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Tax Flash News



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Supplementary FAQs on foreign asset disclosure scheme released

Executive summary

The Government of India ('GOI') had introduced *'The Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026'* ('FAST-DS, 2026'/'the Scheme') through the Finance Act, 2026.

On 15 August 2026, the GOI notified '*The Foreign Assets of Small Taxpayers – Disclosure Scheme Rules, 2026'* ('FAST-DS Rules 2026'/'the Scheme Rules') and also issued FAQs in relation to the same.[1]

On 20 November 2026, the supplementary FAQs[2] in relation to the Scheme have been released.

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[1] Please click here to access KPMG Flash News dated 17 August 2026 for more details

[2] Link to Supplementary FAQs (as accessed on 21 November 2026)

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Background of the Scheme

The Scheme is applicable to individual taxpayers who qualified as Resident and Ordinarily Resident ('ROR') in India during the relevant Tax Year, irrespective of their current residential status.

Under the Scheme, small taxpayers have a time-bound opportunity to declare 'undisclosed asset located outside India' and 'undisclosed foreign income' with payment of specified tax or fee.

'Undisclosed asset located outside India' means an asset (including financial interest in any entity) located outside India, held by the taxpayer in his name or in respect of which he is a beneficial owner, and has no explanation about the source of investment in such asset or the explanation given by him is, in the opinion of the Assessing Officer, unsatisfactory.

'Undisclosed foreign income' means the total amount of income of the taxpayer from a source located outside India which was chargeable to tax in India but has not been offered to tax.

Taxpayers making a valid declaration and payment under the Scheme are eligible for immunity from further tax, penalty and prosecution under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 ('the Black Money Act'), subject to the prescribed conditions.

The categories of declaration and the amount payable by such small taxpayers are as under:

Ctg.	Type of undisclosed Assets or Income	Amount payable
A	• Undisclosed asset located outside India or undisclosed Foreign income • Where the aggregate value of the above does not exceed INR1 crore	Aggregate of: I. Tax at 30 per cent of value of asset located outside India as on 31 March 2026; II. Tax at 30 per cent of the undisclosed foreign income; III. 100 per cent of the amount calculated in (i) and (ii) above.
B	• Asset located outside India acquired from income accruing or arising outside India, while being non-resident and not declared on becoming a resident; or	A fee of INR1 lakh

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Ctg.	Type of undisclosed Assets or Income	Amount payable
	• Asset located outside India acquired from income offered to tax in India, but such assets were not declared • Where the aggregate value of such assets does not exceed INR5 crores.	



Key clarifications provided in FAQs

Clarification on scope of declaration and immunity

- Taxpayers are required to declare only those foreign income streams or foreign assets that were not previously offered to tax or disclosed in the Schedule FA of Income-tax Return ('ITR').
- Where a taxpayer discloses only certain undisclosed foreign income streams or assets under the Scheme, immunity remains available for the income or assets actually declared. Non-declared assets or income continue to remain outside the scope of protection under the Scheme.
- A foreign asset disclosed under Category A by paying the requisite tax, is not required to be declared again under Category B.
- Assets funded partly from disclosed income and partly from undisclosed income cannot be declared under Category B. Such assets may need to be considered under Category A, subject to eligibility conditions.

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- Where foreign assets were acquired from disclosed/post-tax income and only lapse relates to non-disclosure in Schedule FA during Financial Year ('FY') 2025-26, taxpayers may regularise the position by filing a revised return for Assessment Year ('AY') 2026-27 on or before 31 March 2027 reporting both the foreign income and foreign assets. In such cases, the revised return would constitute sufficient compliance under the Black Money Act and recourse to the Scheme may not be necessary.
- A taxpayer may report both Category A and Category B disclosures in a single Form 1 filing where separate assets fall under different categories.

Jointly held accounts

- Each holder of a jointly held foreign bank account is required to separately consider disclosure obligations under the Black Money Act, irrespective of who funded the account. Accordingly, a joint account holder who has not reported the account in Schedule FA may avail the Scheme, where eligible.
- For jointly held assets, valuation is apportioned based on ascertainable ownership share. When ownership share is not determinable, the value is allocated equally among all holders for Scheme purposes.
- The INR5 crore ceiling under Category B is tested separately for each declarant based on the value disclosed in that individual's Form 1.
- Individuals acting as directors, employees or authorised signatories may be required to disclose overseas assets if they satisfy the beneficial ownership, beneficiary or foreign-income conditions prescribed under the Black Money Act.

Residential status and eligibility

- Non-residents ('NRs') and Resident but Not Ordinarily Residents ('RNORs') remain eligible to avail the Scheme where the asset was acquired or income was earned during a period in which they were Residents in India and the relevant disclosure obligations were not met.
- Assets acquired during an RNOR/NR period but not reported after the taxpayer became Resident and Ordinarily Resident ('ROR') may be declared under Category B. The FAQs also provide reporting guidance for Form 1 disclosures in such situations.

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- The Scheme is available where the Black Money Act assessment or penalty proceedings have been initiated but remain pending. However, where assessment or penalty proceedings under the Black Money Act have already been concluded, the relevant income or asset cannot be included in the declaration.

  The FAQs confirm that the Scheme is available not only to individuals but also to Hindu Undivided Families ('HUFs'), firms, Limited Liability Partnerships ('LLPs'), companies, trusts and other eligible persons. Legal heirs may also file declarations in respect of foreign assets or income of deceased taxpayers.

