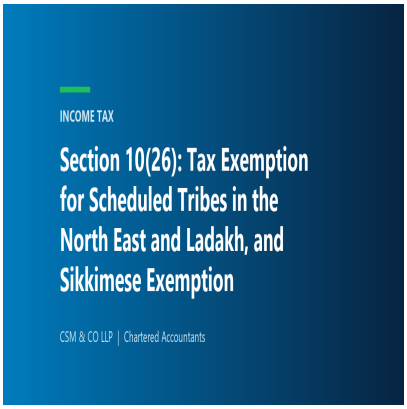

Section 10(26): Tax Exemption for Scheduled Tribes in the North East and Ladakh, and Sikkimese Exemption

Description

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Quick summary

- Income of a Scheduled Tribe member who lives in the notified tribal areas is exempt if it arises from a source in those areas, or is dividend or interest on securities.
- The areas are the Sixth Schedule hill areas in Part I or II of the table in paragraph 20, Arunachal Pradesh, Manipur, Mizoram, Nagaland, Tripura, certain areas notified in 1951, and Ladakh.
- Sikkimese individuals have a similar exemption for income from a source in Sikkim and for dividend or interest on securities.
- From Tax Year 2026-27 these are Sl. No. 19 and 20 of Schedule III of the Income-tax Act, 2025, and they stay available in the new tax regime.

Income of members of certain Scheduled Tribes who live in the tribal areas of the North East and Ladakh is exempt from income tax. Sikkimese individuals have a similar exemption. These were sections 10(26) and 10(26AAA) of the 1961 Act. From Tax Year 2026-27 they are Sl. No. 19 and 20 of Schedule III of the Income-tax Act, 2025.

Scheduled Tribe members: Sl. No. 19 (section 10(26))

Who: a member of a Scheduled Tribe as defined in article 366(25) of the Constitution, who resides in:

- any area specified in Part I or II of the table appended to paragraph 20 of the Sixth Schedule to the Constitution,
- the States of Arunachal Pradesh, Manipur, Mizoram, Nagaland and Tripura,
- the areas covered by the 1951 notification of the Governor of Assam under paragraph 20(3) of the Sixth Schedule, as it stood before the North-Eastern Areas (Reorganisation) Act, 1971, or
- the Union territory of Ladakh.

What is exempt: any income that accrues or arises from any source in those areas or States, and income by way of dividend or interest on securities. The Act attaches no further condition and no limit.

What is not covered: business income, rent, or other income from a source outside the specified areas. Dividend and interest on securities are the exception, and are exempt wherever the security is held.

Assam as a whole is not covered. Only the hill areas specified in the Sixth Schedule table and the 1951 notification qualify, so a Scheduled Tribe member in another part of Assam does not get the exemption.

Sikkimese individuals: Sl. No. 20 (section 10(26AAA))

An individual who is a Sikkimese has no tax on income that accrues or arises from any source in the State of Sikkim, or on dividend or interest on securities. The Notes to Schedule III define a Sikkimese broadly as a person domiciled in Sikkim on or before 26 April 1975 and certain close relatives of such a person. Check the definition before claiming.

New tax regime

The new regime (section 202 of the 2025 Act) removes the Schedule III exemptions at serial numbers 5, 6, 7, 8, 11 and 17, and 12 and 13 (except those prescribed). Serial numbers 19 and 20 are not on that list, so both exemptions remain available in the new regime.

Do these members file a return?

Exempt income does not reduce the duty to file. A person whose total income, before the exemption, is above the basic exemption limit, or who meets any other condition for filing, must file a return and report the exempt income in the exempt income schedule. Keep a Scheduled Tribe certificate from the competent authority and proof of residence and the source of income.

Example

Lalsang is a member of a Scheduled Tribe living in Aizawl, Mizoram. He earns a salary from a Mizoram employer and receives interest on bonds. Both are income from a source in Mizoram or interest on securities, so both are exempt. If he also lets out a flat in Guwahati, the rent is not from a specified area, and it is taxable.

Frequently asked questions

Who gets the section 10(26) exemption?

A member of a Scheduled Tribe (as defined in article 366(25) of the Constitution) who lives in the specified areas: Part I or II of the Sixth Schedule table, Arunachal Pradesh, Manipur, Mizoram, Nagaland, Tripura, the 1951 notified areas, or Ladakh.

Which income is exempt?

Income that accrues or arises from any source in those areas, and dividend or interest on securities.

Is income earned outside the area exempt?

Not under this provision, except dividend and interest on securities. Business income or rent from outside the specified areas is not covered.

Is the whole of Assam covered?

No. Only the hill areas specified in the Sixth Schedule table and the areas covered by the 1951 notification, not Assam as a State.

Is it available in the new tax regime?

Yes. Section 202 of the 2025 Act removes other Schedule III exemptions but not Sl. No. 19 and 20.

Official sources

- Income Tax Department: Income-tax Act 2025 as amended by Finance Act 2026 (Schedule III Sl. No. 19 and 20, section 202)

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