MOORE Singhi

GOVERNMENT OF INDIA · FINANCE ACT, 2026

Foreign Assets of Small Taxpayers Disclosure Scheme Rules, 2026

A limited-period opportunity to disclose previously unreported foreign assets and income.

Notified

15 August 2026

Scheme window

16 August 2026 – 31 December 2026

Regulatory Briefing Note

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FOREIGN ASSETS OF SMALL TAXPAYERS –
DISCLOSURE SCHEME RULES, 2026

Scope and Applicability

The Scheme applies to individual taxpayers who qualified as residents and ordinarily resident in India during the tax year relevant to the foreign income or asset concerned. Their residential status at the time of making the declaration does not, by itself, determine their eligibility.

The Scheme enables an eligible taxpayer to disclose an asset situated outside India or income derived from a source outside India that was not previously reported in India.

For this purpose, an undisclosed foreign asset includes an asset or financial interest situated outside India that is held directly by the taxpayer or in respect of which the taxpayer is the beneficial owner. The asset may be regarded as undisclosed where the taxpayer is unable to satisfactorily explain the source of the investment made in it.

Undisclosed foreign income refers to income arising from a source outside India that was taxable in India but was not offered to tax.

Subject to fulfilment of the applicable conditions, a valid declaration accompanied by the prescribed payment provides **protection against additional tax, penalty and prosecution** under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 in relation to the income or asset declared.

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FOREIGN ASSETS OF SMALL TAXPAYERS – DISCLOSURE SCHEME RULES, 2026

Categories of Declarations and Applicable Payments

The Scheme provides for two categories of declarations with different payment structures and value thresholds.

Category 01	Undisclosed foreign assets or income (up to ₹ 1 crore)	Category 02	Specified foreign assets (up to ₹ 5 crore)

Category 1 covers undisclosed foreign assets or undisclosed foreign income having an aggregate value not exceeding **INR 1 crore.**

30% tax
on the value of the foreign asset (as on 31 March 2026)

30% tax
on the undisclosed foreign income

Additional amount equal to 100% of the tax
so calculated.

Effective outflow = 60%
of the value of the asset or income declared.

Category 2 applies to a foreign asset acquired from income that accrued or arose outside india while the taxpayer was a **non-resident** and which was not disclosed after the taxpayer became a resident.

It also covers a foreign asset acquired from income that had already been offered to tax in India but where the asset itself was not reported.

Aggregate value of assets declared under this category must not exceed **INR 5 crore.**

Fixed fee:

₹ 1 Lakh

payable for each declaration under this category.

FOREIGN ASSETS OF SMALL TAXPAYERS – DISCLOSURE SCHEME RULES, 2026

Key Valuation Rules

The Rules prescribe separate valuation mechanisms for different classes of foreign assets. As a general principle, the fair market value of an asset is the higher of its acquisition cost and the amount it would ordinarily realise if sold in the open market on the valuation date.

Valuation Date

Foreign assets covered by the Scheme are generally required to be valued as on

31 March 2026.

Fair Market Value

The fair market value of an asset is the higher of:

1. Acquisition cost
2. Amount it would ordinarily realise if sold in the open market on the valuation date.

Classes of Foreign Assets

Separate valuation mechanisms apply for different classes of assets, including:

- Bullion and jewellery
- Quoted and unquoted shares and securities
- Imovable property
- Works of art
- Foreign bank accounts
- Interests in partnership firms
- Other assets situated outside India

Valuation Support

The market value may be supported by a report obtained from a valuer recognised by the government of the country in which the asset is situated.

Where no such market valuation is obtained, the indexed acquisition cost is treated as the fair market value.

Foreign Bank Accounts

The value of a foreign bank account to be determined as per the Rules.

Reinvestment and Tracing of Funds

Specific provisions apply for reinvested funds to avoid double counting, in accordance with the Rules.

Foreign Currency Conversion

Where required, foreign currency shall be converted into Indian Rupees as per the prescribed rules.

The valuation provisions ensure a **fair and consistent approach** to reporting foreign assets while providing clarity to taxpayers on the acceptable methods and documentation.

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FOREIGN ASSETS OF SMALL TAXPAYERS –
DISCLOSURE SCHEME RULES, 2026

Filing Process and Key Timelines

The Scheme provides a structured, time-bound process for making declarations, payment and final confirmation.

Form 1

Declaration Filed

Submit the declaration in the prescribed form with the required details and documents.

Form 2

Order by Authority

The authority shall issue an order within 1 month from the date of filing Form 1.

Form 3

Payment Intimation

Upon payment of the prescribed amount, an intimation shall be issued within 2 months from the date of the order in Form 2.

Form 4

Final Confirmation

A final confirmation shall be issued after verification of payment and completion of all requirements under the Rules.

Scheme Window | **16 August 2026 – 31 December 2026**

Eligible taxpayers must submit their declarations within this period.

Important Note | It is important to complete the filing and payment within the prescribed timelines to avail the benefits under the Scheme.

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FOREIGN ASSETS OF SMALL TAXPAYERS – DISCLOSURE SCHEME RULES, 2026

Important Considerations

Key clarifications and conditions to keep in mind while making a declaration under the Scheme.

Key Points to Note (Do's)

01 Multiple assets can be disclosed in one Form 1 (consolidated declaration).

02 A variation of up to **20%** in the value of an asset will be accepted in certain cases, subject to conditions.

03 Payment must be completed within the prescribed timeline to avail the benefits of the Scheme.

04 Proper documentation and supporting evidence should be maintained for the declared assets and income.

Key Exclusions (Don'ts)

01 The Scheme is not available in respect of the proceeds of crime.

02 Not available where assessments, reassessments or prosecutions under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 have already been completed.

03 Only individual taxpayers (being residents and ordinarily resident in India during the relevant tax year) are eligible.

04 Assets or income that do not qualify as undisclosed foreign assets or income are outside the scope of the Scheme.

Key Takeaway

A valid declaration accompanied by the prescribed payment provides **protection against additional tax, penalty and prosecution** under the Black Money Act, 2015, subject to fulfilment of the applicable conditions.