RSM

THE POWER OF BEING UNDERSTOOD

India Budget 2026
Resilience in Uncertainty

RSM IN INDIA

- RSM India (comprising of RSM Astute Consulting Group and affiliates) is consistently ranked amongst India's top tax, accounting and consulting groups [International Accounting Bulletin - India Surveys]
- Nationwide presence through offices in 14 key cities across India
- Multi-disciplinary personnel strength of over 3,000
- International delivery capabilities

rsmindia.in

RSM AROUND THE GLOBE

- Amongst world's leading provider of audit, tax and consulting services to entrepreneurial growth-focused organisations globally
- Annual combined fee income of US$ 10 billion
- Combined staff of over 65,000 in over 900 offices across more than 120 countries

rsm.global

INDIA BUDGET 2026
Resilience in Uncertainty

Includes

- Quick Referencer – Provisions of Income Tax Act, 1961 vis-a-vis Income Tax Act, 2025
- Business Updates – Evolving Business Policy and Regulatory Landscape in India
- Free Trade Agreement entered by India in Year 2025 and 2026
- Advancing Ease of Doing Business Through Deregulatory Reforms

Feburary 2026

Table of Contents

	Industry Speaks	01
1	Introduction	05
2	Indian Economy – An Overview	08
3	Tax Rates	10
4	G20 Countries-Comparative Corporate and Personal Tax Rates	19
5	Reading The Indian Treaties Through MLI Lens	21
6	OECD Digital Tax Developments – An Overview	39
7	Certain Tax Incentives for Businesses	43
8	Quick Referencer – Provisions of Income Tax Act, 1961 vis-a-vis Income Tax Act, 2025	65
9	Direct Taxes – Significant Changes	71
10	Indirect Taxes – Significant Changes	87
11	Business Updates – Evolving Business Policy and Regulatory Landscape in India	95
12	Free Trade Agreement entered by India in Year 2025 and 2026	101
13	Advancing Ease of Doing Business Through Deregulatory Reforms	111
14	Other Significant Proposals	114
15	TDS and TCS Rates	119
16	Direct Tax, GST & FEMA Compliance Calendar	132
17	ESG and Sustainability : Green Initiatives	148
18	Abbreviations	151

Industry speaks

The Union Budget 2026-27 will play a crucial role in prioritizing inclusive workforce growth by empowering women-led enterprises through community driven retail models that evolve from basic livelihoods to full ownership. Skilling programs span AVGC, healthcare, tourism, and allied sectors to nurture early talents. Ongoing investments in AI and research highlight the drive for future ready skills.

Akhil Chauhan
Starkey Laboratories India Pvt Ltd., Managing Director-India & South Asia

The Union Budget presents a strong long term vision, aligning with India's aspiration to become Viksit Bharat by 2047. It shifts from short term measures to multi year initiatives and adopts a sector focused approach that strengthens targeted growth. For the technology sector, the government recognises tech as a core growth engine, elevating AI, semiconductors, data centres and digital public infrastructure. Major commitments include a Rs. 40,000 crore electronics manufacturing push and Rs. 5,000 crore for developing Tier 2 and Tier 3 tech hubs. Tax reforms such as the redesigned Safe Harbour framework, higher eligibility thresholds, and faster APAs offer long awaited clarity. A tax holiday for data centre based foreign services and education to employment reforms further strengthen future readiness. Overall, the Budget is forward looking and meets key IT industry priorities.

Ashank Desai
Mastek Ltd., Director

The Union Budget 2026 presents a sophisticated blueprint for 'Viksit Bharat' that masterfully balances fiscal discipline, as evidenced by the 4.3% GDP deficit target, with a visionary capital expenditure of Rs.12.2 lakh crore to anchor long-term industrial growth. For the renewable energy sector, the Finance Minister's decision to exempt battery energy storage systems (BESS) and sodium antimonate for solar glass from basic customs duty—paired with a Rs.20,000 crore energy transition outlay—decisively lowers the economic barriers to our green transition and strengthens the domestic manufacturing value chain. Simultaneously, the introduction of 'Bharat Vistar,' a multilingual AI-powered digital public infrastructure, alongside a 7% increase in agricultural allocation to Rs.1.63 lakh crore, reflects a strategic shift toward precision farming and high-value crop diversification that will fundamentally modernize our agro-chemical ecosystem. As Chairman of the ASSOCHAM CFO Council, I particularly laud the move to rationalize customs for critical inputs and the expansion of the electronics component scheme to Rs.40,000 crore, as these measures, combined with the push for rare earth corridors and dedicated chemical parks, provide the tax certainty and infrastructure depth required for India to emerge as a global strategic manufacturing hub.

Abani Jha
Saatvik Group, Group CFO & Chairman of the ASSOCHAM CFO Council

Budget 2026 is a statement of intent—balancing fiscal discipline with growth ambitions. By retaining existing income tax slabs, it signals stability, while easing compliance through extended filing deadlines and reduced pre deposit requirements. The sharp cut in TCS on overseas travel and education to 2% offers direct relief to citizens and online application and issuance of lower or nil TDS/TCS certificates, reducing manual interface and compliance burden significantly. Sharp increase in STT increases transaction costs and taxing Sovereign Gold Bonds purchased from secondary market removes their key tax advantage. Record capital expenditure of Rs.12.2 lakh crore underscores the government's commitment to infrastructure and job creation. Investments in semiconductors, rare earth corridors, and digital governance highlight India's push for self-reliance. Overall, this budget blends continuity with reform, aiming to strengthen resilience and inclusive development.

Amit Jain
Timex Group India Limited
Chief Financial officer

Industry speaks

The Union Budget 2026-27 will play a crucial role in support of MSME growth. Focus is also on the operationalization of 20 new national waterways. Budget also provide Rs. 40,000 crore INR for Electronic Component Manufacturing. FM proposes to create rare-earth corridors to promote mining, processing and research for rare-earth magnets. New Income Tax will be applicable from 1st April 2026. No changes in the personal income slabs. No specific relief to exporters on account of 50% tariff charged by USA. Some changes are suggested in the indirect taxes which needs to be understood in detail.

Anup Goyal
Graziano Trasmissioni India (P) Ltd.
Regional Controller OH India

The Union Budget 2026-27 will play a crucial role "in promoting Viksit Bharat and atmanirbharta mission focusing on Yuva Shakti through infrastructure support, policy reforms, facilitation and adoption of new technology and AI support, fiscal consolidation, employment creation measures, boosting productivity and accelerating growth and improved ease of compliances for long term sustainable growth. Although, increase in Securities Transaction Tax (STT) from 0.02% to 0.05% has immediate negative effect on capital markets and negative for improving FIIs sentiment, however if growth continues this short-term impact would get nullified. Changing of buy back taxation from deemed dividend to capital gain tax is a positive step for retail investor, however same should have been applied for all investors.

Bhuvnesh Sah
Sembcorp India
Vice President Taxation

Budget 2026—27 reinforces a steady, investment-led growth path with strong focus on infrastructure, manufacturing depth and digital governance. For IT & ITES firms like Prometric, the emphasis on skilling and digital delivery strengthens demand for secure, technology-driven assessments. The middle class benefits from predictability and smoother compliance, while expanding capex and MSME activity support lower-income households through job creation. Overall, it provides a stable foundation aligned with India's Viksit Bharat 2047 aspirations.

Lalit Jain, CA, CMA
Prometric Testing Pvt. Ltd.
Director – Finance

The Union Budget 2026 has focused on manufacturing, fiscal discipline, accelerating growth, boosting infrastructure, supporting MSMEs and emphasizes resilience and inclusivity which is a welcome move. Other proposals like reduction in TCS rates, decriminalization of income tax penalty and prosecution provisions and overall simplified compliance would bring boost to businesses. With investments in education, health, defence and infrastructure, the budget aligns with the "Viksit Bharat 2047" vision, aiming to strengthen domestic capacity and ensure equitable development.

Manish Saxena
Leading US Based MNC
Associate Vice President

The proposals are well-intentioned, aiming to position India as an investment destination through measures such as incentives for data centre, better safe harbour provisions for IT services, extended tax holidays for IFSC units, and rationalized customs tariff rates. Reducing litigation on hyper-technical issues, and increasing life of custom advance rulings, are welcome steps towards greater tax certainty. Rationalisation of prosecution provisions will bolster ease of doing business. However, the absence of the anticipated customs settlement scheme remains a missed opportunity.

Manish Bhatia
Mars Group
In-Country Tax & Treasury Center, Lead India

Industry speaks

The Union Budget 2026-27 aims to decriminalize and reduce the litigation by moving away from penalty and prosecution regime to some extent. The reduction in pre-deposit amount for appeal by half i.e. from 20% to 10% of pure tax is a major welcome relief to genuine taxpayers.

Nilesh Bhagat
Essar Capital
Senior Director & Head of Tax

Budget 2026 resets India's Safe Harbour regime for scale and simplicity. By lifting the eligibility threshold to Rs.2,000 crore and standardising a 15.5% margin for all IT services, the government has delivered long overdue tax certainty and reduced compliance friction for the industry. The new 2% safe harbour for component warehousing further strengthens India's position as a competitive electronics manufacturing and supply chain hub.

Puneet Mishra
Intel India, Tax Director

This is a very thoughtful budget with sharp focus on elimination of ambiguity and addressing open issues of taxpayers as well as tax authorities. Amendment in MAT (Income Tax) indicates deep study of data available with them whereas amendment in post-sale discount (GST) show willingness to address genuine business issues. Retrospective amendments and clubbing of assessment with penalty orders in Direct Tax will have far reaching implications on taxpayers for which careful assessment & planning is required.

Romesh S A Sankhe
Vodafone Idea Limited, EVP – Finance (Taxation)

A forward-looking budget that balances fiscal responsibility with strong investment in growth and smart spending that strengthens the nation's energy self-reliance, accelerates infrastructure development and supports sustainable economic growth.
"To summarise, it's a budget that invests in growth while protecting the future."

Rajesh Kumar Agarwal
Ledvance Private Limited
Whole Time Director & CFO

The India Budget 2026–27 reinforces the government's focus on long-term, sustainable growth through higher infrastructure spending, support for domestic manufacturing and MSMEs, and continued fiscal discipline. Tax measures aimed at simplifying compliance and improving ease of living complement the growth agenda while safeguarding macroeconomic stability.

Shradha Khandelwal
Senior Manager-APAC Region
GoDaddy India

The calibration of MAT rates to 14% and the mechanism to unlock legacy credits within the new tax regime provides a pragmatic bridge for transition. Combined with consistent headline rates, this stability empowers businesses to plan and execute long-term strategies with clarity

Shagun Tulsyan
Emami Limited
President – Tax And Legal

Union Budget 2026 focused on its agenda of simplifying the law by confirming the enactment of Income Tax Act 2025 wef April 1, 2026. Government focus remained on "Ease of doing business in India" as evidenced by various proposals like mandating the period of APA conclusion to 2 years, increasing the scope of safe harbour to IT services, extending tax holiday period for IFSC, clarifying the ambiguity on TDS on manpower supply services, increasing the time for filing revised return and enhancing the scope of filing updated Tax return etc. The Government also remained focussed on revenue as well, via clarification on the provisions of time-limit of completion of assessment as per section 153, 153B and 144C, nullifying popularly known ROCA ground, with retrospective effect. Overall, it looked like a "trying to balance" budget.

Sarika Malhotra
Cargill
India Tax Advisor

Industry speaks

As expected, this year's Finance Bill maintains tax stability with no major policy related changes in tax laws. There is a welcome push toward decriminalisation of offences, easing compliance and enhancing trust based administration. The revised buyback tax regime will benefit non promoter shareholders. Some retrospective amendments have been introduced to overturn recent court rulings. Such changes should have been made prospectively or in the year in which the dispute originally arose. The delay has caused avoidable uncertainty, a higher compliance burden, and unnecessary litigation costs.

Sushil Chopra
Grasim
Joint President, Tax – Grasim Industries Ltd

This Union Budget marks a decisive shift from intent to execution for India's climate economy. By strengthening carbon markets alongside accelerated renewable energy deployment, it lays the foundation for scalable decarbonisation, deeper private capital participation, and India's emergence as a global hub for low-carbon growth. The budget has earmarked Rs.20,000 crore push for carbon capture and utilisation technologies to accelerate decarbonization.

Sourav Agarwal
Bridgecarbon
Head Finance South Asia

Budget 2026 emphasized on the long-term focus of the GOI to build electronics and durable hub in India. Specific focus on building semi-conductor industry, emphasis on AI, skill development, investment in MSME sector, with higher capital spending mix will strengthen component manufacturing capabilities domestically aiming at dilution of current import dependency. On an overall basis, it is a positive, conservative budget with focus on economic growth in the given geo-political environment and should help us grow towards establishing India as a global manufacturing hub.

Mr. Soumya Ghosh
General HVAC Solutions India Private Limited
(Formerly, Fujitsu General India Pvt. Ltd.)
Director Finance And Corporate Strategy

The Govt has aimed in this budget for tax certainty, ease of doing business and attracting the investment. The proposed tax exemption to foreign companies providing cloud services to customers globally using data centre services from India will significantly boost investments in data centers in India. The measures related to rationalisation of safe harbour rules and de-criminalisation of certain tax defaults mark a strong push towards tax certainty and ease of doing business.

Sanjay Ajmera
Nokia
Country Finance Director

The Union Budget 2026 reflects continuity with conviction, balancing a disciplined 4.3% fiscal deficit with a record Rs.12.2 lakh crore infrastructure push. Anchored in the three kartavyas—accelerating growth, fulfilling aspirations and ensuring inclusive access—it strengthens India's structural resilience amidst global volatility. A landmark reform is the Income Tax Act, 2025, effective 1 April 2026, which simplifies direct tax law by reducing provisions and streamlining compliance. As Leonardo da Vinci said, 'Simplicity is the ultimate sophistication'; Union Budget 2026 masterfully simplifies the path toward a maturing, productivity-led economy.

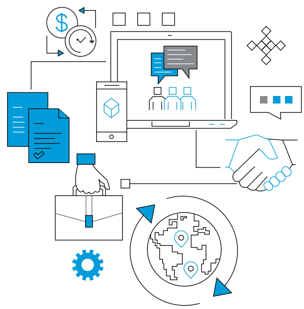
Tirlockee Chauhan
Religare Broking Limited
Chief Financial Officer

Union Budget 2026 signals continuity with reforms; a simplified income tax law, stability in rates, compliance easing through rationalised TDS, and technology-led administration. The focus shifts from headline relief to certainty, litigation reduction, and a broader, cleaner tax base for taxpayers. Also, the incentives for domestic exploration and clean energy adoption support energy security and transition.

Vandana Arora
Technip Energies India Limited
Head-Direct Tax

Chapter 1 Introduction

Background



The India Union Budget 2026 is presented at a defining moment in India's economic journey. With India firmly positioned as the world's 5th largest economy and maintaining resilient GDP growth amid global uncertainties, the Budget seeks to reinforce macroeconomic stability while accelerating the transition towards a more competitive, inclusive and future-ready economy. Against this backdrop, the coming into force of the Income-tax Act, 2025 marks a landmark reform in India's direct tax framework, aimed at simplification, certainty and improved compliance. The 'Economic Survey 2025-26 and certain significant aspects as announced by the Hon'ble Finance and Corporate Affairs Minister, Mrs. Nirmala Sitharaman, in the Union Budget on 1st February 2026 are as under:

Sound Economic Fundamentals

India's real GDP is projected to grow by 7.4% in FY26 against the growth rate of 6.5% during FY25. Real GDP growth for FY27 projected in the range of 6.8-7.2%. The fiscal deficit is estimated at 4.4% of GDP in FY26. India recorded the lowest inflation rate since the beginning of the CPI series, with April-December 2025 average headline inflation coming in at 1.7%.

Certain Budget proposals

- No change in personal tax rates and corporate tax rates.
- In a major policy shift, MAT will be converted into a final tax, and its rate is being reduced to 14% (effective MAT rate = 16.3072%) from earlier 15% (effective MAT rate = 17.472%) from tax year 2026-27 and onwards.
- Domestic companies opting for concessional tax regime for the tax year 2026-27 and onwards shall be allowed to set-off MAT credit available as on 31 March 2026 to the extent of 25% of the tax payable for that tax year. The remaining tax credit shall be allowed to be carried forward to subsequent tax years and shall be eligible for set-off up to 15 tax years from the tax year immediately succeeding the tax year in which the credit became allowable.
- In a big boost to the units in IFSC, it is proposed to increase the period of tax holiday to 20 consecutive years out of 25 years for units in IFSC and 20 consecutive years for OBUs. It is also proposed that the business income of these units from IFSC after the expiry of period of deduction will be taxed at rate of 15%.
- Rationalisation of tax treatment on buy-back of shares: Shift from dividend income to capital gains. However, to disincentivize misuse, an additional tax will be levied on promoters.
- STT rates on futures and options are proposed to be increased.

- In the Budget Speech, announcement for safe – harbour provisions for certain industries was made; however, the same is subject to separate notification as no amendment is proposed in the Bill.
- The Bill proposes a significant overhaul of the penalty and prosecution framework to reduce tax disputes and move towards decriminalization.
  - ➢ Assessment and penalty proceedings will be integrated into a common order.
  - ➢ The prosecution framework will be rationalized, including shift from "rigorous imprisonment" to "simple imprisonment". Decriminalization of non-production of books of account and the grading of punishments based on the severity of the offense.
  - ➢ The existing immunity framework for under-reporting of income is extended to cases of misreporting, provided the taxpayer pays 100% of the tax amount as additional income tax.
- Several tax incentives are proposed to attract foreign investment and global talent:
  - ➢ A tax holiday until 2047 for foreign companies providing cloud services globally from data centres located in India.
  - ➢ A 5-year tax exemption for non-residents who provide capital goods for toll manufacturing in a bonded zone.
  - ➢ A 5-year tax exemption on global income for non-resident experts working in India under notified government schemes.

The indirect tax proposals in the Bill are designed to simplify tariff structure, promote domestic manufacturing under the 'Make in India' initiative, boost exports, and enhance the ease of doing business through procedural reforms in customs.

A. Customs Duty Rationalization & Domestic Manufacturing

To reduce input costs and encourage domestic production, BCD is being exempted or reduced in several key sectors:

- **Energy Transition:** Exemption on capital goods for manufacturing Lithium-Ion cells for Battery Energy Storage Systems (BESS) and on sodium antimonate used in manufacturing solar glass.
- **Strategic Sectors:** Exemption on goods for Nuclear Power Projects, capital goods for processing critical minerals, and components for manufacturing civilian and defence aircraft.
- **Electronics:** BCD exemption on specified parts used in the manufacture of microwave ovens to deepen domestic value addition.

B. Export Promotion and E-commerce

- The Bill proposes to remove the current value cap of Rs. 10,00,000 per consignment on courier exports.
- Extending the time period for the export of finished leather and textile garments from 6 to 12 months.

C. Procedural Reforms and Ease of Business

To streamline customs processes and reduce compliance burdens, several trust-based systems are being introduced or enhanced.

- The duty deferral period for Authorised Economic Operators (AEOs) is being enhanced from 15 to 30 days.
- The validity period of advance rulings, which provides certainty to businesses, is being extended from 3 to 5 years.
- The government is moving towards a single and interconnected digital window for all approvals related to cargo clearance.

These indirect tax measures aim to create a more efficient and competitive trade environment.

Overall, the Union Budget is a balanced budget despite the uncertain and challenging times, with a focus on priorities of growth, infrastructure, fiscal consolidation, stability of corporate tax regime and personal tax regime.

Scope and Limitations

In this booklet compiled by us, we intend to offer a broad outline of the highlights of the Bill presented on 1 February 2026. We have discussed the significant proposals of general interest in respect of direct taxes. In respect of indirect taxes and other policy initiatives, only the highlights have been briefly enumerated. Preceding the budget proposals are the macro indicators of Indian economy which provide a backdrop to the legal and financial proposals.

This booklet is not an offer, invitation or solicitation of any kind and it does not purport to be comprehensive, or to render legal, economic or financial advice. This booklet should not be relied upon for taking actions or decisions without appropriate professional advice as the facts of each case have to be studied and the legal position analysed properly before taking any action or decision in the matter. Further, this booklet contains only the proposals and amendments as given in the Bill, which may be modified before it receives the approval and assent of the Parliament and the President. The proposals regarding direct taxes would become effective from Tax Year 2026-27 (i.e. from 1 April 2026), unless otherwise specified.

While all reasonable care has been taken in preparation of this booklet, we accept no responsibility for any errors it may contain or for any omissions or otherwise or for any loss, howsoever caused or sustained, by the person who relies on it.

Chapter 2 Indian Economy — An Overview

2.1 India at a glance

GDP: 2025

- US$ ~17.1 trillion in terms of PPP and US$ 4.13 trillion in nominal terms
- India is the 3rd largest economy globally (in PPP terms) and 4th largest (in nominal terms)

GDP Growth rate

India real GDP growth rate

- 7.4% (estimated) in FY 2025-26
- 6.8-7.2% (projected) in FY 2026-27

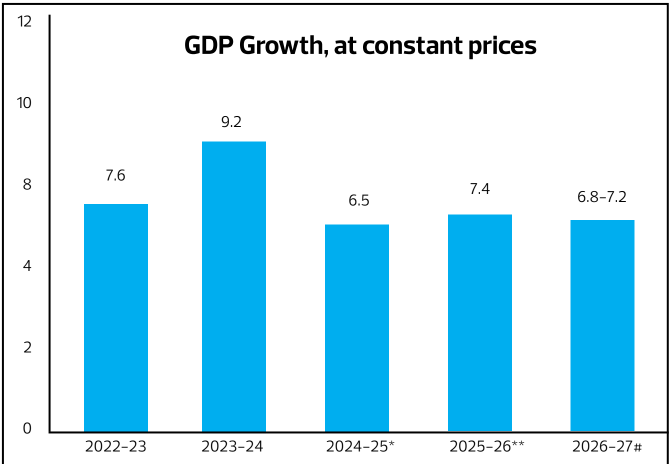
Demography

- India has a population of over 1.47 billion people, with a median age of 29.2 years

Equity Market Capitalisation (BSE)

- US$ 5.31 trillion as on 30 January 2026, 4th largest globally

2.2 General Review



**Provisional Estimates **1st Advance Estimates #Projected*

The Indian economy has maintained strong real GDP growth at 7.4%. It emphasizes "caution, not pessimism" as India remains the fastest-growing major economy. The roadmap focuses on innovation, infrastructure, fiscal prudence, and inclusive development to sustain this momentum.

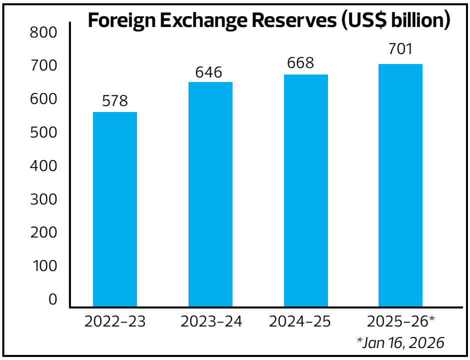
India has achieved a fiscal deficit of 4.8% of GDP, against the budgeted 4.9%, and announced a target of 4.3% for FY 2026-27, this fulfills the 2021 commitment to reduce the Union fiscal deficit by more than half from 9.2% in FY 2021-22.

Over the last 5 years, the average annual growth rate in the agriculture and allied sector has been around 4.4% at constant prices. In Q2 of FY 2025-26, the agriculture sector registered a growth of 3.5%.

Gross Foreign Direct Investment inflows increase by 13% from US$ 71.3 billion to US$ 81.0 billion in FY 2024-25. Gross FDI inflows further strengthened to US$ 64.7

billion for the period April to November 2025, as compared to US$ 55.8 billion in April to November 2024.

India's foreign exchange reserves increased from US$ 668.34 billion as at March 2025 to US$ 701.4 billion as at 16 January 2026. India's forex reserves are sufficient to cover 94% of external debt and provide an import cover of more than 11 months, thereby providing a comfortable liquidity buffer.



Effective capital expenditure as a percentage of GDP has continuously improved to 4% in FY 2024-25 and is estimated at 4.3% in FY 2025-26.

Stability of the banking system in the country can be attributed to strong capital buffers, low non-performing asset ratios and increasing profitability. A significant improvement has been observed in the asset quality of Scheduled Commercial Bank ('SCB'), as evidenced by their gross non-performing asset ratio and net NPA ratio, having reached a multi-decadal low level and record low level, respectively.

