

THE KERALA FINANCE BILL, 2026

(As passed by the Assembly on 24th day of February, 2026)

A

BILL

to give effect to certain financial proposals of the Government of Kerala for the Financial Year 2026-2027.

Preamble.—WHEREAS, it is expedient to give effect to certain financial proposals of the Government of Kerala for the Financial Year 2026-2027;

BE it enacted in the Seventy-seventh Year of the Republic of India as follows:—

1. *Short title and commencement.*—(1) This Act may be called the Kerala Finance Act, 2026.

(2) It shall come into force on the 1st day of April, 2026.

CHAPTER I

WAIVER OF CERTAIN AMOUNTS

2. *Amendment of Act 3 of 2025.*—In the Kerala Finance Act, 2025 (3 of 2025), (hereinafter referred to as the principal Act) in Chapter III, General Amnesty Scheme, 2025 after section 13, the following section shall be inserted, namely:—

“13A. *Special waiver in respect of small arrears.*—(1) Notwithstanding anything contained in the relevant Acts or in the scheme, the entire amount of arrears of tax, surcharge, interest, cess or penalty covered by a specified order passed under the relevant Act shall be deemed to have been settled under the scheme, where,—

(a) the arrears of tax or surcharge in such order does not exceed fifty thousand rupees; and

(b) the arrears of tax or surcharge relates to any financial year up to and including the financial year 2017-18; and

(c) such order has been issued on or before the 31st day of March, 2027:

Provided that, in the case where the evidence, details and records pertaining to the penalty levied are not utilized or not liable to be utilized for any best judgment assessment under the relevant Act, the tax or surcharge relating to such penalty shall be deemed to be the arrears of tax or surcharge."

3. *Amendment of section 20.*—In the principal Act, in section 20, the existing provision shall be numbered as sub-section (1) and after the sub-section (1) so numbered, the following sub-section shall be inserted, namely:—

"(2) Notwithstanding anything contained in the Kerala Revenue Recovery Act, 1968 (15 of 1968), waiver of arrears under section 13A of this scheme shall be applicable to those cases in which revenue recovery proceedings have been initiated and the designated authorities shall have the power to settle such amounts towards amount payable and in cases where the arrears of tax, surcharge, interest or penalty are waived under section 13A, the revenue recovery proceedings against such applicants shall be deemed to have withdrawn on the 1st day of April, 2026 which shall then be binding on the revenue authorities and such applicants shall not be liable for payment of any collection charge leviable by such revenue authorities."

CHAPTER II

FLOOD CESS AMNESTY, 2026

4. *Flood Cess Amnesty, 2026.*—(1) Any taxpayer who is in arrears of any amount payable as Kerala Flood Cess under section 14 of the Kerala Finance Act, 2019 (5 of 2019) pertaining to the period from 1st day of August, 2019 to 31st day of July, 2021 may opt to settle the arrears by making payment of the entire flood

cess payable and upon such payment, the applicable interest and penalty thereon shall stand waived:

Provided that, where the entire amount of flood cess payable in respect of such arrears has already been remitted by the taxpayer, the interest and penalty relating thereto shall be deemed to have been fully waived and such arrears shall be deemed to have been settled as per this sub-section.

(2) A taxpayer who intends to settle the arrears under the scheme shall, on or before 30th day of June, 2026, make electronic payment of the entire amount payable as per sub-section (1) as on the date of payment through e-treasury portal.

Explanation.—If a show cause notice issued under the Central Goods and Services Tax Act, 2017 or The Kerala State Goods and Services Tax Act, 2017 includes the demand of flood cess along with the other demands under the said Acts and payment as per sub-section (1) is made to settle the flood cess payable as per the notice/order, then the demand to the extent of flood cess alone shall stand settled.

(3) Where an appeal filed by the Government is pending before any appellate or revisional authority under section 14 of the Kerala Finance Act, 2019 (5 of 2019) or any court, and the taxpayer has settled the arrears under the amnesty scheme by paying the demand as per the original order, the taxpayer shall intimate such settlement to,—

(i) the appellate or revisional authority under the Kerala Finance Act, 2019 (5 of 2019) or any court; and

(ii) the jurisdictional proper officer.

(4) Upon verifying that the taxpayer has settled the arrears by making complete payment of the flood cess as per the demand in the original order, the jurisdictional proper officer shall intimate the settlement to the appellate or

revisional authority under section 14 of the Kerala Finance Act, 2019 (5 of 2019) or the court, so that the appellate or revisional authority under the Act or the court may take decisions accordingly.

(5) Notwithstanding anything contained in the Kerala Revenue Recovery Act, 1968 (15 of 1968), reduction of arrears under sub-section (1) shall be applicable to those case in which revenue recovery proceedings have been initiated and the proper officer shall have the power to collect such amounts on settlement under sub-section (1) and where the amount is settled under sub-section (1) the revenue recovery proceedings against such taxpayers shall be deemed to have withdrawn on the 1st day of April, 2026 which shall then be binding on the revenue authorities and such taxpayers shall not be liable for payment of any collection charge leviable by such revenue authorities.

(6) Notwithstanding anything contained in this Act or in any judgement, decree or order of any court, tribunal or appellate authority, there shall not be any refund or any adjustment subsequently for the amount settled under this scheme, under any circumstances.

5. *Power of Commissioner of State Tax.*—Subject to the provisions of the scheme, the Commissioner of State Tax may, from time to time, issue instructions and directions as he may deem fit for carrying out the purpose of the scheme.

6. *Power to remove difficulties.* —(1) If any difficulty arises in giving effect to any of the provisions of this scheme, the Commissioner of State Tax may, by order, not inconsistent with the provisions of this scheme, remove such difficulty:

Provided that, no such order shall be made after the expiry of a period of one year from the date of commencement of the scheme.

(2) Every order issued under sub-section (1) shall be laid before the Legislative Assembly by the Government.
