

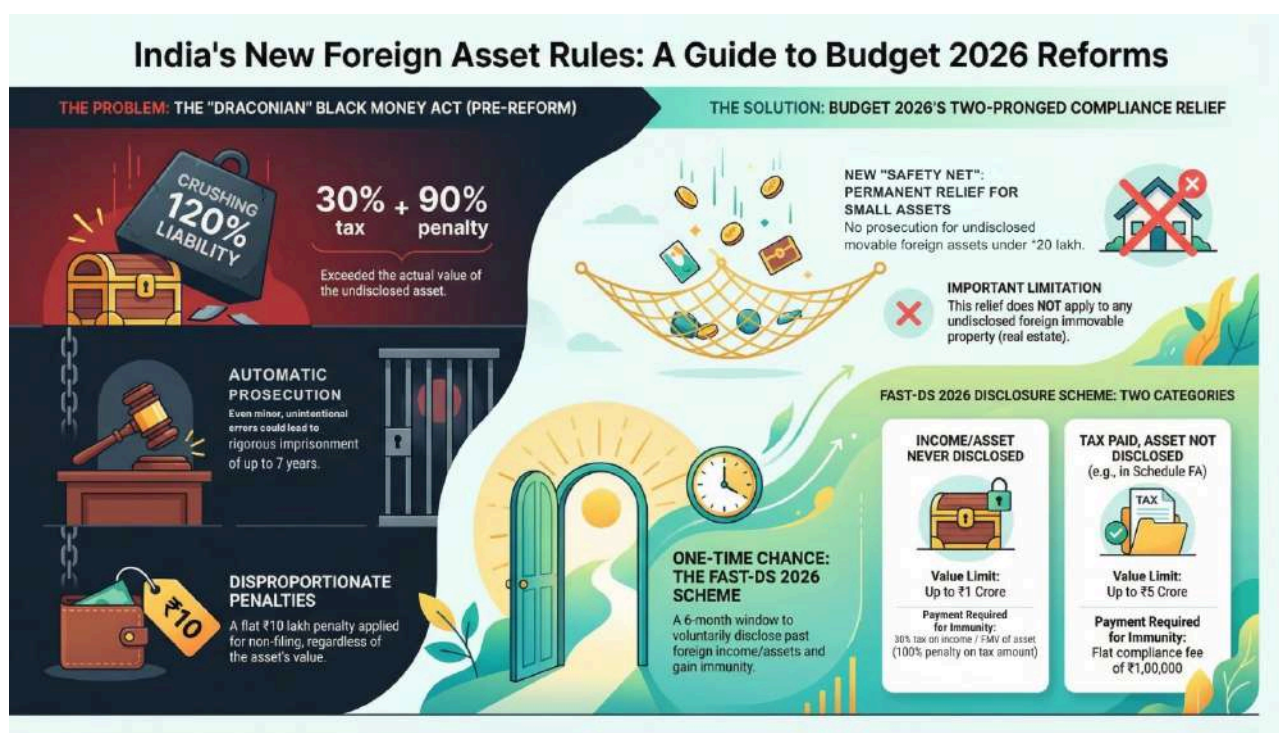
Missed Foreign Disclosures? Voluntary Disclosure Open in 2026

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Details explained below:

In 2024 and 2025, the Income tax Department had initiated a widespread campaign commonly known as the NUDGE initiative targeting taxpayers with unreported foreign assets encouraging voluntary disclosures before the last date of filing belated / revised income tax returns. This was a targeted exercise carried based on data received under the Automatic Exchange of Information framework. This move indicated the government's increasing focus on foreign assets of resident Indians and ensuring that every taxpayer reports them and offers the same to tax in India.

Foreign Income and Asset disclosure in Schedule FA and Schedule FSI of the Income tax Return is of utmost importance given the fact that the The Black Money (Undisclosed Foreign Income And Assets) and Imposition of Tax Act, 2015 (BMA) imposes large quantum of penalties for non-disclosure which is up to 3 times the tax on undisclosed income or asset and where no return is filed, the penalty amounts to INR 10 lakhs.