India's service trade plays a crucial role in enhancing the country's overall trade performance. This sector has shown resilience amid global economic volatility, as evidenced by its consistent growth in exports. In FY 2024-25, services exports reached an all-time high of US$ 387.5 billion, registering a robust 13.6 % (YoY) growth and reinforcing India's position as a global hub for technology, business, and professional services.

IMF has projected inflation rate for India of 2.8% for FY 2025-26 and 4.0% for FY 2026-27. The RBI's forecast for headline inflation for Q1 and Q2 of FY 2026-27 currently stands at 3.9% and 4%.

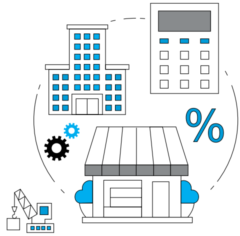
Micro, Small and Medium Enterprises ('MSMEs') form the backbone of India's industrial economy, accounting for approximately 35.4% of manufacturing, around 48.58% of exports, and 31.1% of GDP in the country. The Self-Reliant India Fund, launched to infuse Rs.50,000 crore as equity funding in MSMEs, has assisted 682 MSMEs by way of investment worth Rs.15,442 crore, as of 30 November 2025.

India's economic trajectory has been marked by stability, fiscal discipline, sustained growth and moderate inflation on account of conscious choices in times of heightened uncertainty and disruption.

Chapter 3 TAX RATES

3.1 Individuals, HUFs, AOPs and BOIs

3.1.1 Tax rates



No changes are proposed in the Bill on tax rate structure for personal income-tax under the new tax regime under section 202 of the ITA, 2025 (corresponding to section 115BAC of the ITA, 1961) and the old tax regime and the tax rates remains the same. Individuals/ HUFs/AOPs and BOIs continue to have the option to opt for the old tax regime. The income-tax slabs and rates for TY 2026-27 and FY 2025-26 under the new tax regime and the old tax regime are as under:

New Tax Regime – Present

TY 2026-27	
Income Slabs (Rs.)	**Proposed Tax Rates**
0 - 4,00,000	Nil
4,00,001 – 8,00,000*	Nil - after rebate under section 156* of ITA, 2025 (corresponding to section 87A of the ITA, 1961)
8,00,001 – 12,00,000*	Nil - after rebate under section 156* of ITA, 2025 (corresponding to section 87A of the ITA, 1961)
12,00,001 – 16,00,000	Rs. 62,400 plus 15.60% [tax rate 15% plus health and education cess 4% thereon] of income exceeding Rs. 12,00,000
16,00,001 – 20,00,000	Rs. 1,24,800 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 16,00,000
20,00,001 – 24,00,000	Rs. 2,08,000 plus 26.00% [tax rate 25% plus health and education cess 4% thereon] of income exceeding Rs. 20,00,000
24,00,001 – 50,00,000	Rs. 3,12,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 24,00,000
50,00,001^ – 1,00,00,000	Rs.12,35,520 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000
1,00,00,001^- 2,00,00,000	Rs. 30,85,680 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000
2,00,00,001^- 5,00,00,000	Rs. 72,54,000 plus 39% [(tax rate 30% plus surcharge 25%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000
5,00,00,001 and above	Rs.1,89,54,000 plus 39% [(tax rate 30% plus surcharge25%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 5,00,00,000

* A resident individual would be entitled to rebate under section 156 of ITA, 2025 (corresponding to section 87A of the ITA, 1961) of 100% of tax payable or Rs. 60,000, whichever is lower, [excluding health and education cess] resulting in NIL tax liability upto total income of Rs. 12,00,000. Further, such rebate on income-tax is not available on tax on incomes chargeable at special rates (excluding section 198 of the ITA, 2025 (corresponding to section 112A of the ITA, 1961)).

^ Marginal relief is available to ensure that the additional income tax payable, including surcharge of 10%, 15%, or 25% on the excess of income over Rs. 50,00,000, Rs. 1,00,00,000 or Rs. 2,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000, Rs. 1,00,00,000 or Rs. 2,00,00,000 as the case may be. No marginal relief shall be available in respect of the health and education cess.

^^ Maximum rate of surcharge on tax payable on income chargeable to tax under section 196, 198,197, S.no. 2 to 5 of Table to section 210(1) of the ITA, 2025 (corresponding to section 111A, 112A, 112, 115AD(1)(b) of the ITA, 1961) and dividend income shall be 15%.

Old Tax Regime

The tax rates in the old tax regime in case of individuals, HUFs, AOPs and BOIs continue to remain the same. As such, the effective and present tax rates under the old tax regime for the TY 2026-27 and FY 2025-26 are as follows:

Income Slabs (Rs.)	TY 2026-27 Proposed Tax Rates	FY 2025-26 Current Tax Rates
0 - 2,50,000 #	Nil	
2,50,001 # – 5,00,000*	Nil - after rebate under section 156* of ITA, 2025 (corresponding to section 87A of the ITA, 1961)	
5,00,001 – 10,00,000	Rs. 13,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000	
10,00,001 – 50,00,000	Rs. 1,17,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000	
50,00,001^ – 1,00,00,000	Rs.15,01,500 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000	
1,00,00,001^-2,00,00,000	Rs. 33,63,750 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000	
2,00,00,001^-5,00,00,000	Rs.75,56,250 plus 39% [(tax rate 30% plus surcharge 25%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000	

5,00,00,001^ and above	Rs.2,11,04,850 plus 42.744% [(tax rate 30% plus surcharge 37%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 5,00,00,000

Basic exemption income slab in case of a resident individual of the age 60 years or more (senior citizen) and resident individual of the age 80 years or more (very senior citizens) at any time during the previous year, continues to remain the same at Rs. 3,00,000 and Rs. 5,00,000 respectively.

* The tax rate is continued at rate of 5.20% [tax rate 5 % plus health and education cess 4% thereon] on the income exceeding Rs. 2,50,000 but not exceeding Rs. 5,00,000. However, a resident individual would continue to be entitled to a rebate under section 156 of ITA, 2025 (corresponding to section 87A of the ITA, 1961) of 100% of tax payable [excluding health and education cess] or Rs. 12,500, whichever is lesser, resulting in NIL tax liability upto total income of Rs. 5,00,000.

^ Marginal relief is available to ensure that the additional income tax payable, including surcharge of 10%, 15%, 25% or 37% on the excess of income over Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 respectively. However, no marginal relief shall be available in respect of health and education cess.

^^ Maximum rate of surcharge on tax payable on income chargeable to tax under section 196, 198,197, S.no. 2 to 5 of Table to section 210(1) of the ITA, 2025 (corresponding to section 111A, 112A, 112, 115AD(1)(b) of the ITA, 1961) and dividend income shall be 15%.

3.2 Companies

3.2.1 Domestic companies

I. Domestic companies opting for concessional corporate tax regime –Tax under section 200 of the ITA, 2025 (corresponding to section 115BAA of the ITA, 1961)

The tax rates remain unchanged. Domestic companies continue to have an option^ to opt for concessional rate subject to certain specified conditions. The MAT provisions shall not be applicable to such companies. However, companies opting for new regime for TY 2026-27 and onwards may setoff brought forward MAT credit to the extent of 25% of the tax liability of the year. The effective tax rates for TY 2026-27 and FY 2025-26 are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	TY 2026-27 (Proposed)	FY 2025-26 (Current)	TY 2026-27 (Proposed)	FY 2025-26 (Current)
Irrespective of the level of total income	25.17% [(tax rate 22% plus surcharge 10% thereon) plus health and education cess 4% thereon]		Not applicable under the concessional corporate tax regime subject to availability of MAT credit to the extent of 25% of tax liability.	

^The option once exercised, cannot be withdrawn in subsequent AYs.

II. Domestic companies with manufacturing or electricity generation activity opting for concessional corporate tax regime – Tax under section 201 of the ITA, 2025 (corresponding to section 115BAB of the ITA, 1961)

No change is proposed in the tax rates for domestic companies set up on or after 1 October 2019 and commencing manufacturing or electricity generation activity before 31 March 2024 opting^ to pay tax at a lower tax rate, subject to certain specified conditions. The MAT provisions shall not be applicable to such companies. However, companies opting for new regime for TY 2026-27 and onwards may setoff brought forward MAT credit to the extent of 25% of the tax liability of the year. The effective tax rates for TY 2026-27 and FY 2025-26 are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	TY 2026-27 (Proposed)	FY 2025-26 (Current)	TY 2026-27 (Proposed)	FY 2025-26 (Current)
Irrespective of the level of total income	17.16% [(tax rate 15% plus surcharge 10% thereon) plus health and education cess 4% thereon]		Not applicable under the concessional corporate tax regime.	

^The option once exercised, cannot be withdrawn in subsequent AYs.

III. Domestic companies, not opting for concessional tax regime, having total turnover / gross receipt in TY 2024-25 up to Rs. 400 crores

No change is proposed in the tax rates. However, the MAT rate is proposed to be reduced to 14% of book profit from the existing 15%. It is proposed that the tax paid under provisions of MAT shall be final tax in the old regime and no new MAT credit may be allowed. The effective tax rates and MAT rates for TY 2026-27 (for domestic companies having total turnover / gross receipt in TY 2024-25 of up to Rs. 400 crores) and for FY 2025-26 (for domestic companies having total turnover / gross receipt in FY 2023-24 up to Rs. 400 crores) are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	TY 2026-27 (Proposed)	FY 2025-26 (Current)	TY 2026-27 (Proposed)	FY 2025-26 (Current)
Having total income upto Rs. 1,00,00,000	26.00% (tax rate 25% plus health and education cess 4% thereon)		14.56% (tax rate 14% plus health and education cess 4% thereon)	15.60% (tax rate 15% plus health and education cess 4% thereon)
Having total income exceeding	27.82% [(tax rate 25% plus surcharge 7% thereon) plus health and education cess 4%		15.579% [(tax rate 14% plus surcharge 7%	16.692% [(tax rate 15% plus surcharge 7%

Level of total income	Effective Tax Rates		Effective MAT Rates	
	TY 2026-27 (Proposed)	FY 2025-26 (Current)	TY 2026-27 (Proposed)	FY 2025-26 (Current)
Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	thereon]		thereon) plus health and education cess 4% thereon]	thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 10,00,00,000	29.12% [(tax rate 25% plus surcharge 12% thereon) plus health and education cess 4% thereon]		16.307% [(tax rate 14% plus surcharge 12% thereon) plus health and education cess 4% thereon]	17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 7% / 12% on the excess of income over Rs.1,00,00,000 or Rs.10,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

IV. Domestic companies, not opting for concessional tax regime, having total turnover / gross receipts in TY 2024-25 exceeding Rs. 400 crores

No change is proposed in the tax rates. However, the MAT rate has been proposed to be reduced to 14% of book profit from the existing 15%. It is proposed that the tax paid under provisions of MAT shall be final tax in the old regime and no new MAT credit may be allowed. The effective tax rates and MAT rates for TY 2026-27 (for domestic companies having total turnover / gross receipt in TY 2024-25 exceeding Rs. 400 crores) and for FY 2025-26 (for domestic companies having total turnover / gross receipts in FY 2023-24 exceeding Rs. 400 crores) are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	TY 2026-27 (Proposed)	FY 2025-26 (Current)	TY 2026-27 (Proposed)	FY 2025-26 (Current)
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)		14.56% (tax rate 14% plus health and education cess 4% thereon)	15.60% (tax rate 15% plus health and education cess 4% thereon)
Having total income	33.384% [(tax rate 30% plus surcharge 7% thereon) plus		15.579% [(tax rate 14% plus	16.692% [(tax rate 15% plus

Level of total income	Effective Tax Rates		Effective MAT Rates	
	TY 2026-27 (Proposed)	FY 2025-26 (Current)	TY 2026-27 (Proposed)	FY 2025-26 (Current)
exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	health and education cess 4% thereon]		surcharge 7% thereon) plus health and education cess 4% thereon]	surcharge 7% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 10,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]		16.307% [(tax rate 14% plus surcharge 12% thereon) plus health and education cess 4% thereon]	17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 7% / 12% on the excess of income over Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

3.2.2 Foreign companies

The tax rate of 35% continues to remain the same for foreign companies. The effective tax rates for foreign companies for TY 2026-27 and FY 2025-26 are as follows:

Level of total income	Effective Tax Rates	
	TY 2026-27 (Proposed)	FY 2025-26 (Current)
Having total income upto Rs. 1,00,00,000	**36.40%** (tax rate 35% plus health and education cess 4% thereon)	36.40% (tax rate 35% plus health and education cess 4% thereon)
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	**37.128%** [(tax rate 35% plus surcharge 2% thereon) plus health and education cess 4% thereon]	37.128% [(tax rate 35% plus surcharge 2% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 10,00,00,000	**38.22%** [(tax rate 35% plus surcharge 5% thereon) plus health and education cess 4% thereon]	38.22% [(tax rate 35% plus surcharge 5% thereon) plus health and education cess 4% thereon]

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 2% / 5% on the excess of income over Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 1,00,00,000 or Rs. 10,00,00,000, as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

3.3 Tax on distributed income of domestic company for buy-back of shares

Under section 2(40)(f) of the ITA, 2025 (corresponding to section 2(22)(f) of the ITA, 1961), consideration received by shareholders on buy-back of shares is treated as deemed dividend and taxed accordingly, while the cost of acquisition of the extinguished shares is separately allowed as a capital loss.

Now, the Bill proposes to tax the consideration received on share buy-back under the head "Capital gains" under section 69 of ITA, 2025 (corresponding to section 46A of ITA, 1961) instead of treating it as dividend income. Further, gains arising from buy-back in the hands of promoter individuals will be subject to total tax rate of 30%, comprising applicable capital gains tax plus additional levy. In the case of promoter companies, the total tax rate will be 22%, comprising applicable capital gains tax plus additional levy.

Particulars	Effective Tax Rates			
	TY 2026-27 (Proposed)		FY 2025-26 (Current)	
	In case Promoter is a Domestic Company	In case Promoter is other than Domestic Company	In case Promoter is a Domestic Company	In case Promoter is other than Domestic Company
Capital Gain arising on transfer of securities under section 196,197,198 of the ITA, 2025 (corresponding to section 111A, 112, 112A of the ITA, 1961)	25.168% [(tax rate 22% plus surcharge 10% thereon) plus health and education cess 4% thereon]	35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon]	No Capital Gain tax as the income is treated as deemed dividend.	

3.4 Partnership Firms/LLPs

No change is proposed in the tax rates. The effective tax rates for partnership firms/LLPs for TY 2026-27 and FY 2025-26 are as follows:

Level of total income	Effective Tax Rates	
	TY 2026-27 (Proposed)	FY 2025-26 (Current)
Having total income exceeding Rs. 1,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)	

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 12% on the excess of income over Rs.1,00,00,000, is limited to the amount by which the income is more than Rs.1,00,00,000. However, no marginal relief shall be available in respect of the health and education cess.

3.5 Other Entities

3.5.1 Co-operative societies

No changes are proposed in the tax rates. As such, the effective tax rates for co-operative societies for TY 2026-27 and FY 2025-26 are as follows:

Income slab	Tax Rates	
	TY 2026-27 (Proposed)	FY 2025-26 (Current)
0 - 10,000	10.40% (tax rate 10% plus health and education cess 4% thereon)	
10,001 - 20,000	Rs. 1,040 plus 20.80% of income exceeding Rs. 10,000 (tax rate 20% plus health and education cess 4% thereon)	
20,001 - 1,00,00,000	Rs. 3,120 plus 31.20% of income exceeding Rs.20,000 [tax rate 30% plus health and education cess 4% thereon]	
1,00,00,001 - 10,00,00,000	Rs. 33,35,062 plus 33.384% of income exceeding Rs. 1,00,00,000(tax rate 30% plus surcharge 7% thereon) plus health and education cess 4% thereon]	
Above 10,00,00,000	Rs. 3,49,40,506 plus 34.944% of income exceeding Rs. 10,00,00,000 [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 7%/12% on the excess of income over Rs. 1,00,00,000 or Rs. 10,00,00,000, as the case may be, is limited to the amount by which the income is more than Rs. 1,00,00,000 or Rs. 10,00,00,000, as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

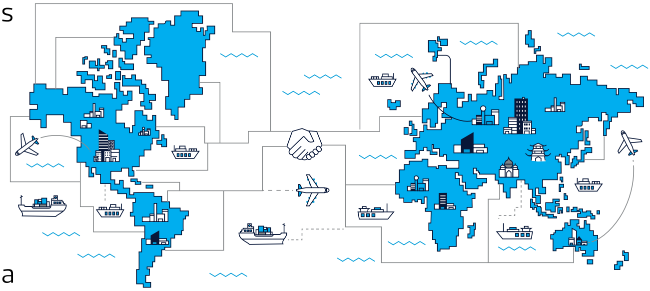
The concessional tax under section 203 of the ITA, 2025 (corresponding to section 115BAD of the ITA, 1961) continues to remain the same at 22% (plus surcharge @ 10% plus health and education cess @ 4%) subject to fulfillment of certain conditions similar to domestic companies. The AMT provision shall not be applicable to such co-operative societies.

The concessional tax under section 204 of the ITA, 2025 (corresponding to section 115BAE of the ITA, 1961) continues to remain the same at 15% (plus surcharge @ 10% plus health and education cess @ 4%) for manufacturing co-operative society set up on or after 1 April 2023 and commenced manufacturing or production on or before 31 March 2024 and does not avail any specified incentive or deductions.

3.6 AMT on non-corporate assessees [excluding assessee opting for section 202/203/204 of the ITA, 2025 (corresponding to section 115BAC/115BAD/115BAE of the ITA, 1961) — optional tax regime]

There is no change in AMT rates for non-corporate assesses.

Chapter 4 G-20 Countries – Comparative Corporate and Personal Tax Rates



The G-20 economies comprises of 19 countries, the EU and the African Union, accounting for almost 85% of the global GDP, 75% of the global trade, more than 2/3rd of the world population and approximately 60% of the world land area. India held the Presidency of the G20 from 1 December 2022 to 30 November 2023 followed by Brazil and South Africa. Now, United States of America will hold G20 Presidency from 1 December 2025 to 30 November 2026. Considering the significance of these economies and in order to provide an indicative overview of the prevailing tax rates in these key economies, a brief comparative matrix is tabulated below:

Sr. No.	Country	Corporate Tax Rate [Note 1]	Personal Tax Rate [Notes 1 & 2]
1.	Argentina	35%	35%
2.	Australia	30%	47%
3.	Brazil	34%	27.50%
4.	Canada	31%	54.80%
5.	China	25%	45%
6.	France	25%	45% plus surtax and social charge
7.	Germany	15.83% plus trade tax	45% plus surcharge
8.	**India** **[Note 3]**	**17.16%** (Certain manufacturing companies) **25.17%** (Companies opting for new tax regime) **29.12%/ 34.94%** (Companies opting for old tax regime, depending upon turnover	**39.00%** (Individuals opting for new tax regime) **42.74%** (Individuals opting for old tax regime)

Sr. No.	Country	Corporate Tax Rate [Note 1]	Personal Tax Rate [Notes 1 & 2]
9.	Indonesia	22%	35%
10.	Italy	27.9%	47.23%
11.	Japan [Note 4]	23.20% plus additional levies	55.95%
12.	Mexico	30%	35%
13.	Russia	25%	22%
14.	Saudi Arabia [Note 5]	(20%) 0%	0%
15.	South Africa	27%	45%
16.	South Korea	25%	49.5%
17.	Turkey [Note 6]	25%	40%
18.	United Kingdom	25%	45%
19.	United States of America [Note 7]	21%	37%

Notes:

1. The above tax rates are MMR and inclusive of provincial or local taxes as may be applicable to domestic companies / resident individuals in respective countries.

2. The taxation regime for corporate taxes is flat rate for all the G-20 economies except Argentina and South Korea. The taxation regime for personal taxes is progressive for all the G-20 economies except Russia and Saudi Arabia.

3. The new ITA 2025 shall replace the ITA 1961 and shall come into effect from 1 April 2026, ensuring clarity, consistency and improved taxpayer compliance.

4. Corporate tax at 23.20% is indicative effective rate of tax. In addition, size-based business tax is also levied on companies. Personal tax rate is inclusive of 2.1% surtax and 10% local income taxes applicable to a resident of Japan.

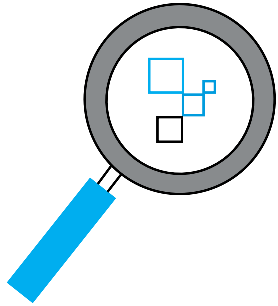
5. Corporate Tax at 20% is payable on the pro-rata income to the extent of non-resident shareholding. Saudi and the Gulf Cooperation Council nationals or companies owned by them have to pay Zakat (i.e. a religious tax) at 2.5%.

6. A 30% corporate income tax rate applies to banks and other entities in the financial sector.

7. In USA, Corporate tax comprises of federal tax (21%) as well as state and local government taxes which vary from state to state. Personal tax comprises of federal tax (37%) and further each state and local government can also levy tax on income.

Chapter 5 Reading the Indian Treaties through the MLI Lens

5.1 Background



For cross border taxation, the provisions of the ITA 1961/ ITA 2025 or the domestic tax legislation of the relevant country have to be read with the provisions of the DTAA with the relevant country. India has comprehensive DTAAs with 96 countries. The DTAAs generally provide for taxation based on residence and/or source of income and the manner and extent of taxation of business income based on Permanent Establishment, reduced rates of taxation for interest / royalty / dividends / capital gains, taxation of expatriates and salary income, taxation of artists / performers and independent personal services. The DTAAs also provide for credit of tax paid in the other country, elimination of double taxation, non-discrimination, mutual agreement procedure and exchange of information. The DTAAs are extremely relevant for Indian entities for the purpose of determination of withholding tax rates for payment of salaries, interests, dividends, royalties, fees for technical services to non-residents, etc. This has been the position for cross border taxation for the past several decades, but this is undergoing a major change due to introduction of Multilateral Instruments ('MLI') provisions.

Organisation for Economic Co-operation and Development ('OECD') under the Base Erosion and Profit Shifting ('BEPS') project has released Action Plan 15 "Developing a Multilateral Instrument to Modify Bilateral Tax Treaties". Action Plan 15 provides for development of MLI that will enable jurisdictions to swiftly amend their bilateral tax treaties to implement such measures rather than entering into long-drawn process of negotiation. **Measures that will be covered in the MLI include those on hybrid mismatch arrangements, treaty abuse, permanent establishment and mutual agreement procedures.**

5.2 How does MLI Operate?

MLI includes both mandatory provisions (referred as "minimum standards" such as improved dispute resolution mechanism, New Preamble language) as well as non-mandatory provisions. Signatories are provided the flexibility of opting out of applicability of non-mandatory provisions by way of reservation. At the time of signature, signatories submit a list of their tax treaties in force that they would want to be amended through the MLI which are designated as Covered Tax Agreements ('CTA'). If a party makes a reservation that a certain provision shall not apply to certain CTA, it shall not be applicable to that CTA even if the treaty partner has not made any reservation. Similarly, in case of any optional provisions, where the MLI provides for the parties to choose between different alternatives which are intended to address the same issue in a provision, the MLI in respect to such provision would apply only if both the parties have opted for the same alternative. Hence, MLI shall not automatically apply to all bilateral treaties that a signatory country has entered into, but it shall apply to the extent both parties to the treaty have agreed upon the treaty being governed by MLI provisions.

5.3 Date of entry into force and date of entry into effect of MLI provisions

For CTAs, effect of MLI will take place after both the countries ratify the MLI. The MLI will **'enter into force'** with respect to such countries within 3 months from the end of month of date of deposit of ratified instrument with OECD by such country.

Further, the '**entry into effect'** shall be as under:

a) With respect to withholding taxes – From the 1st day of taxable period commencing on or after the entry into force of MLI

b) With respect to other taxes – From the 1st day of taxable period commencing on or after 6 months of the entry into force of MLI

5.4 Applicability of MLI

On 7 June 2017, India became a signatory to the MLI along with 67 other jurisdictions. **On 25 June 2019, India deposited the Instrument of Ratification with OECD, Paris alongwith its Final Position in terms of CTAs, Reservations, etc. under the MLI.** Till date, 93 CTAs have been notified by India. Out of which, as per the data available upto 12 January 2026, 55 CTAs have or would soon become effective as tabulated below:

Date of entry into effect of MLI for India	With respect to taxes withheld	With respect to other taxes
From 1 April 2020	28	21
From 1 April 2021	12	15
From 1 April 2022	4	8
From 1 April 2023	6	3
From 1 April 2024	4	6
From 1 April 2025	1	1
From 1 April 2026	–	1
	55	55

5.5 Aligning purpose of entering into DTAA with MLI

In order to implement the BEPS measures, MLI will modify India's DTAAs and will be applied alongside the existing DTAAs.