- The FAQs clarify that foreign assets identified during income-tax search or survey proceedings may still be disclosed under Scheme, provided the relevant the Black Money Act assessment has not already been completed or prosecution under the Prevention of Money Laundering Act, 2002 is not initiated.

Valuation-related clarifications

- The RBI reference rate prevailing on the valuation date (or the immediately preceding available rate where no rate is published on the valuation date) is to be used for converting foreign-currency asset values into INR. For USD denominated assets, the FAQ specifies adoption of the RBI reference rate of INR94.6543 per USD published on 30 March 2026.

- Detailed guidance has been provided regarding valuation of jointly held assets, fractional shares, inherited assets and gifted property.

- In the case of gifted or inherited assets, the donor's cost is regarded as the cost of acquisition for determining value under the Scheme. The FAQs also illustrate the application of the indexation mechanism for such assets and confirm that, where acquired from disclosed sources, they may qualify for disclosure under Category B subject to applicable conditions.

- Overseas debt receivables from non-residents may constitute foreign assets and could be declared under the Scheme where reporting conditions are satisfied.

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- Assets acquired before 1 April 2001 may use either actual cost or Fair Market Value ('FMV') as on 1 April 2001 as the base cost, followed by indexation under the prescribed methodology.

Clarification on 20 per cent tolerance rule

- The FAQs elaborate on the safe harbour available under Rule 5(2) of FAST-DS Rules clarifying that a declaration supported by a recognised valuer's report will not be rendered invalid merely because the Assessing Officer determines a higher value, provided the variance does not exceed 20 per cent of the declared FMV.
- The 20 per cent tolerance is available for valuation-based assets such as immovable property but is not available for foreign bank accounts since their valuation is considered objective and deterministic.
- Where the value is determined using indexed cost of acquisition in accordance with the Rules (instead of an external valuation report), the indexed value is treated as the final FMV and cannot subsequently be replaced by a higher market valuation.

Filing and procedural aspects

- Only one consolidated Form 1 should be filed covering all eligible assets and income. Multiple Forms cannot be used to split disclosures across the monetary thresholds prescribed under the Scheme.
- A taxpayer may re-file or correct Form 1 before issuance of Form 2. However, no further declaration may be filed after Form 2 has been issued accepting the declaration.
- Where a Form 1 is rejected, a fresh Form 1 may be submitted.
- Assets held over multiple years need to be reported only once in Form 1 by providing details including the earliest year of acquisition and valuation as on the prescribed valuation date.
- Filing of a grievance against Form 2 on account of computational or apparent errors does not suspend or extend the statutory payment timeline.

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Clarification on monetary benefits and interaction with other provisions

- The FAQs reiterate the reduction in exposure available under FAST-DS, 2026 as compared to proceedings under the Black Money Act, with Category A disclosures attracting an effective levy of 60 per cent as against potential exposure of 120 per cent under the Black Money Act and Category B disclosures attracting a flat fee of INR1 lakh rather than a penalty of INR10 lakh per asset.
- For Category B, a single fee of INR1 lakh applies to all eligible assets collectively, subject to the aggregate value threshold of INR5 crore. The fee does not apply separately for each asset or each year of non-disclosure.
- Foreign tax credit or treaty relief under a Double Taxation Avoidance Agreement is not available against tax payable under the Scheme.
- Small foreign bank accounts qualifying for the INR20 lakh exemption under the Black Money Act may not require declaration where deposits originate from fully disclosed sources. However, accounts containing undisclosed income or unaccounted deposits may be declared under the Scheme.
- The FAQs clarify that where undisclosed income has been utilised to acquire a foreign asset, the Rules permit reduction of undisclosed income to the extent invested in the foreign asset, thereby preventing double taxation of both the source of funds and the resulting asset.

Confidentiality and pending proceedings

- The FAQs clarify that declarations under the Scheme are subject to confidentiality protections similar to those applicable to information contained in an ITR.
- The FAQs specifically address situations where a taxpayer files Form 1 before completion of a pending the Black Money Act assessment (for example, an assessment becoming time-barred on 31 March 2027). The FAQs suggest that taxpayers should furnish copies of Form 1, Form 2 and subsequent payment-related documentation to the Assessing Officer to ensure appropriate consideration is given while concluding the assessment proceedings. Where payment under the Scheme is completed within the prescribed timeline, corresponding relief may be provided through the assessment process or by subsequent rectification, as appropriate.

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- Detailed guidance has been provided on the interaction between the Scheme and pending the Black Money Act proceedings. Where assessment proceedings under the Black Money Act are pending but have not been concluded on the date of filing Form 1, the taxpayer remains eligible to avail the Scheme. The Assessing Officer is required to take the declaration into account while completing the assessment.

Our comments

The supplementary FAQs address several interpretational and procedural issues under FAST-DS, 2026 and provide greater certainty on eligibility, valuation, reporting obligations and interaction with the ongoing proceedings under the Black Money Act.

The clarifications are expected to facilitate smoother implementation of the Scheme and assist taxpayers in assessing the scope of disclosures and the relief available under the Scheme.

Taxpayers may consider reviewing their historical positions relating to foreign income and asset to assess eligibility under the Scheme and ensure timely compliance before the closure of the disclosure window on 31 December 2026.



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