The Lok Sabha passed the Taxation and Other Laws (Amendment) Bill, 2026 in August 2026 to update tax rules, boost foreign investments, and change how digital payments are regulated.

The bill amends three main laws: the Income-tax Act, 2025, the Finance Act, 2026, and the Payment and Settlement Systems Act, 2007.

Key Provisions

- **Digital Payments and UPI:**
  - Changes Section 10A of the Payment and Settlement Systems Act, 2007.
  - Removes the link between free electronic payments and the Income-tax Act.
  - Gives the central government the power to notify which digital payment modes will stay free from bank charges.
- **Rules for Foreign Funds:**
  - Simplifies tax rules for foreign investment funds managed from India.
  - Cuts compliance rules from 13 down to 5 to make it easier for global fund managers to move their base to India.
- **Tax Exemptions for Sectors:**
  - Extends tax breaks for specific electronics manufacturing and equipment supplies until 2040–2041.
  - Extends tax benefits for the diamond trade and data center services through special zones up to 2041 and 2047.
- **Business Trusts (REITs and InvITs):**
  - Removes a rule that blocked tax exemptions on dividends for unit holders under certain new tax regimes.