Article 6 of MLI provides for modification of the CTA to include the following preamble text:

"Intending to eliminate double taxation with respect to the taxes covered by this agreement without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this agreement for the indirect benefit of residents of third jurisdictions)"

In order to achieve this, the provisions of section 159 of the ITA 2025 (corresponding to Section 90 and Section 90A of the ITA 1961) were amended so as to provide that the Central Government may enter into an agreement with the Government of any country outside India or specified territory outside India for, inter alia, the avoidance of double taxation of income under the ITA and under the corresponding law in force in that country or specified territory, as the case may be, without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this agreement for the indirect benefit of residents of any other country or territory).

5.6 Release of Synthesised Text

Synthesised text combines and reproduces (a) the text of each Covered Tax Agreement (including the texts of any amending protocols or similar instruments), and (b) the provisions of the MLI that will modify that Covered Tax Agreement in light of interaction of the MLI positions the Parties have taken. Thus, synthesised texts make it much simpler to understand the effects of the MLI and the way it modifies each Covered Tax Agreement. As on 22 January 2026, India has released the synthesized text of 33 countries viz. UK, Austria, Australia, Netherlands, Luxembourg, Russia, Belgium, Canada, Cyprus, Czech Republic, Portuguese Republic, Georgia, Lithuania, Ireland, Poland, Japan, UAE, Singapore, Serbia, Finland, Latvia, Malta, Slovenia, Ukraine, France, Norway, Slovak Republic, Iceland, Spain, Estonia, Hungary, Hong Kong and Korea.

5.7 MLI – Implications in case of CTAs

As mentioned above, in case of 55 CTAs, MLI has become effective in India or will soon become effective. As MLI becomes effective in India, tax treaties would not be replaced by MLI but it needs to be read alongside existing treaty provisions and modified application of treaties will align with measures specified under BEPS Action Reports. Reference may also be made to synthesized text of the treaties,

wherever applicable. Therefore, MLI provisions need to be analyzed in detail whenever tax treaties need to be relied upon as it has wide coverage of anti-abuse rules contained in its 'minimum standards' such as principal purpose test, simplified LOB etc. Any transaction undertaken in violation of MLI provisions in future could have significant tax implications.

5.8 DTAA rates and effective date of MLI – Reading the Indian Treaties

India being a major player has considerable cross border investments and it has a comprehensive DTAA network with 96 countries and specified association agreement with Taipei in order to mitigate double taxation, permit foreign tax credit and to facilitate international business transactions. The tax rates in respect of Dividend, Interest, Royalty and Fees for Technical Services, based on the DTAAs / synthesized texts entered into by India with various countries along with the date of entry into effect in India of the MLI with each country, are as under:

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI – Date of entry into effect in India (status as on 20 January 2026[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
Rate as per the ITA (Note12)		20% [Notes 2, 8 and 9]	20%/ 5%/ 4% [Notes 7, 8 and 9]	20% [Notes 4, 8 and 9]	20% [Notes 4, 8 and 9]		with respect to taxes withheld	with respect to other taxes
1	Albania	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2022
2	Armenia	10%	10% [Note 5]	10%	10%		1 April 2024	1 April 2025
3	Australia [Note 1]	15%	15%	10% /15% [Note 6]	10%/15% [Covered under Article for Royalty]		1 April 2020	1 April 2020
4	Austria [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
5	Bangladesh	10% / 15%	10% [Note 5]	10%	No separate provision	a) 10% tax on dividends if at least 10% of capital of company paying dividend is held by recipient company, b) 15% in all other cases.	Not a signatory to MLI	
6	Belarus	10% / 15%	10% [Note 5]	15%	15%	10% tax on dividends if at least 25% of capital of company paying dividend is held by recipient company, b)15%, in all other cases.	Not a signatory to MLI	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 20 January 2026[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
7	Belgium	15%	15% / 10%	10%	10%	a) Interest taxable at 10% if recipient is bank; in any other case 15%. b) MFN clause with respect to Royalty and FTS.	1 April 2020	1 April 2020
8	Botswana	7.50% / 10%	10% [Note 5]	10%	10%	a) 7.50% tax on dividends if shareholder is a company and holds at least 25% shares in the investee company, b)10%, in all other cases.	Not a signatory to MLI	
9	Brazil	15%	15% [Note 5]	15% (25% for trademark)	15% [Covered under Article for Royalty]	15% tax on dividends if paid to a company; in any other case as per domestic tax laws.	Not a signatory to MLI	
10	Bulgaria	15%	15% [Note 5]	15% / 20%	20%	15% tax on royalties if relating to copyrights of literary, artistic, or scientific works, other than cinematograph films or films or tapes used for radio or television broadcasting, in any other case 20%.	1 April 2023	1 April 2024
11	Bhutan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
12	Canada	15% / 25%	15% [Note 5]	Note 6	Note 6	a) 15% tax on dividends if at least 10% of the voting power in the company paying the dividends is controlled by the recipient company. b) 25%, in other cases.	1 April 2020	1 April 2021
13	China	10%	10% [Note 5]	10%	10%		Not notified by either jurisdiction and hence not a covered tax agreement	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 20 January 2026[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
14	Chile	10%	10%	10%	10%		Not notified by either jurisdiction and hence not a covered tax agreement	
15	Croatia	5% / 15%	10% [Note 5]	10%	10%	a) 5% tax on dividends if at least 10% of the capital of the company paying the dividend is held by the recipient company (other than partnership); b) 15% in all other cases.	1 April 2022, however, there is a notification mismatch reflected in the MLI database and one needs to check if both jurisdictions have identified same agreement.	
16	Cyprus	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
17	Czech Republic	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
18	Colombia	5%	10% [Note 5]	10%	10%		Not yet ratified by Colombia	
19	Denmark	15% / 25%	15% / 10% [Note 5]	20%	20%	a) 15% tax on dividends if at least 25% of the capital of the company paying the dividend is held by the recipient company, in other cases 25%. b) Interest taxable at 10% if recipient is bank; in any other case 15%.	1 April 2020	1 April 2021
20	Estonia	10%	10% [Note 5]	10%	10%		1 April 2023	1 April 2023
21	Ethiopia	7.50%	10% [Note 5]	10%	10%		Not a signatory to MLI	
22	Finland [Note 1]	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty, and FTS.	1 April 2020	1 April 2020
23	France	10% [Note 13]	10% [Note 5]	10%	10% [Note 13]	MFN clause with respect to Dividend, Interest, Royalty and FTS. [Note 14]	1 April 2020	1 April 2020
24	Fiji	5%	10% [Note 5]	10%	10%		Not yet ratified by Fiji	
25	Georgia	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 20 January 2026[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
26	Germany	10%	10% [Note 5]	10%	10%		Germany has not included India in its notification and hence not CTA	
27	Greece	Taxable as per domestic laws in source country			No separate provision		1 April 2022	1 April 2022
28	Hong Kong	5%	10% [Note 5]	10%	10%		1 April 2023	1 April 2024
29	Hungary	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2022	1 April 2022
30	Indonesia	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2022
31	Iceland	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
32	Iran	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
33	Ireland [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
34	Israel	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
35	Italy	15% / 25%	15% [Note 5]	20%	20%	15% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient company; in any other case 25%.	Not yet ratified by Italy	
36	Japan [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
37	Jordan	10%	10% [Note 5]	20%	20%		1 April 2021	1 April 2022
38	Kazakhstan	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2021	1 April 2021
39	Kenya	10%	10%	10%	10%		India has not included Kenya in its notification, hence not a CTA.	
40	Korea	15%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
41	Kuwait	10%	10% [Note 5]	10%	10%		Not yet ratified by Kuwait	
42	Kyrgyz Republic	10%	10% [Note 5]	15%	15%		Not a signatory to MLI	
43	Latvia	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 20 January 2026[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
44	Libya	Taxable as per domestic laws in source country			No separate provision		Not a signatory to MLI	
45	Lithuania [Note 1]	5% / 15%	10%	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient company (other than a partnership); in any other case 15%.	1 April 2020	1 April 2020
46	Luxembourg	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
47	Macedonia	10%	10% [Note 5]	10%	10%		Not yet ratified by Macedonia	
48	Malaysia	5%	10% [Note 5]	10%	10%		1 April 2022	1 April 2022
49	Malta	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
50	Mauritius	5% / 15%	7.5%	15%	10%	a) 5% tax on dividend, if at least 10% of the capital of the company paying the dividend is held by the recipient company, in any other case 15%. b) 7.5% tax on interest in respect of loans made after 31 March 2017. Interest income of Mauritian resident banks in respect of debt-claims existing on or before 31 March, 2017 shall be exempt from tax in India. [Note 5] c) The amended DTAA now provides for specific provision relating to Fees for Technical Services ('FTS')	Mauritius has not included India in its notification and hence not a CTA. However, a protocol desiring to amend the DTAA for the avoidance of double taxation and fiscal evasion with respect to taxes on income and capital gains, and for the encouragement of mutual trade and investment has recently been signed bilaterally among the nations.	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI – Date of entry into effect in India (status as on 20 January 2026[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
						and the same will be taxable at the rate of 10% with effect from 1 April, 2017.		
51	Mongolia	15%	15% [Note 5]	15%	15%		1 April 2025	1 April 2026
52	Montenegro (Note 1)	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership) throughout a 365-day period; in any other case 15%.	Montenegro has not included India in its notification and hence not CTA	
53	Morocco	10%	10% [Note 5]	10%	10%		Not yet ratified by Morocco	
54	Mozambique	7.50%	10% [Note 5]	10%	No separate provision		Not a signatory to MLI	
55	Myanmar	5%	10% [Note 5]	10%	No separate provision		Not a signatory to MLI	
56	Namibia	10%	10% [Note 5]	10%	10%		Not yet ratified by Namibia	
57	Nepal	5% / 10%	10% [Note 5]	15%	No separate provision	a) 5% tax on dividends if the beneficial owner of the shares is a company which holds at least 10% of the shares of the company paying the dividends; in any other case 10%. b) MFN clause with respect to Royalty shall be applicable if Nepal enters into treaty with any other country for a lower rate on royalties.	Not a signatory to MLI	
58	Netherlands	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
59	New Zealand	15%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 20 January 2026[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
60	Norway	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
61	Oman	10% / 12.5%	10% [Note 5]	15%	15%	10% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 12.50%.	Oman has not included India in its notification and hence not a CTA	
62	Philippines	15% / 20%	15% / 10%	15%	No separate provision	a) 15% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 20%. b) Interest Taxable 10% if recipient in financial Institution (including an insurance company) and where the interest is payable by a company resident of Philippines to a resident of India in respect of public issues of bonds, debentures or similar obligations. In any other case 15%. c) Royalty taxable @ 15% if it is payable in pursuance of any collaboration agreement approved by the Government of India. No rates prescribed in any other case.	Not a signatory to MLI	
63	Poland [Note 1]	10%	10% [Note 5]	15%	15%		1 April 2020	1 April 2020
64	Portuguese Republic	10% / 15%	10% [Note 5]	10%	10%	10% tax on dividends if at least 25% of the capital stock is	1 April 2021	1 April 2021

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI – Date of entry into effect in India (status as on 20 January 2026[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
						owned by company for an uninterrupted period of 2 years prior to the payment of dividend; in any other case 15%.		
65	Qatar	5% / 10%.	10% [Note 5]	10%	10%	5% tax on dividends if at least 10% of the shares are owned by company; in any other case 10%.	1 April 2021	1 April 2021
66	Romania	10%	10% [Note 5]	10%	10%		1 April 2024	1 April 2024
67	Russian Federation	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
68	Saudi Arabia	5%	10% [Note 5]	10%	No separate provision		1 April 2021	1 April 2021
69	Serbia [Note 1]	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership) throughout a 365-day period; in any other case 15%.	1 April 2020	1 April 2020
70	Singapore [Note 1]	10% / 15%	10% / 15%	10%	10%	a) 10% tax on dividends, if at least 25% of the shares of the company paying the dividend is held by the recipient company, in any other case 15% b) Interest taxable at 10% if recipient is bank or similar financial institution including an insurance company; in any other case 15%.	1 April 2020	1 April 2020

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 20 January 2026[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
71	Slovak Republic [Note1]	15% / 25%	15% [Note 5]	30%	30%	15% tax on dividends, if at least 25% of the shares of the company paying the dividend is held by the recipient company throughout a 365-day period; in any other case 25%.	1 April 2020	1 April 2020
72	Slovenia	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is held by the recipient company; in any other case 15%.	1 April 2020	1 April 2020
73	South Africa	10%	10% [Note 5]	10%	10%		1 April 2023	1 April 2024
74	Spain	15%	15% [Note 5]	10% / 20%	20%	a) 10% tax on royalties if paid for the use or right to use any industrial, commercial or scientific equipment; 20% in case of fees for technical services and other royalties. b) MFN clause with respect to Royalty and FTS.	1 April 2023	1 April 2023
75	Sri Lanka	7.50%	10% [Note 5]	10%	10%		Not a signatory to MLI	
76	Sudan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
77	Sweden	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	MLI entered into force but Internal procedures not completed by Sweden; hence not effective	
78	Switzer-land	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS. [Note 14]	Swiss Confederation has not included India in its notification and hence not a CTA	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 20 January 2026[1])
		Tax rate	Tax rate	Tax rate	Tax rate		
79	Syrian Arab republic	5% / 10%	10% [Note 5]	10%	No separate provision	5% tax on dividends if at least 10% of the shares are owned by company (other than a partnership), in any other case 10%.	Not a signatory to MLI
80	Taipei (under section 159)	12.5%	10% [Note 5]	10%	10%		Not a signatory to MLI; further India has not included Taipei in its list of CTA
81	Tajikistan	5% / 10%.	10% [Note 5]	10%	No separate provision	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 10%.	Not a signatory to MLI
82	Tanzania	5%/10%	10% [Note 5]	10%	No separate provision	5% tax on dividends if at least 25% of the shares are beneficially owned by company; in any other case 10%.	Not a signatory to MLI
83	Thailand	10%	10% [Note 5]	10%	No separate provision	As per the revised DTAA with Thailand, effective from 1 April 2016, the rate of withholding tax is 10% in respect of Dividend, Interest and Royalty. There is no specific provision with respect to FTS.	1 April 2023, however, there is a notification mismatch reflected in the MLI database and one needs to check if both jurisdictions have identified same agreement.
84	Trinidad and Tobago	10%	10% [Note 5]	10%	10%		Not a signatory to MLI
85	Turkey	15%	10% / 15% [Note 5]	15%	15%	Interest is taxable at 10% if recipient is bank, insurance company or similar financial institution; in any other case 15%.	Not yet ratified by Turkey
86	Turkmenistan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 20 January 2026[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
87	Uganda	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
88	Ukraine	10% / 15%	10% [Note 5]	10%	10%	10% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 15%.	1 April 2020	1 April 2021
89	United Arab Emirates [Note 1]	10%	5% / 12.5% [Note 5]	10%	No separate provision	Interest taxable at 5% if recipient is bank or similar financial institution; in any other case 12.50%.	1 April 2020	1 April 2020
90	United Arab Republic (Egypt)	As per domestic law		Taxable in source country as per domestic tax rate	No separate provision		1 April 2021	1 April 2022
91	United Kingdom [Note 1]	15% / 10%	15% / 10% [Note 5]	10%/15% [Note 6]	10% / 15% [Note 6]	a) Interest taxable at 10% if recipient is bank; in any other case 15%. b) Dividend taxable at 15% where dividend is paid out of income derived directly or indirectly from immovable property. In other case- 10%.	1 April 2020	1 April 2020
92	United Mexican States	10%	10% [Note 5]	10%	10%		1 April 2024	1 April 2024
93	United States of America	15% / 25%	10% / 15% [Note 5]	10%/15% [Note 6]	10% / 15% [Note 6]	a) 15% tax on dividends if at least 10% of the voting stock is owned by company; in any other case 25%. b) Interest taxable at 10% if recipient is bona fide bank or financial institution including an insurance	Not a signatory to MLI	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 20 January 2026[1])	
		Tax rate	Tax rate	Tax rate	Tax rate			
						company; in any other case 15%.		
94	Uruguay	5%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
95	Uzbekistan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
96	Vietnam	10%	10% [Note 5]	10%	10%		1 April 2024	1 April 2024
97	Zambia	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the shares are owned by company during a period of 6 months immediately preceding the date of payment of dividend; in any other case 15%.	Not a signatory to MLI	

Notes:

1. As on date, CBDT has released synthesized texts for DTAAs (as modified by MLI) with 33 countries viz. UK, Austria, Australia, Netherlands, Luxembourg, Russia, Belgium, Canada, Cyprus, Czech Republic, Portuguese Republic, Georgia, Lithuania, Ireland, Poland, Japan, UAE, Singapore, Serbia, Finland, Latvia, Malta, Slovenia, Ukraine, France, Norway, Slovak Republic, Iceland, Spain, Estonia, Korea, Hongkong and Hungary.

2. Dividend withholding tax is applicable on payment of dividend made on or after 1 April 2020 at a rate specified under the ITA 1961/ ITA 2025 or relevant DTAA, whichever is applicable. The rate of tax under the ITA 1961/ ITA 2025 on dividend receivable by a non-resident is 20% (plus applicable Surcharge and Health and Education Cess).

3. Unless otherwise provided in the DTAA, both countries have the right to tax.

4. The rate of tax under the ITA 1961/ ITA 2025 on Royalty and/or FTS receivable by a non-resident is 20% (plus applicable Surcharge and Health and Education Cess).

5. Interest earned by or paid to the Government and certain specified institutions, inter-alia, Reserve Bank of India is exempt from taxation in the country of source (subject to certain conditions).

   Note:- As per DTAA amended between India-China by Notification dated 17 July 2019 with effect from 1 April 2020.

6. Tax rate is 10% in case of Royalties for equipment rental and fees for services ancillary or subsidiary thereto. For other cases, the tax rate is 15%.

7. Lower withholding tax of 5% is applicable in case of interest on borrowing in foreign currency under a loan agreement entered on or before 1 July 2023, interest on long term bond including long term infrastructure bond, interest on infrastructure debt fund and interest on rupee denominated bond and a Government security (borrowed on or before 1 July 2023). Lower withholding tax of 4% is applicable in case of interest on borrowing in foreign currency from a source outside India (borrowed on or after 1 July 2023) by way of any long-term bond or rupee denominated bond listed on recognized stock exchange located in IFSC.

   Lower withholding tax of 5% is applicable to FIIs or Qualified Foreign Investor in case of investment in government securities or rupee denominated bond or municipal debt securities for interest payable on or before 1 July 2023.

8. In case the payee is not able to furnish PAN to the payer, tax shall be deducted at higher of the following rates under section 397(corresponding to Section 206AA of the ITA 1961) 206AA of the ITA 2025:

   (i) rate specified in the relevant provision of the ITA,
   (ii) at the rates in force or
   (iii) at the rate of 20%.

   Payments namely dividend, interest, royalty and fees for technical services will not require PAN if alternative documents/details such as TRC, tax identification number of country of residence, etc. are furnished by the non-resident to the Indian deductor.

9. Where the provisions of GAAR (applicable from FY 2017-18) and MLI are attracted, tax treaty benefit may be denied to a non-resident.

10. **Capital Gain taxation under the Tax Treaties**

   - The India-Mauritius, India-Singapore and India-Cyprus treaties were amended in 2016 to provide source-based taxation for capital gains on transfer of shares on or after 1 April 2017 in respect of Indian companies. As such, capital gains from alienation of shares acquired on or after 1 April 2017 in a company which is resident of a Contracting State, may be taxed in that State (i.e., the source state). The investments made on or before 1 April 2017 have been grandfathered and will not be subject to capital gains tax in India.

   - However recently, the Hon'ble Supreme Court of India, in the case of Authority for Advance Rulings v. Tiger Global International II Holdings, examined the transaction of 'indirect transfer' involving sale of shares of Flipkart Private Limited, Singapore by Tiger Global's Mauritius entities to Fit Holdings S.A.R.L., Luxembourg. It was observed by the SC that the structure was devised solely with the objective of tax avoidance and accordingly, it was held by the SC that the transaction was illegal and sham in nature, constituting an "impermissible avoidance arrangement" devoid of commercial substance. Consequently, the General Anti-Avoidance Rule (GAAR) was invoked, and the benefits under the India–Mauritius Double Taxation Avoidance Agreement were denied.

The SC further held that a Tax Residency Certificate (TRC) alone is not sufficient to establish treaty eligibility, notwithstanding earlier Circular Nos. 682 and 789 and is not binding on statutory authorities or Courts unless independently examined and verified.

Ushering in the concept of tax sovereign, this milestone verdict in India's jurisprudential history has swung the pendulum back in demonstrating real substance over form and emphasising that mere production of a Tax Residency Certificate may not be conclusive in establishing treaty eligibility and safeguarding an arrangement that lacks commercial rationale.

11. Applicability of MFN clause (whether with respect to scope of taxation or rate of tax) contained in tax treaties need to be evaluated in light of the recent ruling of Hon'ble Apex Court in the case of Nestle SA [TS-616-SC-2023] and based on specific facts and circumstances (date of entering into DTAA, OECD member status, issuance of notification by respective Governments, etc.).

12. Section 90(3) of the ITA 1961 empowered the Central Government to issue notification prescribing the meaning of terms used in tax treaties (DTAAs) that were not defined in the treaty or in the ITA. The statutory framework, read with the relevant explanations to section 90 of the ITA 1961, effectively established a hierarchy whereby the treaty definition prevailed where available, followed by the definition under the ITA, and thereafter the meaning notified by the Central Government. The ITA 2025 retains this interpretative framework under section 159(7) of the ITA 2025 but introduces an additional interpretative layer. The provision clarifies that where a term used in a tax treaty is not defined in the treaty, ITA, or in any notification issued by the Central Government, its meaning shall be as assigned to it in any other Central law. Preference is accorded to definitions under Central laws relating to taxation, and where no such definition exists, reference may be made to any other applicable Central legislation.

13. India and France have struck a deal to revise their 1992 treaty which will halve the tax on dividends paid by Indian units to French parents, potentially saving millions for companies with major operations in the South Asian nation. A key change is

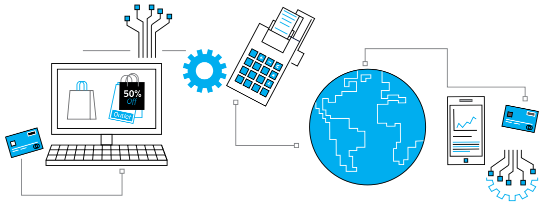
that French companies which hold a stake of more than 10% in any Indian entity will have to pay a 5% tax on the dividends they receive, instead of 10% earlier. For minority French shareholdings of under 10% in Indian companies, dividend tax will rise from 10% to 15%. India has also agreed to France's demand to limit tax on fees for technical services to cases where a French provider transfers technical know-how, removing most routine consultancy and support services from the scope of India's tax. The proposals above are subject to final approval before India's legislative cabinet.

14. India and France have reached a decision to delete the MFN clause from their treaty which had historically benefitted only France, according to Indian government documents. Switzerland has also suspended its application of the MFN clause in its India treaty citing the Supreme Court ruling.

Chapter 6 OECD Digital Tax Developments – An Overview

6.1. Background

6.1.1. The Organisation for Economic Co-operation and Development ('OECD') in collaboration with major economies envisioned to advance reforms and multilateral solutions to global challenges arising out of international business.