Recognizing that there could be inadvertent or legacy non-disclosures by small taxpayers, the government has provided an amnesty scheme called 'The Foreign Assets of Small Taxpayers Disclosure Scheme, 2026', with a 6-month window for declaration of foreign assets and foreign-sourced income with payment of tax or fee based on the nature and source of acquisition. This article covers key insights into this new scheme -

Persons eligible to avail this scheme	<ul style="list-style-type: none"> • Person resident in India during the relevant year; or • A person who is non-resident / not ordinarily resident, but who was resident in India: <ul style="list-style-type: none"> ◦ in the year to which the undisclosed foreign income relates; or ◦ in the year in which the undisclosed foreign asset was acquired 	The eligibility is thus aligned with residential nexus at the time of earning income or acquiring assets .
Assets and Income that can be declared	<ul style="list-style-type: none"> • Undisclosed assets located outside India, including financial interests in foreign entities, where the source of investment is unexplained or not satisfactorily explained; and • Undisclosed foreign income which was chargeable to tax in India but was not offered to tax. 	The value of foreign assets is to be computed at fair market value , in the prescribed manner, as on 31 March 2026 .
Declarant	<p>Means a taxpayer who has: -</p> <ul style="list-style-type: none"> • Failed to file a return of income; • Filed a return but omitted disclosure of foreign assets or income; or • Where such income or asset has escaped assessment under the Income-tax Act, 1961 (the ITA). 	

Amount Payable under the scheme -

This is determined based on nature of foreign income or asset and source of its acquisition. The same is tabularized as below for better understanding: -

Category	Conditions	Amount Payable	Notes
Undisclosed Foreign Assets / Income - Small Taxpayer	Aggregate value of undisclosed foreign assets and income <= INR 1 crore	A. 30% tax on	Total outgo equals 60% of the tax base, with complete immunity thereafter.

		<p>the FMV of the undisclosed loss for foreign asset (as on 31 March 2026)</p> <p>+</p> <p>B. 30% tax on undisclosed foreign income</p> <p>+</p> <p>C. 100 % of [(A) + (B)] as an additional levy</p>	<p>This is a welcome move considering almost 120% outflow on tax base under the penal provision of BMA earlier.</p>
Procedural Non-Disclosure of Explained Foreign Assets	Foreign assets (FMV < =INR 5 crores) acquired from foreign income during non-resident years, or from income already taxed in India, but asset not reported.	Flat fee of INR 1,00,000	No additional tax liability

This scheme clearly keeps out taxpayers with undisclosed assets above INR 1 crore for assets acquired while in India and INR 5 crores for assets acquired as a NR. Consequently, they remain exposed to penalties under the BMA.

- **Declaration and Payment Process**

- Declarations must be filed **electronically**, in the prescribed form and manner.
- Upon electronic verification, the tax authority will communicate the amount payable within **one month**.
- Payment must be made within **two months**, with an extended period of two additional months available on payment of **interest at 1% per month or part of a month**.
- Upon payment, a **conclusive certificate** confirming compliance will be issued electronically.

Any false declaration or violation of Scheme conditions renders the declaration **invalid**.

- **Effect of a successful declaration -**

- **Full immunity from further tax, penalty, and prosecution** under the BMA. This immunity is statutory and overrides the penal provisions of the BMA.
- The declared income or asset will not be included in total income under the IT Act or the BMA.
- The declarant cannot seek rectification, revision, set-off, relief, or appeal in respect of such income or asset.
- Amounts paid under the Scheme are non-refundable.
- Where assessment proceedings under the IT Act or the BMA are pending, any declaration made under the Scheme must be considered by the Assessing Officer while finalising the assessment.

The date of applicability of the scheme is yet to be notified

Exclusions: The Scheme does **not apply** to:

- Income or assets representing **proceeds of crime**, where proceedings under the Prevention of Money Laundering Act, 2002 are initiated or pending; **or**
- Income or assets for assessment years where proceedings have already been **completed under the BMA**.

The rules regarding the manner of calculating the value of the foreign asset under this scheme shall be prescribed in due course.

Other amendments in Budget 2026 in relation to disclosure of high value foreign assets -

- Provisions of prosecution under the BMA shall not apply in respect of foreign assets (other than immovable property) whose aggregate value does not exceed INR 20 lakhs.
- Prescribed reporting entities were required to furnish information on Crypto-assets. Penalty of INR 200 per day for non-furnishing of statement and INR 50,000 for furnishing inaccurate particulars and failure to correct such inaccuracy is proposed.

Key Takeaways -

The scheme is intended and likely to be used by small taxpayers mainly -

- Holdings arising from foreign employment benefits such as ESOP or RSUs
- Assets held by individuals on overseas deputation
- Savings / Insurance policies of returning non-residents
- Former students with low-value or dormant foreign bank accounts.

The immunity provisions offer finality and certainty, which is otherwise absent in black money proceedings. However, one has to carefully read through the valuation mechanism, which is yet to be prescribed, and professional support may be needed for the same.

It is a golden opportunity for small taxpayers to declare their foreign assets and overcome the large exposure underlying the BMA provisions. However, since the declarations are subject to verification and this being a one-time scheme careful diligence and review mechanism must be followed before submission.