

Fifteenth Kerala Legislative Assembly
Bill No. 300

THE KERALA FINANCE BILL, 2026

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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 demand 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 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.

STATEMENT OF OBJECTS AND REASONS

The bill seeks to amend the Kerala Finance Act, 2025 (3 of 2025) to give effect to the financial proposal of the Government of Kerala for the Financial year 2026-27 as announced in paragraphs 751 to 757 of the Budget Speech 2026-27.

FINANCIAL MEMORANDUM

The bill if enacted and brought into operation, would not involve any additional expenditure from the Consolidated Fund of the State.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 5 seeks to empower the Commissioner of State Tax to issue instructions and directions for carrying out the purpose of Flood Cess Amnesty, 2026.

2. Clause 6 seeks to empower the Commissioner of State Tax to issue orders for the removal of difficulties, under the Flood Cess Amnesty, 2026.

The matters in respect to which rules may be made or notifications or orders may be issued are either, administrative in nature or matters of procedure and are of routine in nature. Further, the rules, after they are made, are subject to the scrutiny of the Legislative Assembly. The delegation of legislative powers is, thus, of a normal character.

K. N. BALAGOPAL

EXTRACT FROM THE RELEVANT PORTTIONS OF
THE KERALA FINANCE ACT, 2025 (3 OF 2025)

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13. Rate applicable in determining the amount payable.—(1) The amount payable by the applicant and the amount waived shall be determined as follows:—

(a) where the arrears of tax or surcharge in a specified order is above rupees fifty thousand and up to rupees ten lakh on the date of application referred to in sub-section (1) of section 11, the amount payable shall be thirty percentage of such arrears of tax or surcharge, and on payment of the amount payable by the applicant, the remaining arrears of tax, surcharge, interest or penalty payable under that specified order shall be the amount waived;

(b) where arrears of tax or surcharge in a specified order is above rupees ten lakh and up to rupees one crore on the date of application for the settlement under this scheme,—

(i) the amount payable by the applicant for the settlement of the admitted tax shall be fifty percentage of the arrears of tax or surcharge, and on payment of such amount, the remaining arrears of tax, surcharge, interest or penalty payable under the relevant Act shall be the amount waived;

(ii) the amount payable by the applicant for the settlement of the disputed tax shall be forty percentage of the arrears of tax or surcharge, and on payment of such amount, the remaining arrears of tax, surcharge, interest or penalty payable under the relevant Act shall be the amount waived;

(c) where the arrears of tax or surcharge in a specified order is above rupees one crore on the date of application for the settlement under this scheme,—

(i) the amount payable by the applicant for the settlement of the admitted tax shall be sixty percentage of the arrears of tax or surcharge, and on payment of such amount, the remaining arrears of tax, surcharges, interest or penalty payable under the relevant Act shall be the amount waived;

(ii) the amount payable by the applicant for the settlement of the disputed tax shall be fifty percentage of the arrears of tax or surcharge, and on payment of such amount, the remaining arrears of tax, surcharge, interest or penalty payable under the relevant Act shall be the amount waived:

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 demand relating to such penalty shall be deemed to be the arrears of tax or surcharge, and the amount payable shall be calculated accordingly.

(2) Notwithstanding anything contained in this scheme, if an applicant has remitted or deposited any amount towards the demand in the specified order, or if any amount or its equivalent has been recovered as part of arrear recovery towards the demand in the specified order, such amount already received by the Government shall be deducted from the amount payable, and the applicant shall, along with the application, furnish the proof of payments made in this regard:

Provided that any amount paid towards the penalty or interest shall be given credit towards the amount payable:

Provided further that, where an assessee who was in arrears of tax or any other amount due under the Kerala Tax on Luxuries Act, 1976 (32 of 1976) has opted for the settlement under section 12 of the Kerala Finance Act, 2019 (5 of 2019) during previous years, but failed to settle the arrears within the period specified under sub-section (7) of section 12 of Kerala Finance Act, 2019 (5 of 2019), the amount, if any, paid under the said section, after service of specified order, shall be deducted from the amount payable. The applicant, shall, along with the application, furnish the proof of payments made in the regard:

Provided also that, where an assessee who was in arrears of tax or any other amount due under the Central Sales Tax Act, 1956 (Central Act 74 of 1956) or the Kerala Value Added Tax Act, 2003 (30 of 2004) had opted for settlement under section 10 of the Kerala Finance Act, 2020 (7 of 2020) during previous years, but failed to settle the arrears within the period specified under sub-section (7) section 10 of the Kerala Finance Act, 2020 (7 of 2020), the amount, if any, paid, after service

of specified order, under the said section, shall be deducted from the amount payable. The applicant, shall, along with the application, furnish the proof of payments made in the regard:

Provided also that, where an assessee who was in arrears of tax or any other amount due under the Kerala Value Added Tax Act, 2003 (30 of 2004) had opted for settlement under section 11 of the Kerala Finance Act, 2020 (7 of 2020) during previous years, but failed to settle the arrears within the period specified under sub-section (5) of section 11 of the Kerala Finance Act, 2020 (7 of 2020), the amount, if any, paid under the said section, after service of specified order, shall be deducted from the amount payable. The applicant, shall, along with the application, furnish the proof of payments made in the regard.

(3) Notwithstanding anything contained in the relevant Act, interest accrued at the time of payment of amount payable under this scheme, shall also stand waived.

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20. *Bar on revenue recovery proceedings.*—Notwithstanding anything contained in the Kerala Revenue Recovery Act, 1968 (15 of 1968) waiver of arrears under section 13 and section 14 of this scheme shall be applicable to those case in which revenue recovery proceedings have been initiated and designated authorities shall have the power to collect such amounts towards amount payable and in cases where the designated authorities issued a certificate under section 16 or in cases where the arrears of tax, surcharge, interest or penalty are waived under section 14. the revenue recovery proceedings against such applicants shall be deemed to have withdrawn on the 1 st day of April, 2025 which shall then be binding on the revenue authorities and such applicants shall not be liable for payments of any collection charge leviable by such revenue authorities.

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