6.1.2. In September 2013, OECD in partnership with G20 countries, came together to address Base Erosion Profit Shifting('BEPS') issues and launched a BEPS project to develop various action plans to address the challenges in response to growing public and political concerns about tax avoidance by Multi-National Enterprises ('MNEs'). These Action Plans identified 15 actions (generally referred to as BEPS 1.0) with the below aims:

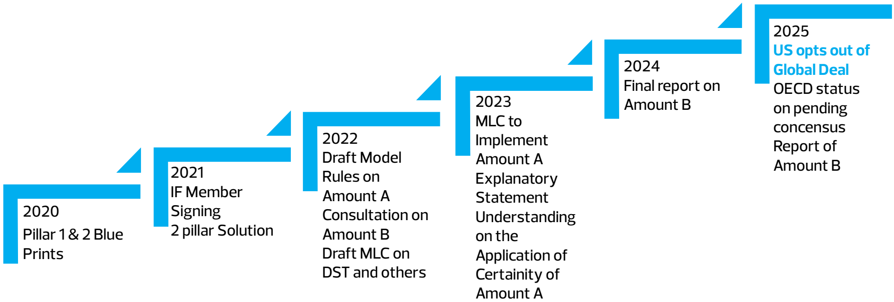
- Introducing coherence in the domestic rules that affect cross-border activities;
- Reinforcing substance requirements in the existing international standards; and
- Improving transparency and certainty.

6.1.3. BEPS 1.0 predominantly focused on traditional MNEs. However, its implementation varied across countries, resulting in conflicting approaches for tackling tax avoidances. Although implementation of the BEPS 1.0 package significantly altered the international tax landscape and improved the fairness of tax systems, one of the key BEPS issues – to address the tax challenges arising from the digitalisation of the economy – remained unresolved.

6.2. Pillar One

6.2.1. Pillar One can be viewed as a new unified approach for taxation of MNEs primarily operating in a digital environment, that aims to replace the unilateral tax measures adopted by individual jurisdictions to ensure fair taxation of digital companies.

6.2.2. Pillar 1 Journey Highlights



6.2.3. The design of Pillar One is split into two sections – Amount A and Amount B.

- **Amount A** re-allocates a portion of in-scope residual profit of MNEs towards market jurisdictions; and
- **Amount B** provides a baseline marketing and distribution return for activities taking place physically in a market jurisdiction.

6.2.4. On 19 February 2024, the OECD published the final report on Pillar One - Amount B. The report suggests that the Transactional Net Margin Method ('TNMM') within the Amount B pricing methodology should be the most appropriate method in most instances of in-scope transactions. In a few instances, an alternative transfer pricing method to the TNMM, particularly when information regarding the internal comparables is readily available, Comparable Uncontrolled Price ('CUP') method may also be preferred.

6.2.5. The report provides that jurisdictions can choose to apply the simplified and streamlined approach for in scope transactions of tested parties in their jurisdictions for fiscal years commencing on or after 1 January 2025.

6.2.6. On 13 January 2025, OECD released an update that significant work has been undertaken on the detailed parameters of the Amount B Framework with only a few outstanding issues remaining amongst certain jurisdictions. Discussions are well advanced on some of these issues and they have yet to find a path forward that has the support of all members and address their concerns.

> It is pertinent to note that India has recorded its reservation owing to disagreement on various aspects of Amount B design, including but not limited to the scope, definitions, operating expense cross-check mechanism and the overall design of the pricing methodology. India expressed its inability to support the Amount B work further if its reservations are not considered.

6.3. Significant Economic Presence ('SEP') – India

6.3.1. India had introduced a new nexus rule from AY 2022-23 thereby further extending the scope of business connection which states that the SEP of a non-resident in India shall constitute its business connection in India as per section 9(9)(a)(ii) of ITA 2025 (corresponding Explanation 2A to section 9 (1)(i) of the ITA 1961).

6.3.2. The term SEP has been defined to mean-

- transaction in respect of any goods, services or property carried out by a non-resident in India including provision of download of data or software in India, if the aggregate of payments arising from such transaction or transactions during the previous year exceeds **INR 20 million**; or
- systematic and continuous soliciting of business activities or engaging in interaction with **3,00,000 users in India**.

6.3.3. The transactions or activities shall constitute SEP in India, whether or not—

(i) the agreement for such transactions or activities is entered in India; or

(ii) the non-resident has a residence or place of business in India; or

(iii) the non-resident renders services in India:

6.3.4. Further, the income attributable to the operations carried out in India includes income from:

(i) advertisement which targets a customer who resides in India or a customer who accesses the advertisement through internet protocol address located in India;

(ii) sale of data collected from a person who resides in India or from a person who uses internet protocol address located in India; and

(iii) sale of goods or services using data collected from a person who resides in India or from a person who uses internet protocol address located in India.

6.3.5. SEP- based nexus rule applies to digital transactions and other offline transactions for non-resident entities who interact with all consumers of India without having any physical presence in form of office or any other premises in India. **However, the SEP provisions may not have any effect on the non-resident having protection of tax treaty as the requirement of permanent establishment in the source country like India continues to exist in the tax treaty thereby enabling such non-resident to claim the beneficial provisions under the tax treaty.**

Recently, the Vishakapatnam ITAT in the case of **Vijay Mariappan Austin Prakash [TS-1744-ITAT-025(VIZ)]** had granted tax treaty benefits to UAE resident for provision of services to Zerodha holding that even though the income of the tax payer accrues or arise in India since the business income has exceeded the threshold of SEP but as per section 90(2) of the ITA 1961, the tax payer is eligible for treaty benefits. The professional services provided being management consultancy, is covered under the term professional services under Article 14(2) of the tax treaty and hence, income will not be taxable in India in absence of PE in India.

6.4. Key Mergers and Acquisitions Impact

6.4.1. Various Countries have implemented bilateral DST as of now. Thus, during the due diligence exercise, especially in IT/ ITES industry, it is critical to evaluate the compliance by the target entity of the same, if applicable and applicability of the DST to the acquiring MNE as it may become an in-scope entity. It is important for MNEs to anticipate and plan for this potential change in their tax obligations as it may significantly impact their overall tax strategy and compliance requirements.

6.5. Recent Updates

6.5.1. Since there was limited progress on pillar one, over 30+ countries had introduced DST through domestic tax legislation. The US has signed truce with many countries for DST and extended it from time-to-time.

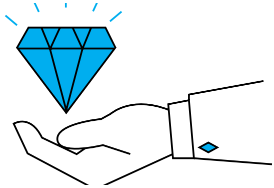
6.5.2. W.e.f 1 August 2024 India abolished 2% EL on account of various ambiguities in its implementation and compliance burden on the stakeholder.

6.5.3. Recently, the US has passed One Big Beautiful Bill Act ('OBBBA') which increase GILTI rate from 10.5% to 12.6% and BEAT rate from 10% to 10.5%. However, due to other computation changes, this rate is lower than GMT rate. On 20 January 2025, US announced no force or effect in US of the Global Tax Deal by releasing a memorandum directing the prescribed authorities of US to notify the OECD that any commitments made with respect to the Global Tax Deal will have no force or effect within the United States absent an act by the Congress adopting the relevant provisions of the Global Tax Deal. Further, on 28 June 2025, G7 countries announced agreement to adopt "Side by Side Rule" which aims to exempt US parented MNE's from income inclusion Rule and Under Tax Payment Rule. Further, OECD on 5 January 2026 released Pillar Two Side by Side package.

6.5.4. Considering the above and overall geo-political situation around the world, it would be interesting to see how the IF countries will react to the same and whether they will reinstate/ keep intact/ introduce the DST through domestic law.

Chapter 7 Certain Tax Incentives for Businesses

Part A – TAX INCENTIVES FOR BUSINESSES (DIRECT TAXES) (As updated up to the Finance Bill, 2026)



The tax incentives / deductions which are available to newly set up units are highlighted in Blue and changes proposed by the Finance Bill, 2026 are highlighted in BOLD font.

7.1 Deduction of Profits derived by Start-Up / IFSC's etc. — Eligibility criteria and specified conditions

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc.^				
Sr. No.	**Nature of Activity and Location**	**Type of Organization**	**Quantum of Deduction**	**Number of Years**
1	Start-up Undertaking – Section 140 of the ITA 2025 (corresponding to section 80-IAC of the ITA 1961) ● Undertaking being an eligible start-up which is engaged in business of innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation. ● The total turnover of the company does not exceed Rs. 1 billion in the previous year in which deduction is claimed. ● It holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government.	Company or LLP incorporated between 1 April 2016 to 31 March 2030	100%	Any 3 consecutive tax years out of first 10 years
2	Offshore banking unit in SEZ and unit of an IFSC – Section 147 of the ITA 2025 (corresponding to section 80LA of the ITA 1961) **Income from:** ● Offshore banking unit in SEZ or ● Business referred to in section 6(1) of Banking Regulation Act, 1949	Scheduled bank or any bank incorporated by or under the law of a country outside India	100%	**First 20 consecutive tax years (beginning with the year in which prescribed permissions are obtained)**

	● Any unit of IFSC from its approved business. ● Income arising from transfer of an asset, being an aircraft or ship, which was leased by an IFSC unit subject to condition that the unit has commenced operation on or before 31 March 2030 **In respect of any Offshore Banking unit or any other unit referred above, commencing operations on or after 1 April 2026, deduction shall be available only if such unit is not formed by splitting up or reconstruction or reorganisation or transfer of a business already in existence in India**	A unit of an IFSC	100%	**Any 20 consecutive tax years out of first 25 years (beginning with the year in which prescribed permissions are obtained)**

7.2 Deduction in respect of Additional Wages – Eligibility criteria and specified conditions

Section	Deductions in respect of employment of new employees^ — Additional Wages			
	Nature of Activity	**Type of Organization**	**Quantum of Deduction**	**Number of Years**
Section 146 of the ITA 2025 (corresponding to section 80JJAA of the ITA 1961)	● Deduction of an amount equal to 30% of additional employee cost of any new employee (whose total emolument is less than or equal to Rs. 25,000 per month) subject to certain conditions.	All assessee covered under tax audit provisions	30% of additional employee cost of new employ-ees	3 consecutive tax years including the tax year in which such employment is provided

7.3 Other Deductions and Incentives

Other Deductions / Exemptions in certain cases^	
Section	**Eligibility criteria, Quantum and period of deduction / Exemptions**
Section 148 of the ITA 2025 (corresponding to section 80M of the ITA 1961)	● Dividends received by a domestic company from any other domestic company or a foreign company or a business trust is allowed as deduction to the extent of such dividend distributed by the domestic company on or before the due date (1 month prior to the date of filing of return of income).
Section 85 of the ITA 2025 (corresponding to section 54EC of the ITA 1961)	● Capital gain on transfer of a long term capital asset, being land or building or both, shall be exempt from tax, if an assessee invests, within a period of 6 months from the date of transfer of a long-term capital asset, the capital gains in the specified asset. The specified asset must be held for a period of 5 years from the date of its acquisition. ● This exemption shall be least of the following: ➢ Investment in specified assets viz. any bonds notified by the Central Government in this behalf. The investment is restricted up to Rs. 50,00,000 per assessee per tax year. ➢ Amount of capital gains. ● Further, the exemption in respect of capital gains upon aforesaid investments made during the tax year in which the original asset or assets are transferred and in the subsequent tax year shall not exceed Rs. 50,00,000. ● The long-term specified asset means any bond redeemable after 5 years and issued by NHAI, REC or any other bonds to be notified by Central Government.
Section 87 of the ITA 2025 (corresponding to section 54G of the ITA 1961)	Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any area (other than an urban area) shall be eligible for exemption. This Exemption shall be least of the following: ➢ Amount of capital gains. ➢ Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions.
Section 88 of the ITA 2025 (corresponding to section 54GA of the ITA 1961)	Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any SEZ shall be eligible for exemption. This exemption shall be least

Other Deductions / Exemptions in certain cases^	
Section	**Eligibility criteria, Quantum and period of deduction / Exemptions**
	of the following: ➢ Amount of capital gains. ➢ Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions.
Section 9(9)(c)(ii)(C) of the ITA 2025 (corresponding to section 9(1)(i) – Explanation (1)(e) of the ITA 1961)	• In the case of a foreign company engaged in the business of mining of diamonds, no income shall be taxed from the activities which are confined to the display of uncut and unsorted diamond in any special notified zone by the Central Government.
Section 11 – Schedule IV (Serial No. 12) of the ITA 2025 (corresponding to section 10(48A) of the ITA 1961)	• Any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India shall not be included in the total income subject to approval of Central Government.
Section 11 – Schedule IV (Serial No. 13) of the ITA 2025 (corresponding to section 10(48B) of the ITA 1961)	• Any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from a facility in India after the expiry of an agreement or an arrangement shall be exempt subject to such conditions as may be notified by the Central Government. • Further provided that the benefit of tax exemption in respect of income from left over stock will be available even if the agreement or the arrangement is terminated in accordance with the terms mentioned therein.
Section 11 – Schedule IV (Serial No. 13A) of the ITA 2025	• **Any income accruing or arising to a foreign company on account of providing capital goods, equipment or tooling to a contract manufacturer, being a company resident in India, who is located in a Custom Bonded Area and produces the electronic goods on behalf of such foreign company for a consideration, shall be exempt for a period upto tax year 2030-31.** • **Ownership of such capital goods, equipment or tooling**

Other Deductions / Exemptions in certain cases^	
Section	**Eligibility criteria, Quantum and period of deduction / Exemptions**
	remains with the foreign company and such capital goods, equipment or tooling is under the control and direction of the contract manufacturer in India.
Section 11 – Schedule IV (Serial No. 13C) of the ITA 2025	• **Any income accruing or arising to a foreign company by way of procuring data centre services from a specified data centre, shall be exempt for a period upto tax year ending on 31 March 2047.** • **Where services are provided to Indian users by the foreign company, it shall be routed through a reseller entity being an Indian company.** • **Specified data centre means a data centre which is set up under an approved scheme and is notified in this behalf by the Central Government in Ministry of Electronics and Information Technology and is owned and operated by an Indian company**
Section 194 (Serial No 2) of the ITA 2025 (corresponding to section 115BBF of the ITA 1961)	• Any royalty income earned by resident patentee in India in respect of a patent developed and registered in India shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of royalty.
Section 194 (Serial No 3) of the ITA 2025 (corresponding to section 115BBG of the ITA 1961)	• Income from transfer of carbon credit shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of such income. However, no expenditure or allowance in respect of such income shall be allowed.

^1. The above deduction, exemption, incentive and allowance are subject to fulfillment of specified conditions mentioned in the ITA 2025.

^2. The domestic companies opting for the lower corporate tax regime under section 200 / 201 (corresponding to section 115BAA / 115BAB) would not be able to claim the specified incentives/ deductions/ exemptions other than section 146 (corresponding to section 80JJAA – deduction in respect of employment of new employees), section 148 (corresponding to section 80M – deduction in respect of certain inter-corporate dividends) and section 147 [corresponding to section 80LA – deduction in respect of certain income of Offshore Banking Units and IFSC Units, can be claimed only in case of section 200 (corresponding to section 115BAA)].

Part B : Import and Export Schemes in india

7.1 Background

Entry 83 of the Union List of the Seventh Schedule to the Constitution of India is empowered to levy the customs duty by the Central Government of India. Customs duty in India is defined under the Customs Act, 1962 and all matters related to Customs Duty fall under the CBIC (Central Board of Indirect Taxes & Customs).The Customs Act regulates import and export, protecting the Indigenous industry from other countries.

Custom Duty is a type of indirect tax levied on imports (imported goods) into India and exports (exported goods) out of India. Duties levied on exported goods are known as Export Duty, and duties levied on imported goods are known as Import Duty. Countries levy customs duty on import or export of goods as a means to raise revenue and to protect the local market.

Customs duty is levied on goods imported into, and exported from, India. With regard to exports from India, customs duty is levied only on a very limited list of goods. The rate of customs duty applicable to a product imported or exported depends upon its classification under the Customs Tariff Act, 1975. Customs duty is levied on the transaction value of the imported or exported goods. If duties are based on the quantity/dimensions/weight, then they are called as specific duties. If duties are based on the value of goods, they are called as ad valorem duties. The combination of both value of goods and quantity/weight, as well as various other factors, are called as specific duties.

The customs duty applicable to any product is composed of a number of components, which are as follows:

Type	details
Basic Customs Duty (BCD)	This is the basic component of customs duty. It is applied to the landed value of the goods (i.e. the cost, insurance, and freight [CIF] value of the goods plus landing charges). Typically, BCD ranges between 0% to 20% and in certain cases up to 40%, however majority of goods, except zero rated or exempted, falls under 5%, 7.5% or 10%. In certain cases BCD up to 100% is charged

Type	details
Integrated Goods and Services Tax (IGST)	In addition to BCD, IGST shall be levied on import of goods in India. The IGST rate is notified by Government and reference shall be made to GST Act and rates notification.
Social Welfare Surcharge (SWS)	SWS shall be levied at the rate of 10% on aggregate of duties, taxes and Cesses levied on import of goods in India and shall be in addition to such other duties of customs or tax or cess chargeable on such imported goods.
Protective (Prevention Duty) –	Not in force, however, may be chargeable basis recommendation from Tariff Committee and Central Government
Safeguard Duty	A temporary duty imposed to protect domestic producers from a sudden and unforeseen surge in imports that causes or threatens serious injury to a domestic industry.
Anti-dumping Duty	Imposed when goods are imported at a price below their "normal value" in the exporting country, which threatens to harm the domestic industry.
National Calamity Contingent Duty (NCCD):	A specific duty on certain goods (like tobacco and crude oil) to build a fund for national disasters

7.2 Valuation under Customs:

The final amount of customs duty may defer/ vary depending upon many factors such as classification, value etc. The customs duty applicable to any product is composed of a number of components, which are as follows:

Type	details
Assessable Value	The value of the goods, usually calculated based on the Cost, Insurance, and Freight (CIF) value
Product Classification (HS Code)	The specific Harmonized System code determines the applicable duty rates.
Country of Origin	Trade agreements between countries can result in concessional or exempted duty rates.

7.3 India's customs regulation provides different schemes which are intended to boost exports, simplifying procedures, and promoting emerging sectors.

Type	details
Duty Drawback (DBK) Scheme	i. Facilitates the reimbursement of customs duties paid on imported goods. The scheme also provides a refund on customs duties paid on goods that remain unused since their import. ii. The exporter is eligible to receive incentive at specified rate to be calculated on the FOB value of export (to compensate the basics customs duty). iii. The export of goods must emanate from India and Payment must have been made on the import or raw material used in the export process iv. The value addition of exports is that the export of goods should have value addition, meaning the value of an export should not be less than the value of imported material in the case of exports.
Manufacturing and Other Operations in Warehouse Regulations	i. To support "Make in India" initiative, designed to strengthen the manufacturing sector. ii. To allow manufacturers to import raw materials, components, and capital goods without immediate payment of duties. To create interest for foreign and domestic investment iii. Eligibility: The Unit that operates under Section 65 or The Unit applying for the permission to operate under Section 65 of the Customs Act, or Warehouse licensed under Section 58 of the Customs Act. (amended by notification 76/2020 Customs) iv. Unlimited warehousing period. No limit prescribed for goods export or cleared to DTA. No Duty on waste generated on export of resultant product. v. No income tax, duty drawback, RoDTEP benefit available for bonded manufacturing warehouse vi. Non-availability of Depreciation on Imported Capital Goods at time of clearance from bonded warehouse at later stage
Rebate of State and Central Taxes and Levies (RoSCTL) Scheme:	This scheme for textiles and apparel provides a rebate on unrefunded state and central taxes and levies through transferable duty credit e-scrips.

7.4 Free Trade Agreements:

India has entered into 13 Regional Trade Agreements (RTAs) and 6 Preferential Trade Agreements (PTAs) with a range of countries to strengthen its export performance and expand market access. These agreements aim to reduce tariff barriers and simplify non-tariff regulations, thereby facilitating smoother trade flows.

In the recent past, India has executed agreements with European Union (India-EU Free Trade Agreement), **United Kingdom (India-United Kingdom Comprehensive Economic and Trade Agreement), Oman (India-Oman Comprehensive Economic Patnership Agreement),** UAE (India-UAE Comprehensive Economic Partnership Agreement (CEPA)), Australia (India-Australia Economic Cooperation and Trade Agreement (ECTA)), UK (India-UK Comprehensive Economic and Trade Agreement (CETA)), India-EFTA Trade and Economic Partnership Agreement (TEPA).

While these FTAs have contributed to growth in merchandise exports to partner regions, their overall impact remains mixed, with persistent concerns over widening trade deficits in certain bilateral relationships.

7.5 Recent customs disruption on account of increase in US customs tariff

Recent US tariff hikes have triggered major customs disruptions for India, including a sweeping 50% tariff on most Indian goods that took effect in August 2025, reportedly linked to factors such as India's purchase of Russian oil.

Other measures include a 100% duty on branded pharmaceutical imports unless produced in a US factory, and the removal of the $800 de minimis exemption for low-value parcels. The tariffs have also disrupted sectors from automobiles to auto parts and also generated fears of further measures that could target software and other services exports.

7.6 FOREIGN TRADE POLICY 2025

India's Foreign Trade Policy ('FTP') has evolved. Initially, it aimed at self-sufficiency by limiting imports through high tariffs and restrictions. However, reforms in the 1980s and 1990s brought about significant changes, reducing tariffs and opening up to foreign investment. Post-liberalization, India has continued simplifying trade procedures and focusing on key sectors like IT and manufacturing. Joining regional and global trade agreements has further connected India to the world economy. Recent efforts have focused on making trade easier and boosting India's global trade share, aiming to establish it as a top manufacturing and export destination.

India's revamped FTP marks a strategic shift in the nation's trade framework, prioritizing continuity and adaptability. The new policy moves away from incentive-based models toward a tax remission-centric approach. It places strong emphasis on enhancing trade facilitation through digital technologies. The policy also expands its scope to include emerging sectors such as e-commerce exports and introduces streamlined regulations for Special Chemicals, Organisms, Materials, Equipment, and Technologies (SCOMET) for country's global trade engagement.

Key Features of FTP 2025

Particulars	Details
Incentive to Remission	➢ Shifting focus from traditional export incentives to remission of duties and taxes, reducing the cost burden on exporters. ➢ Implementation of schemes like RoDTEP (Remission of Duties and Taxes on Exported Products) to refund embedded taxes. **A focus on remitting duties and taxes (e.g., RoDTEP) rather than just providing traditional incentives.**
Ease of Doing Business	➢ Simplifying export-import procedures through automation and digitization. ➢ Faster clearances with automatic approvals for Advance Authorisation and EPCG schemes. ➢ Reduced paperwork and streamlined compliance via e-governance platforms. ➢ Recognition of e-commerce as a key export channel.
Collaboration for Export Promotion	➢ Strengthening coordination among exporters, state governments, district administrations, and Indian missions abroad. ➢ Facilitating localized solutions via District Export Hubs and Towns of Export Excellence.
Focus on Emerging Areas	➢ Prioritizing growth sectors like e-commerce exports, digital trade, and green/sustainable exports. ➢ Revamping export controls such as the SCOMET policy to balance trade facilitation and security.
Reliefs	➢ Export obligation periods for Advance Authorisation/EPCG have been streamlined to reduce compliance burdens. ➢ A one-time Amnesty Scheme is in place for exporters to settle pending, old authorizations.

India's FTP 2025 includes a range of schemes aimed at boosting exports, simplifying procedures, and promoting emerging sectors.

Schemes	Details
Remission of Duties and Taxes on Exported Products Scheme (RoDTEP)	i. RoDTEP is a more WTO compliant scheme that is based on remission model. Only embedded taxes on which no other benefits are claimed are covered under RoDTEP scheme. ii. RoDTEP benefits are in the form of scrips that can be used only for payment of Basic Customs Duty. iii. Export incentive shall be subject to realization of sales proceeds within time limit by RBI iv. Processing of all RODTEP claims would be entirely through electronic means
Export Promotion Capital Goods Scheme (EPCG)	i. Exporters can import capital goods, including spares, for pre-production, production, and post-production processes, at zero customs duty. ii. Exporters are obligated to export the finished goods within a specified time limit. iii. Imported capital goods are exempt from Basic Customs Duty (BCD), IGST, Cess, Anti-dumping Duty, Safeguard Duty, and other applicable duties. iv. The capital goods imported under the EPCG scheme will depend on the actual user condition and until the export obligation is fulfilled, the imported goods cannot be sold or transferred. v. The installation of capital goods and its usage in production should be done within 6 months but can be extended by the Deputy/Assistant Commissioner of Customs. vi. The authorization holders under the EPCG scheme need to file a bond with or without bank guarantee with the customs before the import of capital goods. vii. Second-hand goods of any nature will not be permitted under the EPCG scheme. viii. Authorization is valid for 24 months from the date of issue of such Authorization. ix. The export obligation may be fulfilled within 6 years from the date of issue of Authorization or as notified by the DGFT.

