

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA**

UNSTARRED QUESTION NO. 5780

TO BE ANSWERED ON MONDAY, MARCH 30, 2026/CHAITRA 09, 1948 (SAKA)

TAXATION OF DISABILITY PENSION UNDER FINANCE ACT, 2026

5780. SHRI MANISH TEWARI:

Will the Minister of **FINANCE** be pleased to state:

- (a) the rationale behind the amendment in the Finance Act, 2026 (Page 88, Para 108) restricting tax exemption on disability pension only to personnel invalided out of service;
- (b) whether any empirical data or impact assessment was undertaken to justify differential treatment between invalided-out and superannuated disabled veterans and if so, the details thereof;
- (c) whether the Government has examined the constitutional implications of differential treatment between similarly placed disabled veterans based on mode of exit from service;
- (d) if so, whether the Ministry of Defence was consulted and its views obtained prior to introducing the amendment and if so, the details thereof;
- (e) the number of veterans likely to be affected and the estimated additional revenue expected therefrom; and
- (f) whether the Government proposes to provide transitional protection, clarify eligibility criteria and establish a grievance redressal mechanism for affected veterans and if so, the details thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) to (f):- With the enactment of the Income-tax 2025 which will be effective from the 1st of April, 2026, the Income-tax Act, 1961 will be repealed from the said date and consequently the earlier enactments pertaining to Income-tax Act, 1922 and related savings provisions in the Income-tax Act, 1961 will cease to operate. Therefore, in the absence of an express provision in the Income-tax 2025, the exemption provided for disability pension would have lapsed. This provision was included in the Finance Bill 2026, to ensure the continuation of the same exemption that existed earlier, including its scope and condition.

Since the matter is sub-judice, it has created certain implementation issues. Therefore, to address the practical issues of the present prevailing situation, the amended provisions shall apply on or after such date as may be notified by the Central Government in this behalf.

Pending such notification, the entire disability pension, that is, disability element and service element of a disabled officer of the Indian armed forces shall be exempt from Income- tax.
