to-end support from declaration to Form 4 certification

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