Schemes	Details
	x. Import under EPCG Authorisation Scheme is not eligible for exemption from payment of anti-dumping duty, safeguard duty and transitional product specific safeguard duty. xi. Installation certificate is normally required to be submitted within 6 months of the completion of the imports. An extension of up to 12 months may be granted by the RA with a late fee. xii. Specified guidelines for maintenance of average export obligation and specified export obligation notified in case of exit of an EOU or SEZ unit.
Advance Authorisation	i. Scheme allows the import of inputs to be made duty-free if they are physically incorporated into a product to be exported. ii. An export obligation is usually set as a condition while granting Advance Authorization. The scheme is intended to reduce working capital requirements for exporters. The provisions of the scheme have also been extended to fuel, oil, energy, and catalysts which are consumed or utilized to obtain export products. iii.Against Advance authorization, the inputs can also be procured indigenously without GST elements under Deemed export provisions laid down under GST enactment. iv.Export obligation: Exporters are obligated to export the finished goods within a specified time limit. v. Exemptions from duties: Imported inputs are exempt from Basic Customs Duty (BCD), IGST, Cess, Anti-dumping Duty, Safeguard Duty, and other applicable duties. vi.The imported inputs must be used by the authorization holder and cannot be transferred, even after fulfilling the export obligation. However, once the export obligation is completed, the authorization holder has the option to dispose of the products manufactured from duty-free inputs. vii. Under the Advance authorization scheme, the 'Minimum value addition' required is 15%, except for specific sectors where different percentages apply.

Schemes	Details
	viii. Advance Authorization is valid for 12 months from the date of issue of such Authorization. The export obligation may be fulfilled within 18 months from the date of issue of Authorization or as notified by the DGFT
Duty Free Import Authorisation Scheme (DFIA)	i. The Duty-Free Import Authorisation (DFIA) scheme allows duty-free import of inputs used in manufacturing export products, including raw materials, fuel, oil, and catalysts. DFIA licenses are typically issued based on the Standard Input and Output Norms (SION), which specify the quantity of inputs allowed for specific export products ii. Duty Free Import Authorization shall be issued on post export basis only for those products for which Standard Input Output Norms (SION) has been fixed. iii. In case of merchant exporter, it is mandatory to mention the name and address of supporting manufacturer of the export goods on the export documents like ARE-1, ARE-3, Shipping Bill, Airway Bill, Bill of Export etc. iv. Application for Duty Free Import Authorization is to be filed with the concerned Regional Authority before effecting export of products. v. The minimum value addition of 20% is mandatory to be required to be achieved. However, Appendix 4C of the Advance Authorization prescribes items which required higher value addition, for such listed items such higher value addition shall be applicable for Duty Free Import Authorization. vi. An import that is subject to pre-import conditions not eligible to get duty-free import authorization. IGST and compensation Cess are not exempted under the DFIA scheme. vii. Authorization issued by the regional authority shall be valid for the period of 12 months from the date of issue.
Export Oriented Units (EOU), Electronic Hardware Technology Parks (EHTP), Software Technology Parks (STP) and Biotechnology Parks	i. EOUs, EHTPs and STPs allowed to share infrastructural facilities among themselves. Inter unit transfer of goods and services allowed among EOUs, EHTPs, STPs, and BTP ii. EOUs allowed facility to set up warehouses near the port of export. STP units, EHTP units, software EOUs

Schemes	Details
(BTP)	allowed facility to use all duty free equipment/goods for training purposes. iii. 100% EOU units allowed facility of supply of spares/ components up to 2% of the value of the manufactured articles to a buyer in domestic market for the purpose of after sale services. iv. In case of EOU period of 5 years for achieving Positive Net Foreign Exchange Earning (NFE) can be extended by one year on ground of adverse market condition or genuine hardship. v. EOUs/EHTP/STP units permitted to transfer capital goods to other EOUs, EHTPs, STPs, SEZ units. If such transferred capital goods are rejected by the recipient, then the same can be returned to the supplying unit, without payment of duty. vi. EOUs having physical export turnover of INR100 million and above are allowed facility of fast track clearances of import and domestic procurement.
Towns of Export Excellence	i. With an objective of development and growth of export production centers, recognition is granted to towns that have emerged as 'dynamic industrial clusters' as 'Towns of Export Excellence' ii. This would enable such towns to enhance their potential and hit new markets. iii. Selected towns producing goods of Rs. 750 crores or more may be notified as TEE. iv. For TEE in handloom, handicraft, agriculture and fisheries sector, threshold is Rs. 150 crores v. In addition to already existing 39 TEE, 4 new TEE are declared viz; Faridabad (apparel), Moradabad (Handicrafts), Mirzapur (Handmade carpet & dari), Varanasi (Handloom & Handicraft) vi. TEEs are eligible for financial assistance and can access duty exemptions. Common Service Providers (CSPs) in TEEs can avail authorization under the Export Promotion Capital Goods (EPCG) scheme.
Districts as Export Hubs (DEH)	The Districts as Export Hubs (DEH) initiative of the Directorate General of Foreign Trade, Department of Commerce came about with the aim of targeting export

Schemes	Details
	promotion, manufacturing and employment generation at the grassroots level and achieve the Atma Nirbhar Bharat Mission. For this purpose, certain districts across the country, which grow specific products in large scale, are identified as potential exporters of those products.

Note: The FTP 2025 is a new version, but it is largely based on the framework of FTP 2023.

Recent strides in regulatory consolidation offer a strategic opportunity to align DGFT and FEMA frameworks, accelerate digitization of trade processes, and implement targeted incentives that enhance global competitiveness and job creation while safeguarding fiscal discipline and regulatory integrity.

7.7 Special Economic Zone (SEZ):

Concept	A specifically delineated duty-free enclave deemed to be a foreign territory for the purposes of trade operations, duties and tariffs. It is regulated by the Special Economic Zones Act, 2005 (SEZ Act, 2005) and Special Economic Zones Rules, 2006 (SEZ Rules, 2006). Section 53 of the SEZ Act, 2005 provides that an SEZ shall be deemed to be a territory outside the customs territory of India for the purposes of undertaking the 'authorized operations'.
Objective	Introduced to encourage investment, bringing about increase in employment opportunities, technical knowledge and future tax revenues in return for significant tax concessions offered. It stimulates industrialization in backward areas.
Benefits of registering as a SEZ unit	➢ Exemption from Customs Duty on goods imported for authorised operations and no specific approval / license required for imports ➢ Exemption from GST on import of goods or services ➢ Input services and goods received for authorised operations will not be leviable to GST ➢ Land related benefits such as Stamp Duty waiver / concession and single window clearance

Schemes	Details
	➢ Other benefits such as Electricity duty, water and gas tariff exemption / concession ➢ Benefit of customized incentives for mega projects or investment in backward areas, based on negotiation with concerned State Governments.
Coverage	➢ The SEZ Unit / Developer can import all types of goods for undertaking authorised operations including construction materials, capital goods [new or second hand], raw materials, semi-finished goods, components, consumables and spares of capital goods. The SEZ Unit / Developer is exempt from paying IGST on import of services received for authorised operations. Also, any supply of goods or services or both to a Special Economic Zone developer/unit, for authorised operations, will be considered to be a zero-rated supply.

Part C: Production Linked Incentive Schemes in India

7.1 Background

India's ambition to become a global manufacturing powerhouse took a decisive step forward with the launch of the Production Linked Incentive (PLI) Scheme. Introduced in 2020, the PLI scheme is a strategic policy initiative designed to boost domestic manufacturing, attract global investment, create employment, and reduce dependence on imports.

The PLI Scheme offers financial incentives to companies based on incremental production over a defined base year. In simple terms, manufacturers receive direct incentives for producing more in India—encouraging scale, efficiency, and global competitiveness. Unlike traditional subsidy models, PLI rewards performance, ensuring that government support translates into real economic output.

The PLI scheme spans **14 strategic sectors,** reflecting the government's intent to strengthen both traditional and high-technology industries. These include:

- Mobile manufacturing & Specified Electronic Components
- Critical Key Starting Materials/Drug Intermediaries & Active Pharmaceutical Ingredients (APIs)
- Manufacturing of Medical Devices
- Automobiles & Auto Components
- Pharmaceuticals Drugs: (bulk drugs)
- Specialty Steel
- Telecom & Networking Products
- Electronic/Technology Products: (IT Hardware)
- White Goods: (Air Conditioners & LED Lights)
- Food Products: (Processed Foods)
- Textile Products: (MMF segment & Technical Textiles)
- High-Efficiency Solar PV Modules
- Advanced Chemistry Cell (ACC) Battery: Storage
- Drones & Drone Components

Together, these sectors form the backbone of India's industrial and technological future.

7.2 Key Objectives of PLI Schemes are:

7.2.1 Boost Domestic Manufacturing

The grant of incentives is directly linked to production capacity/ incremental turnover, compelling investors to create large scale manufacturing facilities. This should lead to improvements in industrial infrastructure, benefiting the industry at large.

7.2.2 Enhance Global Competitiveness

The PLI scheme enhances India's global competitiveness by enabling domestic manufacturers to achieve scale, improve cost efficiency, and align production with international quality and technology standards. By linking incentives to incremental output and sales, the scheme encourages firms to expand capacity, adopt advanced manufacturing processes, and integrate into global value chains. PLI-supported sectors have witnessed increased exports, reduced import dependence, and stronger participation of Indian manufacturers in global markets, positioning India as a reliable manufacturing hub and an alternative destination in global supply chains.

7.2.3 Import substitution and increase in exports

India's position in the global pharmaceuticals market has expanded and it is the third-largest player by volume. Exports now account for 50% of production, and the country has reduced reliance on imports by manufacturing key bulk drugs like Penicillin G.Import substitution of 60% has been achieved in the Telecom sector and India has become almost self—reliant in Antennae, GPON (Gigabit Passive Optical Network) & CPE (Customer Premises Equipment. Global tech companies have set up manufacturing units, turning India into a major exporter of 4G and 5G telecom equipment. Further, India's electronics exports surged to an all-time peak of 4.15 lakh crore, reaffirming the policy's role in accelerating domestic manufacturing and positioning India as a global supply-chain hub.

7.2.4 Support Strategic and Sunrise Sectors

The PLI scheme plays a crucial role in supporting strategic and sunrise sectors that are critical to India's long-term economic resilience, technological self-reliance, and global competitiveness. By targeting sectors such as electronics, semiconductors, pharmaceuticals, renewable energy, advanced batteries, automobiles, and specialty steel, the scheme encourages the development of high-value manufacturing capabilities and emerging technologies. Focused incentives linked to incremental output enable rapid capacity creation, promote innovation, reduce import dependence, and strengthen domestic value chains. Through this sector-specific approach, the PLI scheme aligns industrial growth with national priorities such as Atmanirbhar Bharat, export expansion, and integration into global supply networks.

7.2.5 Shift from Input-Based to Output-Based Incentives

The Production Linked Incentive (PLI) scheme marks a significant shift in India's industrial policy by moving away from traditional input-based incentives, such as subsidies on capital investment or tax concessions, to an output-based incentive framework. Under PLI, incentives are disbursed only upon the actual achievement of measurable outcomes, primarily incremental production and sales of eligible goods manufactured in India. This approach ensures that government support is directly linked to performance, scale, and market competitiveness, rather than upfront expenditure. By rewarding realised output instead of promised investment, the PLI scheme promotes efficiency, accountability, and sustained manufacturing growth, while minimising fiscal risk and encouraging firms to integrate into global value chains.

7.2.6 Employment generation

The PLI initiative has also emerged as a major job creator, generating over 12 lakh direct and indirect employment opportunities, while simultaneously fostering additional ecosystem development across Tier-2 and Tier-3 cities. Importantly, the scheme has catalyzed a fresh wave of FDI into the country, endorsing India as a preferred destination for high-value manufacturing in an evolving global scenario.

7.3 Key Eligibility Criteria of the PLI Scheme

7.3.1 Eligible Applicant

- **Domestic and foreign companies** registered in India are eligible.
- Applicants must be **engaged in manufacturing** notified products under the specific PLI scheme.
- Both **existing manufacturers and new entrants** (greenfield or brownfield projects) can apply, subject to sectoral rules.

7.3.2 Sector-Specific Product Coverage

- The company must manufacture **products notified under the respective PLI sector** (e.g., mobile phones, APIs, solar modules, automobiles, etc.).
- Only **incremental production of eligible products** qualifies for incentives.

7.3.3 Minimum Investment Threshold

- Applicants must commit to a **minimum investment**, which varies by sector.
- Investment may include:

- o Plant and machinery
- o Equipment and technology
- o Infrastructure related to manufacturing

7.3.4 Incremental Production / Sales Requirement

- Incentives are calculated based on **incremental sales** over a defined **base year.**
- Companies must achieve **minimum incremental production targets** each year to remain eligible.

7.3.5 Financial Soundness

- The applicant must meet **net worth, turnover, and financial stability criteria** as specified in the scheme.
- Companies should not be bankrupt, under insolvency, or classified as non-performing entities.

7.3.6 Compliance with Laws and Regulations

- The company must comply with:
  - o Indian tax laws
  - o Labour laws
  - o Environmental regulations
  - o Company law requirements

7.3.7 Time-Bound Commitment

- Manufacturers must begin production within the **specified timeline** after approval.

Failure to meet timelines can lead to **disqualification or loss of incentives.**

7.4 Incentives Offered under PLI Schemes:

The Production Linked Incentive (PLI) Scheme is designed to encourage companies to manufacture more in India by linking financial rewards directly to incremental production and sales. Unlike traditional subsidies, PLI is performance-based, ensuring that public funds are used efficiently while boosting domestic manufacturing capacity.

1. Cash Incentive on Incremental Sales – The core incentive is a percentage of incremental sales over a base year.

The rate varies by sector:

- Electronics & IT Hardware: 4–6%
- Pharmaceuticals & Medical Devices: up to 10% for critical products
- Telecom & Networking Products: up to 5%

2. Multi-Year Incentive Support – Incentives are spread over 3–5 years depending on the sector. This encourages long-term investments in plant, machinery, and technology and scaling up operations gradually rather than producing for short-term gains

3. Investment-Linked Eligibility – Companies must commit to minimum capital investment thresholds to qualify. This encourages expansion of domestic manufacturing infrastructure, upgrading to modern, efficient, and globally competitive production lines

4. Incentives for Exports and Global Competitiveness – While PLI is not an export subsidy, it indirectly promotes exports by reducing cost of production, improving quality through investment in technology and enhancing competitiveness of Indian products in global markets

Incentives are a tool to shift India from being an importer of high-tech goods to a global exporter.

7.5 Sector Wise Details of PLI Schemes (which are open for fresh application):

Sectors	Concerned Department	Incentive Rate	Tenure of the scheme	Total Financial Outlay (Rs. In crores)	Last date of application
Man Made Fibre and Technical Textiles	Ministry of Textiles	7% to 15%	24 September 2021 to 31 March 2030	10,683	31 March 2026

7.6 Emerging PLI Initiative

The Civil Aviation Ministry is developing a PLI scheme to promote domestic manufacturing of small aircraft. The scheme is proposed to run for six years starting from 2026–27, with an outlay estimated between Rs. 12,000 crore and Rs. 15,000 crore. The objective is to build a full manufacturing ecosystem for small aircraft, typically defined as planes with fewer than 20 seats that operate on short-haul and regional routes.

7.7 Conclusion

The Production Linked Incentive Scheme marks a turning point in India's industrial policy. By linking incentives directly to performance, it encourages efficiency, innovation, and global competitiveness. As the scheme matures, it has the potential to redefine India's manufacturing landscape—making the country not just a large market, but a global manufacturing and export powerhouse.

According to an official Press Information Bureau (PIB) release in December 2025, the PLI Scheme has delivered the following:

- Actual investments — Rs. 2 lakh crore across 14 sectors.
- Incremental production/sales - exceeding Rs.18.7 lakh crore.
- Employment creation - over 12.6 lakh (direct + indirect).
- Cumulative incentives disbursed - Rs.23,946 crore.

These include strong gains in pharmaceuticals, electronics, medical devices, and telecom manufacturing.

The PLI Scheme reflects India's strategic re-entry into active industrial policymaking at a time of global supply-chain realignment. It positions India not merely as a low-cost manufacturing destination but as a reliable, scalable, and innovation-driven production hub. If executed with consistency and complemented by institutional reforms, PLI has the potential to redefine India's role in the global manufacturing landscape over the coming decade.

In the journey toward a self-reliant and resilient economy, the PLI scheme stands as one of India's most impactful and forward-looking reforms.

Chapter 8 Quick Referencer for Provisions of Income Tax Act, 1961 vis-à-vis Income Tax Act, 2025

Section Mapping		
Section Number as per Income Tax Act, 1961	**Section heading as per Income-tax Act, 1961**	**Section Number as per Income Tax Act, 2025**
1	Short title, extent and commencement	1
2	Definitions	2
2(15)(Proviso)	Definitions	346
3	'Previous year' defined	3
4	Charge of income-tax	4
5	Scope of total income	5
6	Residence in India	6
7	Income deemed to be received	7(1)
9	Income deemed to accrue or arise in India	9
9A	Certain activities not to constitute business connection in India	9 and Schedule I
9B	Income on receipt of capital assets or stock in trade by specified person from specified entity	8
10	Incomes not included in total income	11
10(1)	Agricultural income	Schedule II(Table: S. No. 1)
10(2)	Any sum received by a member from Hindu undivided family	Schedule III(Table: S. No 1)
10(2A)	Any sum received by a partner towards his share in the total income of the firm	Schedule III(Table: S. No. 2)
10(4)(ii)	Any income by way of interest in NRE account	Schedule IV(Table: S. No. 1)
10(5)	The value of any travel concession or assistance	Schedule III(Table: S. No. 8)
10(6)(vi)	Any remuneration received as an employee for services rendered by him during his stay in India	Schedule IV(Table: S. No. 3)
10(10)	Exemption of Gratuity	19 read with Schedule III (Table: S. No. 38)
10(10D)	Any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy	Schedule II(Table: S. No. 2)
10(13)	Any payment from an approved superannuation fund	Schedule II(Table: S. No. 8)
10(13A)	Any special allowance from employer	Schedule III(Table: S. No. 11)
10(14)(i)	Any special allowance or benefit	Schedule III(Table: S. No. 12)

Section Mapping		
Section Number as per Income Tax Act, 1961	**Section heading as per Income-tax Act, 1961**	**Section Number as per Income Tax Act, 2025**
10(14)(ii)	Any other allowance	Schedule III(Table: S. No. 13)
10(15)(viii)	Interest received	Schedule IV(Table: S. No. 8)
10(32)	Any income includible in the total income under section 64(1A)	Schedule III(Table: S. No. 17)
10AA	Special provisions in respect of newly established Units in Special Economic Zones	144
11 to 13	Provisions applicable for Non-Profit organizations	332 to 355 & Schedule XVI
14	Heads of Income	13
14A	Expenditure incurred in relation to income not includible in total income	14
15	Salaries	15
16/ 10(10)/10(10A)/ 10(10AA)/10(10 B)/10(10C)	Deductions from salaries	19
17(1)	'Salary' defined	16
17(2)	'Perquisite' defined	17
17(3)	'Profits in lieu of salary' defined	18
22	Income from house property	20
23	Annual value how determined	21
24	Deductions from income from house property	22(1) to 22(5)
25	Amounts not deductible from income from house property	22(6)
25A	Special provision for arrears of rent and unrealised rent received subsequently	23
26	Property owned by co-owners	24
27	'Owner of house property','annual charge', etc., defined	21 and 25
28	Profits and gains of business or profession	26 and 66
29	Manner of computing profits and gains of business or profession	27
30	Rent, rates, taxes, repairs and insurance for buildings	28
31	Repairs and insurance of machinery, plant and furniture	28
32	Depreciation	33 and 66

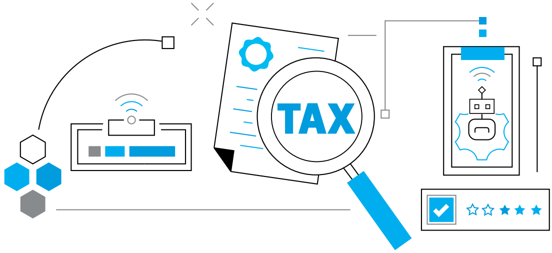
Section Mapping		
Section Number as per Income Tax Act, 1961	**Section heading as per Income-tax Act, 1961**	**Section Number as per Income Tax Act, 2025**
35	Expenditure on scientific research	45 and 66
35AD	Deduction in respect of expenditure on specified business	46
35D	Amortisation of certain preliminary expenses	44
35DD	Amortisation of expenditure in case of amalgamation or demerger	52
36	Other Deductions	29, 30, 31, 32
37	General	34
38	Building, etc., partly used for business, etc., or not exclusively used	28,33
40	Amounts not deductible	35
41	Profits chargeable to tax	38 and 66
43B	Certain deductions to be only on actual payments	37 and 66
43CA	Special provision for full value of consideration for transfer of assets other than capital assets in certain cases	53
44A	Special provision in the case of trade, profession or similar association	50
44AA	Maintenance of accounts by certain persons carrying on profession or business	62
44AB	Audit of accounts by certain persons carrying on profession or business	63
44AD	Special provision for computing profits and gains of business on presumptive basis	58
44ADA	Special provision for computing profits and gains of profession on presumptive basis	58
44AE	Special provision for computing profits and gains of business of plying, hiring or leasing goods carriages	58
44AF	Special provision for computing profits and gains of retail business	Redundant
44B	Special provision for computing profits and gains of shipping business in the case of non-residents	61
44BB	Special provision for computing profits and gains in connection with the business of exploration, etc. Of mineral oils	61 and 66
44BBA	Special provision for computing profits and gains of the business of operation of aircraft in the case of non-residents	61

Section Mapping		
Section Number as per Income Tax Act, 1961	**Section heading as per Income-tax Act, 1961**	**Section Number as per Income Tax Act, 2025**
44BBB	Special provision for computing profits and gains of foreign companies engaged in the business of civil constructions, etc. In certain turnkey power projects	61
44C	Deduction of head office expenditure in the case of non-residents	60
44DA	Special provision for computing income by way of royalties, etc., in the case of non-residents	59 and 66
45	Capital gains	67
46	Capital gains on distribution of assets by companies in liquidation	68
46A	Capital gains on purchase by company of its own shares or other specified securities	69
47	Transactions not regarded as transfer	70
47A	Withdrawal of exemption in certain cases	71
48	Mode of computation of capital gains	72
49	Cost with reference to certain modes of acquisition	73
50-50AA	Special provision for Certain Cases	74-76
50B	Special provision for computation of capital gains in case of slump sale	77
50C	Special provision for full value of consideration in certain cases	78
50CA	Special provision for full value of consideration for transfer of shares other than quoted share	79
50D	Fair market value considered to be full value of consideration in certain cases	80
54	Profit on sale of property used for residence	82
54EC	Capital gains not to be charged on investment in certain bonds	85
54F	Capital gains on transfer of certain capital assets not to be charged in case of investment in residential house	86
54G	Exemption of capital gains on transfer of assets in cases of shifting of industrial undertaking from urban area	87
55	Meaning of 'adjusted', 'cost of improvement' and 'cost of acquisition'	90
56	Income from other sources	92
57	Deductions	93

Section Mapping		
Section Number as per Income Tax Act, 1961	**Section heading as per Income-tax Act, 1961**	**Section Number as per Income Tax Act, 2025**
70	Set off of loss from one source against income from another source under the same head of income	108
71	Set off of loss from one head against income from another	109
72	Carry forward and set off of business losses	112
73	Losses in speculation business	113
74	Losses under the head 'Capital gains'	111
78	Carry forward and set off of losses in case of change in constitution of firm or on succession	119
79	Carry forward and set off of losses in case of certain companies	119
80C	Deduction for life insurance premium, deferred annuity, contributions to provident fund, etc.	123 read with schedule XV
80CCD	Deduction in respect of employer contribution to pension scheme of Central Government	124
80D	Deduction in respect of health insurance premia	126
80DD	Deduction in respect of maintenance including medical treatment of a dependant who is a person with disability	127
80DDB	Deduction in respect of medical treatment, etc.	128
80E	Deduction in respect of interest on loan taken for higher education	129
80G	Deduction in respect of donations to certain funds, charitable institutions, etc.	133, 332 and 354
80-IAC	Special provision in respect of specified business	140
80-IBA	Deductions in respect of profits and gains from housing projects	142
80JJAA	Deduction in respect of additional employee cost	146
80M	Deduction in respect of certain inter-corporate dividends	148
80TTA and 80TTB	Deduction for Interest on Deposits	153
80U	Deduction in case of a person with disability	154
87	Rebate to be allowed in computing income-tax	155
87A	Rebate of income-tax in case of certain individuals	156
89	Relief when salary, etc., is paid in arrears or in advance	157
90	Agreement with foreign countries or specified territories	159

Section Mapping		
Section Number as per Income Tax Act, 1961	**Section heading as per Income-tax Act, 1961**	**Section Number as per Income Tax Act, 2025**
91	Countries with which no agreement exists	160
92-92F	Transfer Pricing Provisions	161-173 and 532
95	Applicability of General Anti-Avoidance Rule	178
111A	Tax on short-term capital gains in certain cases	196
112	Tax on long-term capital gains	197
112A	Tax on long-term capital gains in certain cases	198
115A	Tax on dividends, royalty and technical service fees in case of foreign companies	207
115BAA	Tax on income of certain domestic companies	200
115BAB	Tax on income of new manufacturing domestic companies	201 and 205
115BAC	Tax on income of individuals Hindu undivided family and others	202
115BBE	Tax on income referred to in section 68 or section 69 or section 69A or section 69B or section 69C or section 69D	195
115TD	Tax on accreted income	352 and 355
131-135	Search and Survey Proceedings	246 - 261
139-140B	Filing of Return of Income	263-267
142-157	Procedure of assessment	268-291
192	Salary	392 and 402
193-197A	Tax to be deducted at Source	393
197	Certificate for deduction at lower rate	395
234A	Interest for defaults in furnishing return of income	423
234B	Interest for defaults in payment of advance tax	424
234C	Interest for deferment of advance tax	425
234D	Interest on excess refund	426
234E	Fee for default in furnishing statements	427
234F	Fee for default in furnishing return of income	428
270A	Penalty for under-reporting and misreporting of income	439
270AA	Immunity from imposition of penalty, etc.	440
285BA	Obligation to furnish statement of financial transaction or reportable account	508
285BB	Annual information statement	510

9.1 Business Entity



9.1.1 Rationalising the due date to credit employee contribution by the employer to claim such contribution as deduction

Section 29(1)(e)(i) of the ITA 2025 (section 36(1)(va) of the ITA 1961) provides for deduction of any sum received by an employer from its employees as a contribution towards any employee welfare fund, provided such sum is credited to the employee's account in the relevant fund on or before the due date prescribed under the respective regulation governing such fund.

In order to rationalise the provisions relating to the allowability of deduction of employees' contributions, it is proposed that the due date for the employer to credit the amounts of employee's contribution to the relevant funds shall be the due date of filing of return under section 263(1) of the ITA.

9.1.2 Rationalisation of TCS rates

The proposed rationalization under Section 394(1) of ITA 2025 aims to streamline various TCS rates by fixing a uniform rate of 2% across all categories. This involves increasing TCS rate for alcoholic liquor, scrap and minerals such as coal, lignite and iron ore whereas reducing TCS rate for tendu leaves and remittances under LRS where remittance is made for education or medical treatment. Additionally for overseas tour packages, it is proposed to remove the threshold limit for applicability of the provision and reduce TCS rate to 2%.

9.2 Personal

9.2.1 Foreign Assets of Small Taxpayers – Disclosure Scheme, 2026 (FAST-DS 2026)

The Bill proposes to introduce a new Foreign Assets of Small Taxpayers Disclosure Scheme, 2026 ('the Scheme') under Chapter IV (section 114 to section 128), providing a one-time voluntary compliance window for resident and certain non-residents taxpayers to disclose undisclosed foreign assets and undisclosed foreign income pertaining to the previous year ending on or before 31 March 2026

The above scheme is mainly notified to address the issue of non-compliance particularly in cases involving legacy or inadvertent non-disclosures for small taxpayers, including holdings arising from foreign employment benefits such as ESOPs or RSUs, dormant or low-value foreign bank accounts of former students, savings or insurance policies of returning non-residents, assets held by individuals on overseas deputation, etc.

Under this initiative, taxpayers would be permitted to declare such holdings upon payment of applicable taxes or fees, determined by the nature and source of acquisition. In return, the scheme would provide limited relief from penalty and prosecution under the Black Money Act for matters duly declared. However, cases linked to ongoing prosecution or involving proceeds of crime would be expressly excluded to maintain the integrity of enforcement efforts.

Sr. No.	Type of assets or income	Amount payable	Conditions
1	(a) Undisclosed asset located outside India; or (b) undisclosed foreign income.	Aggregate of,– (i) tax at the rate of 30% of the value of the undisclosed asset located outside India as on the 31st March, 2026; (ii) tax at the rate of 30% of the undisclosed foreign income; and (iii) an amount equal to 100% of tax determined in clauses (i) and (ii).	The aggregate value of the undisclosed asset located outside India and the undisclosed foreign income does not exceed Rs. 1,00,00,000.
2	(a) Asset located outside India acquired from income accruing or arising outside India, by an assessee, during the period in which such assessee was a non-resident, but such assets were not declared by him in the relevant Schedule in the return of income on becoming a resident; or (b) asset located outside India acquired from income which has been offered to tax under the ITA 1961 (43 of 1961) by the assessee, but such assets were not declared by him in the relevant Schedule in the income.	A fee of Rs 1,00,000.	The value of the asset located outside India does not exceed Rs. 5,00,00,000

This proposed scheme will be introduced through the Bill and will take effect from a date to be notified by the Central Government and this scheme would be a one-time 6 month foreign asset disclosure scheme.

- If any material particulars are found to be false, or if conditions of the Scheme are violated, the declaration shall be treated as invalid.

- The tax authority, after verification, will pass an order determining the amount payable within 1 month from the end of the month in which the declaration is filed. The amount so determined must be paid within 2 months from the end of the month in which the order is received, with an extended period of 2 additional months available on payment of simple interest at 1% per month or part thereof. Upon payment and intimation, a conclusive certificate of payment shall be issued to the declarant.

The proposed scheme shall form part of the Bill and shall come into force from the date to be notified by the Central Government.

9.2.2 Relaxation from obtaining TAN by a resident individual / HUF, where the seller of the immovable property is a Non-Resident

Presently, where a resident buys an immovable property from a non-resident seller, they are required to obtain TAN to deduct tax at source. In order to ease the compliance burden and simplify tax procedures, it is now proposed to amend the section 397(1)(c) of the ITA 2025 to provide that resident individual / HUF being the buyer to transaction of sale of immovable property by a non-resident seller, is not required to obtain TAN to deduct tax at source in respect of any consideration for such transfer.

The amendment will be effective from 1 October 2026.

9.2.3 Rationalisation of Contributions to Provident Funds

It is proposed to rationalise and align the income-tax provisions governing recognised provident funds in Schedule XI of the ITA 2025 (Schedule IV of the ITA 1961), with the prevailing EPF framework by making following amendment:

- **Provident Fund Recognition** – Entities which have their own PF trusts are exempt from the EPF scheme if benefits from such trusts are equal to or better than EPF. The clarification is proposed to be inserted in Paragraph 4(f) of Part A of Schedule XI of ITA 2025 that only such trusts and notified establishments can apply for provident fund recognition.

- The tax implications regarding Provident Funds have been rationalised to align with the Employees' Provident Funds and Miscellaneous Provisions

Act, 1952 which are as under:

- Any contribution made by the employer to the account of the employee in a Recognised Provident Fund, the National Pension System, and an Approved Superannuation Fund is treated as a taxable perquisite if the aggregate amount exceeds Rs. 7,50,000 in a tax year
- The Bill proposes to remove the previous provision (Paragraph 6(a) of Part A of Schedule XI) that deemed employer contributions in excess of 12% of salary as income. This is because the unified monetary ceiling of Rs. 7,50,000 Lakhs now governs the taxability.

9.2.4 Non-allowability of Interest as a deduction against Dividend Income

It is proposed to amend section 93 of ITA 2025 (section 57 of ITA 1961) to remove deduction of interest expenditure incurred for earning of dividend income or income from units of mutual funds.

9.3 Charitable Entities

9.3.1 Provision relating to merger of non-profit organisations

It is proposed to insert section 354A of the ITA 2025, where any registered non-profit organisation merges with any other registered non-profit organisation, the provisions of section 352 shall not apply if, (a) the other registered non-profit organisation has same or similar objects; and (b) the said merger fulfils such conditions as may be prescribed.

Further, it is proposed to provide that the specified person shall be liable to pay the tax on accreted income where it has merged with, any other –

(a) entity other than a registered non-profit organisation;

(b) registered non-profit organisation having objects same or similar to it but the said merger does not fulfil such conditions, as may be prescribed; or

(c) registered non-profit organisation that does not have same or similar objects

9.3.2 Provisions relating to the violations by a registered NPO

It is proposed to remove violation on account of commercial activities by registered non-profit organisation carrying out advancement of any other object of general public utility, as the inclusion of such violation under section 351 of ITA 2025 may lead to cancellation of registration. This amendment is proposed to align the provisions with ITA 1961.

9.3.3 Provision for filing of belated return by NPO

It is proposed to amend the provisions of section 349 of ITA 2025 in order to enable furnishing of belated return by registered non-profit organisation. The provisions of said section amended to provide reference of section 263(4) of ITA 2025 (section 139 of ITA 1961) in this section.

9.4 General

9.4.1 Taxation of Buy-Back of shares

Under the ITA 2025, consideration received by a shareholder on buy-back of shares is treated as dividend income under section 2(40)(f) (section 2(22)(f) of ITA 1961). It is now proposed to tax buy-back proceeds as capital gains instead of dividend income.

Further, it is proposed to amend section 69 of ITA 2025 (section 46A of ITA 1961) to provide applicable rate for promoter shareholders as under:

Type of promoters	Nature of gains	Type of security	Normal tax rate	Additional tax rate	Effective tax rate
Domestic companies	Long term	Listed Shares	12.50%	9.50%	22%
	Long term	Unlisted Shares	12.50%	9.50%	22%
	Short term	Listed Shares	20%	2%	22%
	Short term	Unlisted Shares	Applicable Rate	-	Applicable Rate
Other than domestic companies	Long term	Listed Shares	12.50%	17.50%	30%
	Long term	Unlisted Shares	12.50%	17.50%	30%
	Short term	Listed Shares	20%	10%	30%
	Short term	Unlisted Shares	Applicable Rate	-	Applicable Rate

Tax rates for non-promoter shareholders shall same as per applicable capital gains tax rates with no additional tax.

9.4.2 Rationalising due dates for filing return of income by certain taxpayers

Type of Assessee	Due Date of Filing Return
Assessee, including the partners of the firm where transfer pricing provisions are applicable	30 November
(i) Company; (ii) Assessee whose accounts are required to be audited (iii) Partner of a firm whose accounts are required to be audited	31 October
(i) Assessee having income from profits and gains of business or profession (non-audit case) (ii) Partner of a firm whose accounts are not required to be audited	31 August
Any other assessee	31 July

9.4.3 Extending the duration to file revised return

It is now proposed to extend the due date to file such revised return from 31 December to 31 March. Similar, amendment is also to proposed in section 139(5) of the ITA 1961.

Further, a fee under section 482(b) of the ITA 2025 is proposed to be levied in case revised return is filed as above, beyond 9 months from the end of relevant TY but before 12 months from the end of the relevant TY. The said fee shall be as under:

(i) Rs. 1,000, if the total income <= Rs. 5,00,000; and

(ii) Rs. 5,000, in any other case.

Similar, amendment is also to proposed by inserting section 234-I of the ITA 1961.

The above amendment will be effective in the ITA 2025 from 01 April 2026 i.e., from TY 2026-27 and in the ITA 1961 from 01 March 2026 for AY 2026-27.

9.4.4 Scope of filing updated return in case of reduction of losses

Section 263(6)(b)(i) of the ITA 2025 (sixth proviso to section 139(8A) of the ITA 1961) is now proposed to be amended to allow filing of updated return in cases where such updated return has the effect of reducing the loss as compared to the original return of loss filed within the relevant due date. Similar, amendment is also to proposed in sixth proviso to section 139(8A) of the ITA 1961.

The amendment will be effective in the ITA 2025 from 1 April 2026 and in the ITA 1961 from 1 March 2026.

9.4.5 Reduction in upfront tax payment in case of Appeals

At present, the tax authorities generally require a deposit of 20% of the disputed tax amount in case of appeals. It is now proposed to reduced deposit requirement to 10% of the disputed tax amount.

9.4.6 Allowing filing of updated return after issuance of notice of reassessment

It is proposed to amend section 263(6)(b)(ii) of the ITA 2025 to allow an assessee to file an updated return even if notice under section 280 of the ITA 2025 (notice of reassessment) is issued. Furnishing of updated return within such period as specified in the said notice shall preclude the assessee from filing return in pursuance of notice issued under section 280.

It is further proposed that the additional tax payable under section 267(5) of the ITA 2025 on such updated return (i.e., 25%, 50%, 60%, 70% of the aggregate tax and interest payable in addition to original tax) to be further increased by 10%.

Furthermore, section 439(13A) is also proposed to be inserted in the ITA 2025 relating to penalty on under-reporting and misreporting of income, stating that no such penalty shall be imposed where additional tax is paid as above.

Similar amendments are proposed in section 139, section 140B and section 270A of the ITA 1961.

The above amendments will be effective in the ITA 2025 from 1 April 2026 i.e., from TY 2026-27 and in the ITA 1961 retrospectively from 1 March 2026.

9.4.7 Rationalizing the period of block assessment in case of other persons

Under the existing block assessment provisions, the block period of such third person is same as for the specified person, regardless of the fact that the undisclosed income of such third person relates to a single tax year. The Bill proposes to amend the provisions of section 295 of ITA 2025 (Section 158BD of the ITA 1961) to limit the period of block in case of such third person to that single tax year.

The amendment shall take effect from 1 April 2026, for search or requisition initiated on or after 1 April 2026.

9.4.8 Payment and Recovery of Demand

The existing provision of section 411(3) of the ITA 2025 (section 220(2) of the ITA 1961) provides that any sum specified in a notice of demand shall be payable within 30 days. Failure to pay within the stipulated period results in the assessee being deemed in default and becoming liable to interest along with possible recovery proceedings. It is proposed to amend the said section to provide that no interest shall be charged in respect of penalty demand up to the date of order of CIT(A) and ITAT (for appeal against DRP orders).

9.4.9 Clarification on jurisdiction for carrying out pre-assessment procedure

It is proposed to insert section 279(3) in the ITA 2025 and section 147A in the ITA 1961 to clarify that irrespective of anything contained in any judgment, order or decree of court, the 'Assessing Officer' shall mean / deemed to have meant Assessing Officer other than the NaFAC or any of its assessment units for the purpose of pre-assessment inquiry conducted to evaluate whether re-assessment proceedings should be initiated or not.

This amendment in the ITA 1961 will take effect retrospectively from 1 April 2021.

9.4.10 Assessment not invalid due to DIN error

In order to ensure correct interpretation and reduced litigation, it is proposed to insert section 292BA in the ITA 1961 and section 522(2) in the ITA 2025 to clarify that no assessment shall be invalid or deemed to be invalid due to any mistake / defect / omission in quoting a computer-generated DIN. The proposed amendment seeks to clarify that if the assessment order is referenced by DIN in any manner then the same would be sufficient compliance.

This amendment in the ITA 1961 will be effective retrospectively from 1 October 2019.

9.4.11 Penalty for non-furnishing of statement or furnishing inaccurate information of crypto-asset transaction

It is proposed to amend section 446 of the ITA 2025 (section 271B of the ITA 1961) to levy penalty of Rs. 200 per day for non-furnishing of statement in respect of crypto-asset transaction under section 509(1) (section 285BAA) within prescribed due date. Further, in case a person furnishes any inaccurate information in respect of said transactions and fails to remove such inaccuracy as per section 509(4) or does not comply with provisions of 509(5), then a penalty of Rs. 50,000 is proposed to be levied on such person.

9.4.12 Increase in tax rates of Securities Transaction Tax ('STT')

To address the issue of disproportionate increase in speculation in a futures and options trading, it is proposed to increase STT rates on sale of options in securities from 0.10% to 0.15% of the option premium, on sale of exercised options from 0.125% to 0.15% of the intrinsic price, and on sale of futures in securities from 0.02% to 0.05% of the traded price.

9.5 Rationalising Penalty and Prosecution

9.5.1 Relaxation of Conditions for prosecution under the Black Money Act

Sections 49 and 50 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (the Black Money Act) are proposed to be amended to grant relief in respect of minor and inadvertent non-disclosures by prescribing that these sections shall not apply in respect of non-disclosures of foreign assets, other than immovable property, where the aggregate value does not exceed Rs. 20,00,000.

Further, the amendment shall be applicable retrospectively from 1 October 2024.

9.5.2 Rationalisation of prosecution proceedings

ITA 2025 has various provisions in chapter XXII which imposes criminal liability on assessee and prescribes imprisonment including rigorous imprisonment which span from three months to seven years for various offences including falsification of books of accounts, failure to pay TDS/TCS deducted, tendering false statement, wilful attempt to evade tax, failure to furnish return within due time, abatement of false return, removal/concealment/transfer of property to evade recovery of tax, failure to follow certain directions of AO, etc.

The rationalisation of prosecution provisions under the ITA 2025 aims to simplify and streamline criminal proceedings by focusing on serious cases of tax non-compliance. The objective is to reduce unnecessary litigation, improve clarity, and encourage voluntary compliance, while retaining deterrence for major offences.

A section wise rationalization of prosecution some of the provisions is tabulated hereunder -

Section as per ITA 1961	Section as per ITA 2025	Offence
276C(1)	478(1)	Wilful attempt to evade tax, penalty or interest or under reporting of income
276C(2)	478(2)	Wilful attempt to evade payment of any tax, penalty or interest
276CC	479	Wilful failure to furnish return of income
276CCC	480	Wilful failure to furnish return of income in search case
277	482	Person makes false statement or delivers an account which is false

Section as per ITA 1961	Section as per ITA 2025	Offence
278	484	Abatement of false return wherein person makes or delivers an account or statement relating to any income which is false

In all the above Section, it is proposed to shift from "rigorous imprisonment" to "simple imprisonment" and reduce the maximum term of imprisonment, and introduce a fine-only mechanism for smaller defaults as under –

a) Simple imprisonment up to 2 years or with fine, or with both in a case where amount of such tax or amount sought to be evaded or tax to be evaded exceeds Rs. 50,00,000;

b) Simple imprisonment up to 6 months or with fine, or with both in a case where amount of such tax or amount sought to be evaded or tax to be evaded exceeds Rs. 10,00,000 but does not exceed Rs.50,00,000;

c) With fine, in any other case.

In certain other cases penalty and prosecution shall have effect as under:

Section as per ITA 1961	Section as per ITA 2025	Offence	Penalties and Prosecution	
			Existing Provision	Proposed changes
275A	473	Contravention of order made under section 247(Search & Seizure) by the assessee in an attempt to derail the search proceedings and tamper with the evidence	Rigorous imprisonment for the which may extend to 2 years and shall also be and shall also be liable to fine	Simple imprisonment up to 2 years and fine
275	474	Not providing the necessary facility to inspect the books of account of other documents during search proceedings	Rigorous imprisonment for a term which may extend to 2 years and shall also be liable to fine	Simple imprisonment up to 6 months and/or fine

Section as per ITA 1961	Section as per ITA 2025	Offence	Penalties and Prosecution	
			Existing Provision	Proposed changes
276	475	Removal, concealment, transfer or delivery of property to prevent tax recovery	Rigorous imprisonment for the which may extend to 2 years and shall also be and shall also be liable to fine	Simple imprisonment up to 2 years and fine
276B / 276BB	476 / 477	➢ Failure to pay TDS/ TCS ➢ TDS on Payment in Kind (Online Games/ VDA/ Perquisites)	Rigorous imprisonment for a term which shall not be less than 3 months, but which may extend to 7 years, and with fine	• Amount of evasion exceeds Rs.50,00,000, then simple imprisonment up to 2 years or with fine, or with both; • Amount of evasion exceeds Rs.10,00,000, but does not exceed Rs.50,00,000, then simple imprisonment up to 6 months or with fine, or with both; • In any other case, with fine. Fully Decriminalised where payment

Section as per ITA 1961	Section as per ITA 2025	Offence	Penalties and Prosecution	
			Existing Provision	Proposed changes
				is wholly in kind (e.g., online gaming winnings in kind)
276D	481	➢ Wilfully fails to produce the books of accounts or other documents as referred in notice issued under section 268(1) of the ITA 2025 ➢ Wilfully fails to comply with the direction of Assessing Officer as per section 268(1) of the ITA 2025	Rigorous imprisonment for a term which may extend to 1 year and with fine	➢ Fully decriminalized ➢ Simple imprisonment up to 6 months, or with fine, or with both
277A	483	Falsification of books of accounts or documents or made entry or statement which is false in books of account	Rigorous imprisonment for a term which shall not be less than 3 months but which may extend to 2 years and with fine	Simple imprisonment up to 2 years and fine
278A	485	Punishment for second and subsequent offences, if any person convicted of an offence under sections 476, 477, 478(1), 479, 480, 482 or 484 of ITA 2025	Rigorous imprisonment for a term which shall not be less than 6 months but which may extend to 7 years, and with fine	Simple imprisonment not less than 6 months but which may extend to 3 years and fine

The amendments in section 473 to 485 & 494 of ITA 2025 will take effect from the 1 April 2026.Similar amendments in section 275A to 278A & 280 of ITA 1961 will take effect from 1 March 2026.

9.5.3 Rationalisation of Penalties into Fee

The Bill proposes to convert penalties for technical delays into mandatory fee for the purposes of reduction in litigations on account of technical delays, as tabulated below:

Section as per ITA 1961	Section as per ITA 2025	Offence	Existing Penalty	Proposed Fees and Section
271B	428(c)	Failure to get accounts audited	Lower of: i. 0.5% of the total sales, in the business, or the gross receipts in the profession, for such tax year(s) or ii. Rs. 1,50,000.	Fee: (formerly Penalty u/s 446): Delay up to 1 month: Rs. 75,000 Thereafter: Rs. 1,50,000
271BA	428(d)	Failure to furnish an accountant report by persons entering international transaction or specified domestic transactions (transfer pricing report)	Rs. 1,00,000	Fee: formerly Penalty u/s 447): Delay up to 1 month: Rs. 50,000 Thereafter: Rs. 1,00,000
271FA	427(3)	Failure to furnish statement of specified financial transactions or reportable account	Rs. 500 for each day during which such failure continues	Fee: (formerly Penalty u/s 454) Rs. 200 per day (Capped at Rs. 1,00,000)

Further, the penalty under section 454 of the ITA 2025 (proviso to section 271FA of the ITA 1961) for failure to furnish the statement of financial transaction or reportable account within the period specified in the notice issued by income tax authority is proposed to be capped at Rs. 1,00,000.

9.5.4 Imposition of penalty for under-reporting or misreporting of income

The existing provision of section 471 of the ITA 2025 (section 274 of the ITA 1961) provides for the procedure for imposing penalty. It is proposed to amend the said section to provide that penalty for under-reporting or misreporting of income under section 439 of the ITA 2025 (section 270A of the ITA 1961) shall be imposed within assessment order itself, instead of being dealt with through the separate penalty proceedings.

Further, it is proposed to amend section 439 of the ITA 2025 (section 270A of the ITA 1961) to provide that no penalty shall be imposed on the additional tax paid while filing the updated return in pursuant to re-assessment notice.

9.5.5 Rationalisation for Specific Income (Unexplained Cash Credits/Investments)

The tax rate and penalty structure for unexplained income (e.g., cash credits, unexplained investments) have been significantly altered.

Component	Old Regime (Sec 115BBE of ITA 1961)	New Regime (Sec 195 of ITA 2025)
Tax Rate	60%	30%
Penalty	10% of tax payable (Sec 271AAC)	Penalty subsumed under Misreporting (Sec 439). Rate: 200% of tax
Immunity	Generally not available for misreporting	Available if 120% additional income tax is paid

9.5.6 Expanding the scope of immunity from Penalty and Prosecution

The existing provision of section 440 of the ITA 2025 (section 270AA of the ITA 1961) provides that the immunity can be granted from penalty and prosecution by the AO where the assessee pays the tax and interest as per assessment order within the time specified in the notice of demand and does not file an appeal against such assessment order. Further the immunity from penalty and prosecution is available only in case of under-reporting of income and is not available in case of misreporting of income.

It is proposed to amend the said section to provide for immunity from penalty and prosecution which is initiated for misreporting of income as well on payment of tax due on the misreported income as per the notice of demand. However, such immunity from penalty and prosecution in case of undisclosed income shall be granted upon payment of additional income tax amounting to 100% of tax payable on misreported income, if the penalty is initiated under section 439(11)(a to f) of the ITA 2025 (section 270A(9) of the ITA 1961).

9.6 Transfer Pricing

9.6.1 Safe Harbour Announcements in Budget Speech

The Hon'ble Finance Minister announced certain proposals relating to safe harbour for certain industries; however the same is subject to separate notification and no amendment is proposed in the Bill.

IT Sector

- It is proposed that all software development services, Information Technology Enabled Services (ITeS), Knowledge Processing Outsourcing (KPO), software development related contract R&D services be treated as a single category Information Technology Services ('IT') for applying safe harbour.
- A uniform safe harbour rate of 15.5% be applied to such IT category and the eligibility threshold is substantially increased from Rs. 300 Crore to Rs. 2,000 Crore operating revenue.
- Additionally, safe harbour applications will be processed through an automated system and can be applied for up to 5 years at the taxpayer's choice.

Manufacturing & Infrastructure

- New safe harbour provisions to attract investment in Data Centres at 15% on cost where a resident company provides services to the foreign company.
- Electronic Manufacturing (Warehousing) – to support just-in-time logistics provide safe harbour to non-residents for component warehousing in a bonded warehouse at a profit margin of 2% of the invoice value.

APA

Unilateral APA processing be fast tracked for IT service providers with a target to conclude within 2 years which can be extended to maximum 6 months at taxpayer's request.

9.6.2 Amendment of section 169 of the ITA 2025 relating to providing effect to APA

Currently section 168(1) of the ITA 2025 only allows a person entering into an APA to file a modified return. AE affected by the APA cannot file or modify returns or claim refunds of excess taxes paid / withheld.

It is now proposed to extend the benefit of filing modified return to AEs where such APA is entered after 1 April 2026. Further, the return needs to be filed within 3 months from the end of the month in which the APA is signed.

9.6.3 Time-limit for completion of assessment / re-assessment in case of DRP matters

Section 275 of the ITA 2025 and section 144C of the ITA 1961 provides for a special procedure of verification by the DRP where assessment is made in case of eligible assessee where variations arise on account of order of a transfer pricing officer or where the person is a non-resident.

In order to ensure correct interpretation and reduced litigation, it is proposed to insert clarification in section 275 and 286 of the ITA 2025 (also, in corresponding section 144C, 153 and 153B of the ITA 1961) that time limit for completion of assessment or re-assessment, as referred above, shall be as prescribed under section 275 of the ITA 2025 (section 144C of the ITA 1961).

In case eligible assessee accepts draft assessment order or does not file objections before DRP within 30 days, the time limit to pass assessment order is 1 month from the end of the month in which acceptance is received or lapsed after aforesaid 30 days. Further, where the eligible assessee opts to file objections before the DRP, the time limit to pass assessment order is 1 month from the end of the month in which directions from the DRP is received.

This amendment in the ITA 1961 will be effective retrospectively from 1 April 2009.

9.6.4 Clarifying time-limit for completion of assessment under section 144C

Following amendments are proposed for time limits applicable for completion of TP and non-resident assessment proceedings before the DRP under section 144C. The statutory limit of 24 months from the end of the AY for completing normal assessments will apply only upto issuance of draft assessment order by the AO. Thereafter, the subsequent proceedings before the DRP will be conducted under section 144C for which the timeline is of 9 months.

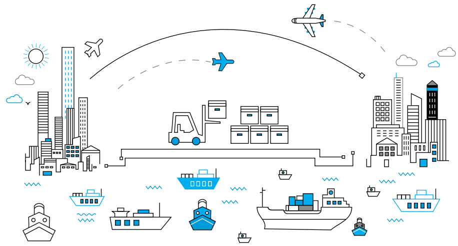
The above amendment will be effective retrospectively from 1 April 2009 for section 153 of the ITA 1961 and 1 October 2009 for section 153B of the ITA 1961. Suitable amendments are also proposed to be carried out to section 275 of the ITA 2025 which will be applicable from 1 April 2026.

9.6.5 Clarifying the manner of computation of 60 days for passing of order by the TPO

It is proposed to expressly clarify the manner of computation of 60 day period under section 92CA(3A), notwithstanding any judicial ruling.

Chapter 10 Indirect Taxes – Significant Changes

10 .1 Goods and Services Tax



The Finance Bill, 2026 proposes the following regulatory changes, which shall come into effect from a date to be notified by the Central Government in the Official Gazette, unless a specific effective date has already been prescribed.

- **Delinking of agreement requirement for post-sale discounts as per section 15(3)(b) of the CGST Act, 20**17.
  - At present, in terms of section 15(3)(b) of the CGST Act, 2017, any discount granted after the supply has been effected shall be excluded from the value of supply, provided such discount is established in terms of any agreement at or before the time of supply and is specifically linked to the relevant invoices and ITC attributable to such discount has been reversed by the recipient of the supply.
  - It is now proposed to amend section 15(3)(b) of the CGST Act, 2017 to eliminate the requirement of establishing such post sale discount through an agreement.
  - The proposed amendment allows post sale discounts to be excluded from the value of supply if the supplier issues a credit note for such post-sale discount and the ITC attributable has been reversed by the recipient of the supply. The delinking of the post-sale discounts from the mandatory requirement of pre-existing agreement is a welcome step towards ease of doing business under GST. By allowing genuine post sale discount supported by credit notes and required reversal of ITC by the recipient, the GST law reduces the compliance burden and unnecessary litigations.
- **Amendment in section 34(1) of the CGST Act, 2017 to include issuance of credit notes in relation to post-sale discount offered by the suppliers.**
- Section 34(1) of the CGST Act, 2017 outlines the provisions related to issuance of credit notes under specific circumstances as listed below:
  - Excess taxable value or tax charged in the tax invoice
  - Where the goods supplied are returned by the recipient

- Where the goods or services or both supplied are found to be deficient

➢ It is now proposed to include credit notes issued in relation to post sale discount referred in section 15(3)(b) of the CGST Act, 2017 offered by the suppliers to the recipient of supply in addition to the above-mentioned scenarios.

➢ **Granting of provisional refund for refund of unutilized ITC on account of inverted duty structure**

Section 54(6) of the CGST Act, 2017, allows provisional refund at the rate of 90% of the total amount claimed as refund on account of zero-rated supply of goods or services or both, subject to such conditions, limitations and safeguards as may be prescribed.

Presently, the act permits provisional refund only in cases of zero-rated supplies. The proposed amendment to section 54(6) of the CGST Act, 2017 allows provisional refunds even in case of inverted duty structure. Extending provisional refunds even in case of inverted duty structure is a significant reform with direct positive impact on working capital of the supplier.

➢ **Removal of threshold limit for sanctioning refund claims in case of export of goods out of India with payment of IGST**

As per section 54(14) of the CGST Act, 2017, no refund shall be paid to the applicant if the amount of refund is less than Rs.1,000.

However, it is now proposed to amend section 54(14) of the CGST Act, 2017, to remove the threshold limit of Rs.1,000 for sanctioning of refund claims arising on account of goods exported out of India with payment of IGST. With the removal of the threshold, even small-value refund claims arising from exports of goods with IGST payment can be processed, ensuring that no eligible claim is denied irrespective of the amount involved.

➢ **Empowering existing authority to function as National Appellate Authority for Advance Ruling**

Under section 101A(1) of the CGST Act, 2017, the Government, based on the recommendations of the Council, shall, by notification, constitute an Authority called the National Appellate Authority for Advance Ruling, effective from a date specified therein, to hear appeals filed under section 101B of the CGST Act, 2017.

As the constitution of the National Appellate Authority for Advance Ruling is pending, by insertion of section 101A(1A) of the CGST Act, 2017, the Central Government by notification will empower an existing authority, for hearing appeals under section 101B of the CGST Act, 2017.

Further, an explanation is being inserted to sub-section (1A) to clarify that the term "existing authority" also include a Tribunal.

This will come into effect from 1 April 2026

- **Omission of provision relating to place of supply for intermediary services.**

  In case of the location of the supplier or location of the recipient is outside India, the place of supply is determined by the provisions of section 13 of the IGST Act, 2017. Generally, the place of supply for export of services is determined basis the provision of section 13(2) of the IGST Act, 2017 which shall be the location of the recipient of service. This ensures that when the recipient is located outside India, the transaction qualifies as an export of services.

  This principle was not applicable in cases where supplier located in India is providing intermediary services to an overseas entity. In case of intermediary services, the place of supply shall be the location of supplier of services as per section 13(8)(b) of the IGST Act, 2017 and hence, in such cases, the services have not been qualified as export of services.

  However, section 13(8)(b) of the IGST Act, 2017 is now proposed to be omitted. The proposed omission will now allow intermediary services provided to overseas entities to qualify as export of services since the place of supply will be determined as per the default provision of section 13(2) of the IGST Act, 2017 i.e., basis the location of recipient of services. Recognising such intermediary services as export not only eliminates unintended GST costs on cross border transactions but also reinforce India's commitment to promoting export of services and improving ease of doing business.

10.2 The Customs Act 1962 [Customs Act] and The Customs Tariff Act 1975 [Customs Tariff Act].

10.2.1 Some of the key amendments in the Customs Act, 1962 are as follows:

- Section 28J of the Customs Act, is being amended to provide that the Advance Ruling obtained shall be applicable for a period of five years [from the present period of 3 years] or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier.
- A new section 56(A) is being introduced in the Customs Act to provide special provisions for fishing and fishing related activities by an Indian-flagged fishing vessel beyond territorial waters of India. Fish harvested beyond territorial waters will not be leviable to duty and treat such fish landing in foreign port as export in the manner prescribed.
- Section 67 of the Customs Act is being amended to provide movement of the warehoused goods from one customs bonded warehouse to another without proper officer's permission, subject to satisfaction of prescribed conditions.

Note – These changes will come into effect from the date of assent of the Finance Bill, 2026.

10.2.2 Some of the amendments to Rules under the Customs Act, 1962 are as follows:

- **Baggage Rules:**
  - The Baggage Rules 2016 has been superseded by 'The Baggage Rules 2026' to rationalize the baggage provisions, address passenger related concerns and avoid unnecessary detention of goods. The said Rules would come into effect from 2 February 2026. Some of the key changes are:

    (a) Provisions for re-import and temporary import of articles being article of personal effects [other than used personal effects required for satisfying daily necessities of life] have been introduced

    (b) Provisions for duty-free import of jewellery by resident or tourist of Indian origin residing abroad for more than one year, on return to India shall be –

      i. Female passenger – upto a weight of 40 grams,

ii. Other than a female passenger – upto a weight of 20 grams.

(c) Provision of general free allowance up to specified monetary limits of duty articles other than those mentioned in Annexure-I is as follows –

Person	Route	Allowance
• Resident or • Tourist of Indian origin or • Foreigner with a valid visa	• Other than by land	INR 75,000/-
• Tourist of foreign origin.	• Other than by land	INR 25,000/-

(d) Import of pets to be regulated in accordance with rules notified by any Ministry or Department or any authority of the Central Government

- **Deferred Payment of Import Duty Rules, 2016:**

  ➢ Amendment in existing Deferred Payment of Import Duty Rules, 2016 to provide deferred duty payment up to 30 days to eligible importers.

10.2.3 New exemptions introduced for certain goods:

➢ Basic Customs Duty exemption is being extended to capital goods used in the manufacturing of Lithium-Ion Cells to cover batteries for stationary energy storage applications i.e. Battery Energy Storage Systems, in addition to existing Electrically Operated Vehicles. The same shall be wef 2 February 2026.

➢ BCD exemption for raw materials for manufacture of parts of aircraft for maintenance, repair, or overhauling of aircraft or components or parts of aircraft, including engines imported by Public Sector Units under the Ministry of Defence, as per the procedure. The same shall be wef 2 February 2026.

➢ BCD exemption to components or parts, including engines, of aircraft, for the manufacture of aircraft and parts thereof, provided that the importer adheres to the procedure set out in the IGCRS Rules 2022. This change is being made effective from 2 February 2026.

- Exemption to cover goods required for setting up of specified Nuclear Power Project, irrespective of their capacity. Further, the validity of this exemption is being extended from 30 September 2027 to 30 September 2035.

- BCD exemption to extend to 17 more drugs used for treatment of cancer. Similarly, 7 more rare diseases added for the purposes of exempting import duties on personal imports of drugs, medicines and Food for Special Medical Purposes (FSMP) used in their treatment.

- BCD and Social Welfare Surcharge [SWS] exemption was prescribed in respect of 55 groups of critical minerals vide Notification No. 36/2024-Customs dated 23 July 2024. As simplification measure, certain entries are being omitted by shifting the effective rates to tariff, redundant entries are being omitted, and some entries are being merged with Notification No. 45/2025-Customs dated 24 October 2025 [Exemption Notification].

10.2.4 Some of the changes in the Customs Tariff Act are provided below:

The First Schedule to the Customs Tariff Act, 1975 is proposed to be amended to carry out changes as under:

- Changes in Basic Customs Duty of certain products in Notification 45/2025 dated 24 October 2025 w.e.f. 2 February 2026. Further, exemption/ concessional duty rates for 102 entries have been continued up to 31 March 2028. Furthermore, Sunset date of 31 March 2027 for the following entries has been prescribed and rest will lapse by 31 March 2026:

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date prescribed
1.	192	Gold dore bar, having gold content not exceeding 95%	**31.03.2027**
2.	193	Silver dore bar having silver content not exceeding 95%	**31.03.2027**
3.	194	Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units,	**31.03.2027**

Sl. No.	S. No. of notification No. 45/2025-Customs	Brief Description	End date prescribed
		and gold coins having gold content not below 99.5%, imported by the eligible passenger Gold in any form other than (i), including tola bars and ornaments, but excluding ornaments studded with stones or pearls	
4.	195	Silver, in any form including ornaments, but excluding ornaments studded with stones or pearls, imported by the eligible passenger	**31.03.2027**

- Reduction in tariff rate for certain products falling under Food, Agriculture & Edibles, Industrial Minerals & Energy, Critical Chemicals & Strategic Oxides wef 1 May 2026

- Change in tariff rate for MSME sector importing Umbrellas (other than garden umbrella) & Parts, trimmings and accessories of articles of heading 6601 to 6602 wef 2 February 2026

- Reduction in tariff rate on all dutiable goods imported for personal use falling under HSN 9804 from 20% to 10% wef 1 April 2026.

- New tariff classifications have been created for certain products falling under Food, Agriculture & Edibles, Critical Chemicals & Strategic Oxides wef 1 May 2026

- Increase in tariff rates on chewing tobacco, Jarda scented tobacco etc. from 25% to 60% w.e.f. 1 May 2026

10.3 SPECIAL ECONOMIC ZONE [SEZ]

RELIEF TO SEZ:

To address the concerns arising about utilization of capacities by manufacturing units in the SEZ, one-time measure is being introduced to facilitate sales by eligible manufacturing units in SEZs to the Domestic Tariff Area (DTA) at concessional rates of duty. The quantity of such sales will be limited to a prescribed proportion of their exports.

Exemption in respect of Liquified petroleum gases (LPG), in excess of the quantity of petroleum gases and other gaseous hydrocarbons consumed in the manufacture of polyisobutylene by the unit located in the DTA, received from the unit located in SEZ and returned by the DTA unit to the SEZ unit from where such LPG were received will get expired by 31 March 2026.

10.4 CENTRAL EXCISE

The following are provided:

- **Exemption from Central Excise duty on value of biogas/compressed biogas (CBG) contained in blended compressed natural gas (CNG):**

  The value of Biogas/Compressed Biogas (CBG) and the appropriate Central Tax, State Tax, Union Territory Tax or Integrated Tax, as the case may be, paid on Biogas or CBG contained in blended CNG, is being excluded from the transaction value for the purpose of computation of central excise duty on such blended CNG.

- **Deferment of date of implementation of higher excise duty on sale of unblended diesel:**

  The implementation of levy of additional excise duty of Rs. 2 per litre on unblended diesel is being deferred till 31 March 2028, by amending Notification No. 11/2017-Central Excise dated 30 June 2017 vide Notification No. 02/2026-Central Excise dated 01 February 2026

Chapter 11 Business Updates – Evolving Business Policy and Regulatory Landscape in India

11.1 Global Capability Centres ('GCCs') in India

11.1.1 Introduction

India's Global Capability Centres ('GCCs') are rapidly transforming the corporate landscape and shaping global business strategies. India is home to over 1,700 GCCs, employing approximately 1.9 million professionals and generating revenues of nearly US$ 64.6 billion as of 2024. Aligned with the Hon'ble Prime Minister's vision of Viksit Bharat @2047 and a projected US$ 30 trillion economy, the sector is expected to expand to around USD 105 billion by 2030, with nearly 2,400 GCCs employing over 2.8 million professionals, playing a crucial role in fostering prosperity, modern infrastructure, and inclusive growth.

11.1.2 State-wise GCC Policy Landscape in India

Recently, states such as **Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu, and Uttar Pradesh** have notified exclusive GCC policies or schemes, signalling a structural shift in India's sub-national industrial strategy i.e. from generic IT/ITeS promotion to targeted attraction of high-value global capability functions.

A Comparative Overview of State GCC Policies is as follows:

State	Policy Period	Vision and Objectives	Key Incentives
Andhra Pradesh (AP)	**2024 to 2029**	• Build a global hub for talent with employment creation • Enhance human capital output, with continuous learning and upskilling • Prioritize advanced technologies with priority on deep-tech • Technology enabled ease of living and working	Capital subsidy on fixed capital investment, job creation incentive, employee incentive, rental subsidy, power incentives, land allotment, tailor made incentives for creating employment of more than 2,000 employees, skill upgradation incentives
Gujarat	**2025 to 2030**	• Promote high-valueemployment and skill development • Foster innovation and digital transformation	• **Fiscal Incentives** – CAPEX / OPEX Support, Employment Generation Incentive ('EGI'), Interest assistance, Atmanirbhar

State	Policy Period	Vision and Objectives	Key Incentives
		• Provide world-class physical and digital infrastructure for GCC operations • Sustain economic growth and global competitiveness • Strengthen Gujarat's role in global value chains by supporting R&D-led multinational and large enterprise operations	Gujarat Rojgar Sahay (EPF Reimbursement), Electricity Duty Incentive ('EDI'), Quality Certification Incentive, upskilling Incentive (Direct Benefit Transfer for Courses) • **Non-Fiscal Incentives** Upskilling of Local Talent, Quality certification, Incentives under Gujarat IT/ITeS Policy (2022–27) for Incubators, Accelerators, Startups
Karnataka	**2024 to 2029**	• Foster an R&D-driven environment focused on emerging technologies and deep-tech • Create an investor-friendly ecosystem for GCC establishment, expansion, and scaling • Position Karnataka as a global leader in AI with a comprehensive AI R&D ecosystem for GCCs	• Specified rental assistance and support for co-working spaces • EPF contribution reimbursement • Strengthening R&D infrastructure • Telecom infrastructure support • Power-related incentives • Property tax reimbursement • Quality certification financial assistance • Intellectual property incentive • Fast-track regulatory approvals for connectivity
Madhya Pradesh (MP)	**2025 to 2029**	• Leverage the state's infrastructure, and strong focus on research and innovation • Attract GCCs to complement the growing IT/ITeS ecosystem	• **Fiscal incentives** – Rebate on Land, Interest Assistance, Stamp Duty and Registration Charges Reimbursement, Rental / Co-working Rental Assistance,

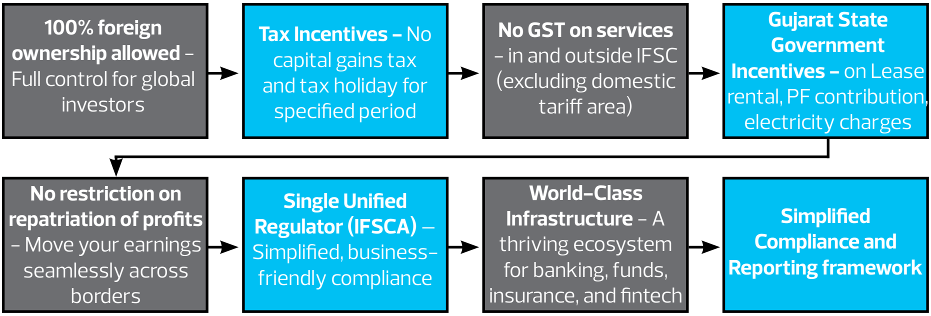
State	Policy Period	Vision and Objectives	Key Incentives
		• Promote economic growth through job creation, increased investment, and innovation • Strengthen focus sectors such as IT / ITeS, Electronics System Design & Manufacturing ('ESDM'), Manufacturing, Automobile, Pharmaceuticals • Create high-quality employment opportunities requiring specialized and advanced skill sets • Foster skill development among local professionals through training and upskilling programs, industry—academia collaboration, knowledge transfer initiatives	Quality Certification / Marketing Assistance, CAPEX Subsidy, Payroll Subsidy, Patent Assistance, Hosting / Co-hosting Events Assistance, R&D Development Support, Skilling Reimbursement, Internship Support. • **Non – Fiscal incentives** – Exemptions under the Shops and Establishments Act, permission for women employees to work night shifts, Independent employer status under the Minimum Wages Act, 1948, Unified register and return under labour laws, Specified Exemption from inspections and approvals for establishment and operations
Maharashtra	**2025 to 2030**	• Generate 4 lakh high-skilled jobs (400 new GCCs) • Promote GCC-led R&D and high-value investments • Build world-class districts and a digital databank • Develop Tier-II/III cities as new GCC hubs • Leverage the state's strong industrial base, financial leadership, and technological capabilities.	• **Fiscal incentives**: Capital/rental assistance, payroll and interest subsidies, incremental investment incentives, patent and green certification support, power tariff subsidy, electricity duty, stamp duty and property tax exemptions, R&D grants, CMYKPY internship support • **Non-fiscal incentives**: GCC industry status, additional FSI, mixed-

State	Policy Period	Vision and Objectives	Key Incentives
			use permissions, open access and right of way, zoning relaxations, reserved MIDC land with priority allotment, EoDB facilitation, digital data repository, assured power and water supply, 24×7 operations, flexible employment conditions
Tamil Nadu (TN)	**2024 to 2027**	• To position TN as the prime destination for GCCs in India	• Payroll Subsidy
Uttar Pradesh (UP)	**2025 to 2029**	• Build a strong ecosystem for innovation, entrepreneurship, and global competitiveness • Promote emerging technologies such as AI, ML, data analytics, cloud computing, cybersecurity • Encourage Centres of Excellence ('CoEs') in advanced manufacturing, digital engineering, AI, and blockchain • Support industrial growth through quality infrastructure, policy incentives, and regulatory facilitation • Aim to double the technology talent pool and enhance global GCC recognition • Enhance urban infrastructure and civic amenities in identified GCC cities	• **Fiscal incentives** – Front End Land Subsidy, Stamp Duty Exemption / Reimbursement, Capital Subsidy, Interest Subsidy, Operational Expenditure (Opex) Subsidy, Payroll Subsidy, Recruitment Subsidy, Refund of Employer's Contribution to EPF, Talent Development and Skilling Incentives, Incentives for Promoting R&D and Innovation • **Non-fiscal incentives** – Technical Support Group ('TSG') for GCCs, Linkage Support (Commercial Space & Technical Partnerships), Regulatory Support (including inspections exemptions, 24×7 operations, FAR benefits)

11.2 GIFT City

Gujarat International Finance Tec-City ('GIFT City') is India's first planned global financial and IT Services hub, envisioned to rival the world's leading financial centres. Strategically located in Gandhinagar, Gujarat, GIFT City is designed to offer a globally benchmarked ecosystem that integrates state-of-the-art infrastructure with a robust regulatory framework. The GIFT City's Master Plan includes a Multi Services Special Economic Zone ('SEZ') which houses International Financial Services Centre ('IFSC'), a Domestic Finance Centre and a comprehensive social infrastructure to support a vibrant business and residential community.

Advantages of setting up an eligible unit in IFSC



11.3 Digital Personal Data Protection ('DPDP') Framework Update

The Digital Personal Data Protection Act, 2023 ('DPDPA') establishes India's framework for regulating the processing of digital personal data, with the dual objective of safeguarding individual privacy and enabling lawful data use. The Act broadly aligns India's data protection regime with global standards. To operationalise the Act, **the Government notified the Digital Personal Data Protection Rules on 13 November 2025,** setting out detailed procedures, compliance standards, and enforcement mechanisms.

The Rules are being implemented in a phased manner as follows:

Rules	Effective Date	
Rules 1, 2 and 17 to 21	On the date of their publication in the Official Gazette	**13 November 2025**
Rule 4	one year after the date of publication of this Gazette.	**13 November 2026**
Rules 3, 5–16, 22–23	18 months after the date of publication of this Gazette	**13 May 2027**

11.4 Maharashtra Industry, Investment and Services Policy, 2025 (hereinafter referred to as 'MIIS')

11.4.1 Introduction

The MIIS represents a flagship industrial development initiative of the State Government, aimed at positioning Maharashtra as a trillion-dollar economy. A key focus of the policy is on strengthening MSMEs, promoting balanced regional development, and enabling future-ready manufacturing and services sectors.

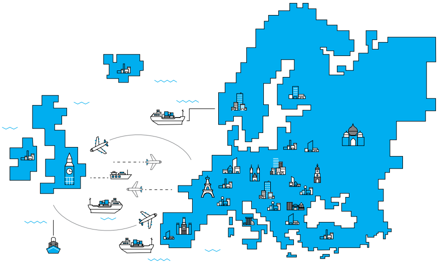
11.4.2 Overview of Incentives

The policy provides a multi-layered incentive framework as follows:

- **Manufacturing Focused Incentive Support** – The State's manufacturing policy places strong emphasis on enhanced competitiveness by boosting capital efficiency, with a structured framework of fiscal incentives linked to enterprise size, investment thresholds, employment generation, and regional classification.
    - **For MSMEs** – Eligible Micro, Small and Medium Enterprises ('MSMEs') are supported through a comprehensive package including Industrial promotion subsidy, capital subsidy, interest subsidy, stamp duty exemption, power tariff subsidy, electricity duty exemption, and employment-linked subsidy, with incentive ceilings calibrated to fixed capital investment and incentive periods extending up to 10 years.
    - **For Large, Mega and Ultra-mega industrial projects** – The policy adopts a performance-linked and employment-driven approach, combining investment promotion subsidy, power and duty exemptions, and customized incentive packages subject to sustained direct employment and operational benchmarks.
- **Services Sector Incentives** – The policy provides a broad range of incentives for service sector, including EPF reimbursement, rental lease subsidy, stamp duty exemption, electricity duty exemption, skilling subsidy, R&D and innovation subsidy, and other special incentives.

Chapter 12 Free Trade Agreements Entered by India in Year 2025 and 2026

12.1 Background



Countries negotiate free trade agreements for various reasons primarily to get easier market access into one another's market by eliminating tariffs and some non-tariff barriers. India actively engages in entering into various trade agreements to reduce tariffs and boost economic ties, primarily utilizing Free Trade Agreements (FTAs), Preferential Trade Agreements (PTAs), Comprehensive Economic Partnership Agreements (CEPAs), and Comprehensive Economic Cooperation Agreements (CECAs).

India is a party to free trade agreements and other trade agreements with many countries and trade blocs, and continues to negotiate with many others. As on date, India has signed a total of 22 trade agreements (FTAs, PTAs, CECAs/ CEPAs). The Government since 2014, has signed various trade deals with Mauritius, UAE, UK, EFTA, Oman and Australia, and New Zealand. [1]

12.2 In the recent past, to boost its global trade integration, India has entered into the following prominent trade agreements –

S. No	India entered into agreement with	Nature of Trade Agreement	Negotiations Concluded on	Key Takeaways
1	European Union (EU)[2]	FTA	27 January 2026 (Formal signing and implement-ation is expected later in 2026 or early 2027)	• Significant scale and economic impact. Covers a market of ~**2 billion people** and accounts for ~**25% of global GDP.** • **Tariff Elimination & Market Access** **EU Commitments to India:** India gains **preferential access across 97% of EU tariff lines,** covering 99.5% of trade value. Immediate duty elimination for **70.4% of tariff lines (covering 90.7% of India's exports),** including textiles,

[1] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2219065&reg=3&lang=1#:~:text=EU%20becomes%20India's%20 22nd%20FTA,trade%20deal%20with%20New%20Zealand.

[2] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2219065&reg=3&lang=2

S. No	India entered into agreement with	Nature of Trade Agreement	Negotiations Concluded on	Key Takeaways
				leather, footwear, gems & jewellery, spices, tea, coffee, sports goods, toys, and marine products. EU will eliminate or reduce tariffs on **96.6% of its exports to India,** saving exporters up to €4 billion annually. **India Commitments to EU:** India will offer tariff concessions on **97.5%** of the traded value of EU exports. Roughly half of these lines will see immediate duty elimination, while others will be phased out over 5 to 10 years. Tariffs on EU-made cars will drop significantly from 110% to 10% over a phased period (with caveats), on wines and spirits from 150% to 75%, and on machinery. • **Boost to key sectors** Major gains for **textiles, apparel, footwear, gems & jewellery, leather, and labour intensive manufacturing sectors.** Improved competitiveness in agriculture (tea, spices, coffee, fresh produce, processed food). • **Regulatory & Strategic Cooperation** Includes dedicated chapters on Digital trade, IPR, sustainability, government procurement, services, and investment protection.

S. No	India entered into agreement with	Nature of Trade Agreement	Negotiations Concluded on	Key Takeaways
				Also, strengthens supply chain resilience and deeper integration in manufacturing and technology. • **Services and Mobility** EU has opened 144 sub-sectors for Indian service providers, while India has opened 102. A structured professional mobility framework facilitates movement for Indian professionals (e.g., IT and engineering) to the EU. • **Sustainability & Climate** The pact includes a Trade and Sustainable Development chapter with binding commitments on labor and environmental standards. It also establishes a framework for technical cooperation regarding the EU's Carbon Border Adjustment Mechanism. • **Investment & Job Creation** EU's high value investment expected to increase significantly, reinforcing India's manufacturing and technology ecosystem. Anticipated boost to millions of jobs across labour intensive export sectors.
2	United Kingdom[3]	CEPA	6 May 2025 (Not yet effective)	• **Removal of Tariff Barriers** **India Imports:** India will remove / reduce tariffs, or pre-existing zero tariffs, on 90% of tariff

[3] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2127321&reg=3&lang=2

S. No	India entered into agreement with	Nature of Trade Agreement	Negotiations Concluded on	Key Takeaways
				lines, nearly covering 92% of existing goods imports from UK. This will bring market access wins and new opportunities for sectors such as – medical technology, clean energy, agri-food, etc. High tariffs on products like whisky (150%) will be reduced to 40%, and UK car manufacturers will benefit from staged tariff reductions under a quota system transitioning towards electric and hybrid vehicles. **India Exports:** 99% of Indian goods will be eligible for tariff-free entry into the UK, enhancing consumer choice and affordability, especially in categories like seafood, textiles, and apparel. However, sensitive sectors such as sugar, milled rice, pork, chicken, and eggs remain excluded from liberalisation to protect domestic interests. • **Goods Market Access** Expanding export opportunities in key areas such as textiles, marine products, leather, footwear, sports goods, toys, gems and jewellery, engineering goods, auto parts, and organic chemicals. • **Trade in Services** India stands to gain from one

S. No	India entered into agreement with	Nature of Trade Agreement	Negotiations Concluded on	Key Takeaways
				of the UK's most ambitious FTA commitments in services sector, covering IT/ITeS, financial, professional, business, and educational services, unlocking new opportunities and jobs. • **Professional Mobility Guidelines** Smoother mobility for a wide range of professionals, including business visitors, investors, contractual service suppliers, inter-corporate transferees, partners and dependent children of Inter-Corporate transferees as well as independent professionals such as yoga instructors, musicians, and chefs. • **Ease of Movement for Business** Both countries have committed to maintaining transparent visa processes and avoiding unnecessary barriers to mobility, aligning with their broader immigration policies. These measures provide certainty and support for businesses engaging in cross-border operations. • **Digital Service Hub** Significant opportunities will become available for talented and skilled Indian youth in the UK, for digitally delivered services, supported by its

S. No	India entered into agreement with	Nature of Trade Agreement	Negotiations Concluded on	Key Takeaways
				robust financial and professional services sectors and advanced digital infrastructure. • **Saving Costs, Creating Jobs** The exemption from UK social security contributions for Indian workers and their employers will result in major cost savings for Indian service providers, boosting their competitiveness in the UK and creating new job opportunities for Indian professionals. • **Tackling Non-Tariff Barriers** India has taken measures to ensure that non-tariff barriers are appropriately addressed, promoting the free flow of goods and services while preventing any unjustified restrictions on its exports.
3	European Free Trade Association (EFTA)[4] bloc[5]	Trade and Economic Partnership Agreement (CEPA)	10 March 2024 (Effective from **1 October 2025)**	• **Tariff Elimination** Duty-free access for 92.2% of Indian tariff lines (99.6% of exports), including machinery, pharma, and textiles. India covers 82.7% of EFTA exports, excluding sensitive sectors like dairy, soya, and coal. • **Boost to Key Sectors** Indian sectors such as textiles, apparel, leather, footwear, marine products, gems and jewellery, engineering goods,

[4] EFTA is the intergovernmental organisation of **Iceland, Liechtenstein, Norway and Switzerland.** It was set up in 1960 by its then 7 Member States for promotion of free trade and economic integration between its members. EFTA is 1 important economic block out of the 3 (other 2 – EU & UK) in Europe.
[5] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2173138&reg=3&lang=2

S. No	India entered into agreement with	Nature of Trade Agreement	Negotiations Concluded on	Key Takeaways
				and automobiles will benefit from lower duties. • **Import Tariff Reductions** India will reduce tariffs on 96.6% of goods imported from the EU, including phased cuts on vehicles and alcohol, aiming to save roughly €4 billion annually in duties. • **Services & Investment** Significant improvements in services trade, specifically IT, financial services, and professional services. • **Mobility & Employment** Enhanced commitments for mobility of professionals (Contractual Service Suppliers, Independent Professionals) and intra-corporate transferees. • **Protection of Sensitive sectors** India has maintained protection for sensitive sectors such as dairy, soya, coal, and primary agricultural products. The duty on gold remains unchanged. • **Investment & Jobs** First-ever binding commitment to invest $100 billion and create a million direct jobs within 15 years. • **Sustainable Development** This agreement is India's first trade pact with a dedicated chapter on Trade and Sustainable Development, including commitments on environmental and labour standards.

S. No	India entered into agreement with	Nature of Trade Agreement	Negotiations Concluded on	Key Takeaways
4	Oman[6]	CEPA	18 December 2025 (Not yet effective)	• **Greater Market Access** India secured duty-free access to 98.08% of Oman's tariff lines, covering 99.38% of India's exports by value. India offers tariff liberalization on 77.79% of its lines, covering 94.81% of imports from Oman. India has excluded sensitive items such as dairy, tea, coffee, rubber, tobacco, gold, and silver bullion from duty cuts to protect domestic farmers and MSMEs. • **Services and Mobility** Oman is opening up 127 services sub sectors, including IT, healthcare, education, and R&D and has offered commitments across key Mode 4 categories, High quality temporary entry and temporary stay commitments for Intra-Corporate Transferees, and Contractual Service Suppliers, Business Visitors and Independent Professionals and liberalised entry and stay for professionals in accountancy, taxation, architecture, medical and allied sectors. Indian companies can now hold **100% Foreign Direct Investment** in major service sectors in Oman via commercial presence.

[8] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2205889&reg=3&lang=2

S. No	India entered into agreement with	Nature of Trade Agreement	Negotiations Concluded on	Key Takeaways
				• **Boost to Key Sectors** Major labour intensive industries will benefit, including textiles, leather, footwear, pharmaceuticals, medical devices, gems & jewellery, engineering goods, plastics, furniture, chemicals, and agricultural products. • **Investment & Strategic Focus** Promotes investments in renewable energy, petrochemicals, and technology, bolstering India's security and economic presence in the Gulf. • **Protection of Sensitive Sectors** Excludes sensitive items to protect Indian farmers and MSMEs, including specific agricultural goods and dairy products. • **First-of-its-Kind Commitment** The deal includes specific commitments on India's traditional medicine system, AYUSH, and significant improvements for business visitors and professionals. The pact positions Oman as a hub for Indian goods entering the wider Middle East, Africa, and Central Asia.

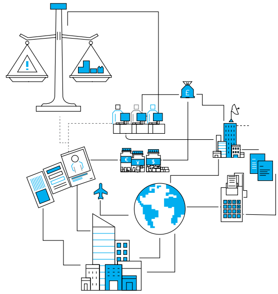
S. No	India entered into agreement with	Nature of Trade Agreement	Negotiations Concluded on	Key Takeaways
5	New Zealand[7]	FTA	22 December 2025 (Not yet effective)	• **Market Access and Trade** Eliminates duty on 100% of Indian Exports, significantly boosting sectors like textiles, leather, pharmaceuticals, and engineering goods. India will relax tariffs on 95% of imports from New Zealand. • **Investment & FDI** New Zealand has committed to USD 20 billion in investment into India over the next 15 years to deepen economic cooperation. • **Services & Skilled Mobility** Provisions for increased mobility of professionals in high demand (in fields in IT, healthcare, and education), featuring a new pathway for 5,000 skilled workers and extended post-study work visas (up to 4 years) for Indian students. • **Protection of Sensitive Sectors** India has protected its sensitive sectors, with no concessions on dairy (milk, cheese, butter), onions, wheat, rice, and spices. • **Strategic & Sectoral Focus** The FTA emphasizes cooperation in MSMEs, Ayurveda, education, and India's traditional medicine system, AYUSH.

Note: India-US trade deal is under negotiation and the outcome of the ongoing discussions would be closely watched.

[7] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2207641&reg=3&lang=2

Chapter 13 Advancing Ease of Doing Business through Deregulatory Reforms

13.1 Background



Ease of doing business is a key determinant of investment, economic growth and job creation. In India, a historically complex regulatory framework marked by multiple approvals, excessive compliances and criminal penalties for minor defaults resulted in high transaction costs and discouraged entrepreneurship, particularly among MSMEs. The Government of India has been actively simplifying the regulatory environment to make it more business-friendly.

To address these constraints, the Government of India has undertaken wide ranging reforms aimed at simplifying regulations, reducing compliance burdens and promoting a trust based governance framework. Deregulatory reforms form a central pillar of this approach, focusing on

- Removal of redundant laws,
- Streamlining compliances through online facilitation,
- Single Window Approval systems and
- Decriminalization of minor offences

In this chapter we have outlined deregulatory reforms, examined certain committee recommendations including those of NITI Aayog and assessed their impact on India's business environment.

13.2 We have enlisted below certain deregulatory reforms introduced in India:

13.2.1 Decriminalization of Minor Economic and Technical Offences

Indian business laws traditionally prescribed criminal penalties for routine procedural defaults and creating fear of prosecution. To correct this, several statutes, including the Companies Act, 2013 and the LLP Act, 2008, were amended to replace imprisonment with civil penalties for minor and technical violations.

This was necessary to ensure proportionality in enforcement and reserve criminal sanctions for serious fraud. Its impact has reduced litigation, improved regulatory trust and built greater investor confidence.

13.2.2 Simplification and Reduction of Compliance Burden

Businesses in India were earlier subject to numerous overlapping and outdated compliances under various regulations.

The government undertook large scale compliance rationalization steps, eliminating/ simplifying thousands of requirements, particularly affecting MSMEs / small businesses. Under the Shops and Establishments laws in several states, periodic renewals and physical inspections were replaced with online self-certification and risk-based inspections. Some other measures include faster merger schemes for small companies, Fast Track Exit (FTEs) schemes for defunct / inactive companies, etc. By 2025, over 47,000 redundant compliances across central ministries and states have been scrapped or simplified via digitization and removal of obsolete rules and also 4,458 provisions have been decriminalized.

The reform was needed to reduce high compliance costs and encourage formalization. As a result, regulatory efficiency has improved and businesses face lower administrative burdens in day-to-day operations.

13.2.3 Introduction of National Single-Window Clearance System for various business approvals

Delays arising from multiple departmental approvals were a major impediment to project/ business implementation in India. National Single-window clearance system was introduced to provide time bound approvals through integrated digital platforms (https://www.nsws.gov.in) . This reform aims to reduce coordination failures and discretionary decision making. It has led to faster approvals, improved transparency and a more predictable investment environment, though further integration remains necessary.

13.2.4 Labour Law Rationalization and Codification

India's labour laws were fragmented and compliance-intensive, discouraging formal employment. The consolidation of 29 central labour laws into four labour codes was undertaken to simplify compliance while safeguarding worker rights. This reform was necessary to balance flexibility with protection. Its impact includes clearer regulatory obligations, reduced compliance complexity and improved conditions for formal job creation.

13.2.5 Goods and Services Tax (GST) 2.0 — Rate Rationalisation

In 2017, GST replaced a complex web of indirect taxes with a unified national tax system, removing cascading taxes and internal trade barriers. Subsequently, GST reforms took place in 2025 which focused on rationalization and administrative efficiency. As against the 4 tiered rate structure the Council has introduced a two rate structure with a standard GST rate of 18% and a Merit rate of 5%. Further, a special demerit rate of 40% has been introduced for certain goods and services (in common parlance referred as 'sin goods'). So, with a view to simplify rate structures, the products falling within the 12% slab and 28% slab have been reclassed to the new rate structures. This reduced classification disputes, eased compliance and enhanced tax certainty for businesses.

Administrative reforms further improved ease of compliance. GST registration timelines were shortened, risk-based automated refunds were expanded (particularly for exporters) and the GST Appellate Tribunal was operationalized to provide faster dispute resolution. Procedural simplifications such as relaxed documentation requirements and improved treatment of export-oriented services reduced compliance touchpoints and litigation risk.

13.2.6 Liberalisation of Licensing and Permitting Regimes

Historically, several low-risk business activities faced licensing and permitting requirements that created avoidable entry barriers and increased regulatory touchpoints. In line with the Ease of Doing Business agenda, the Government has progressively rationalized these regimes by restricting licensing to genuinely sensitive/high-risk sectors, moving key permissions to online systems and adopting self-certification.

For instance, industrial licensing has been progressively de-emphasised for most sectors, with compulsory licensing largely limited to select high-risk activities. These measures aim to reduce time-to-start, lower transaction costs, improve transparency and enable greater private participation, particularly benefiting MSMEs and first-generation entrepreneurs.

13.2.7 Committee Recommendations and Expert Suggestions

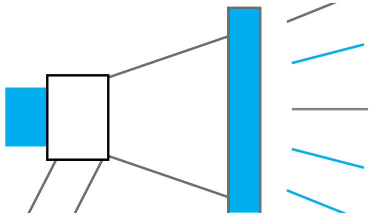
NITI Aayog and other expert bodies have strongly advocated decriminalization of minor business offences (specifically under the Income-Tax Act), highlighting its importance for fostering trust based regulation. NITI Aayog's working paper issued in October 2025 recommended a comprehensive review of economic laws, substitution of criminal provisions with civil penalties and adoption of risk based enforcement mechanisms aligned with global practices.

The Company Law Committee and the Law Commission of India similarly recommended rationalizing offences, limiting criminal law to serious violations and reducing judicial burden. Industry bodies have emphasized further compliance simplification, harmonization of central and state regulations, increased digitalization and reduced inspector discretion to ensure effective implementation of reforms.

Considering the recommendations made, vide Finance Bill 2026, it is proposed to rationalize penalties and prosecution framework under the ITA 2025 while maintaining a careful balance for deterrence in some serious offences.

Chapter 14 Other Significant Proposals

14.1 Tax Administration



- It is proposed to constitute a Joint Committee of the Ministry of Corporate Affairs and the Central Board of Direct Taxes to incorporate the requirements of Income Computation and Disclosure Standards ('ICDS') into Indian Accounting Standards ('IndAS'), thereby eliminating the need for separate ICDS-based accounting from TY 2027—28.
- It is proposed to rationalise the definition of "accountant" for the purposes of Safe Harbour Rules, in order to support the growth of home-grown Indian accounting and advisory firms as global players.

14.2 Scaling up manufacturing in 7 strategic and frontier sectors:

In order to accelerate and sustain economic growth, the below mentioned reforms are proposed to be undertaken in 7 strategic and frontier sectors—

14.2.1 Biopharma SHAKTI (Strategy for Healthcare Advancement through Knowledge, Technology and Innovation)

It is proposed to launch Biopharma SHAKTI to develop India as a global biopharma manufacturing hub. The initiative aims to strengthen the domestic ecosystem for production of biologics and biosimilars.

14.2.2 India Semiconductor Mission ('ISM') 2.0

Building on the progress made under India Semiconductor Mission ('ISM') 1.0, it is proposed to launch ISM 2.0 to further strengthen India's semiconductor ecosystem which will focus on domestic production of equipment and materials, development of full-stack Indian intellectual property ('IP') and strengthening of supply chains.

14.2.3 Electronics Components Manufacturing

The Electronics Components Manufacturing Scheme was launched in April 2025 and received investment commitments significantly exceeding targets. It is proposed to increase the scheme outlay to Rs. 40,000 crores to build on the strong momentum and deepen domestic value addition.

14.2.4 Rare Earths and Critical Materials

A scheme for Rare Earth Permanent Magnets was launched in November 2025. It is proposed to support mineral-rich states such as Odisha, Kerala, Andhra Pradesh and Tamil Nadu in establishing dedicated Rare Earth Corridors to promote integrated development of mining, processing, research and manufacturing.

14.2.5 Chemicals and Capital Goods Manufacturing

- To boost domestic chemical production and reduce import dependence, it is proposed to launch a scheme to support states in setting up 3 dedicated chemical parks through a challenge route on a cluster-oriented, plug-and-play model.
- Recognising the importance of strong capital goods manufacturing, it is proposed to strengthen this sector through setting-up of Hi-Tech Tool Rooms, introducing a Construction and Infrastructure Equipment ('CIE') Scheme to promote domestic manufacturing of advanced equipment such as lifts, fire-fighting systems and tunnel-boring machines and launching a Container Manufacturing Scheme to build a globally competitive container manufacturing ecosystem.

14.2.6 Textiles, Handloom and Rural Manufacturing

- For the labour-intensive textile sector, it is proposed to launch an Integrated Textile Programme comprising of National Fibre Scheme, Textile Expansion and Employment Scheme, National Handloom and Handicraft Programme, Tex-Eco Initiative and Samarth 2.0.
- Further, it is proposed to establish Mega Textile Parks in challenge mode, with a focus on value addition in technical textiles.

14.2.7 Sports Goods Manufacturing

India has the potential to emerge as a global hub for high-quality and affordable sports goods. It is proposed to introduce a dedicated sports goods initiative to promote domestic manufacturing, research and innovation in equipment design and material sciences, thereby boosting exports and employment.

14.3 Creating 'Champion SMEs' and Supporting Micro Enterprises

Recognising MSMEs as a key driver of growth and employment, it is proposed to adopt a 3-pronged approach as mentioned below to help MSMEs scale up as 'Champion SMEs'.

- **Equity Support –** It is proposed to set-up a Rs. 10,000 crores SME Growth Fund to support high-potential enterprises based on defined criteria. Further, it is proposed to provide an additional Rs. 2,000 crores to the Self-Reliant India Fund to ensure continued access to risk capital for micro enterprises.
- **Liquidity Support –** To improve liquidity, it is proposed to strengthen the TReDS platform by mandating its use for MSME purchases by CPSEs, providing credit guarantee support for invoice discounting, linking GeM

with TReDS and enabling securitisation of TReDS receivables to deepen secondary markets.

- **Professional Support –** For compliance and capacity building, it is proposed to develop a network of 'Corporate Mitras' through short-term courses designed by professional bodies such as ICAI, ICSI and ICMAI. These para-professionals will assist MSMEs, particularly in Tier-II and Tier-III towns, in meeting compliance requirements at affordable cost.

14.4 Infrastructure

- It is proposed to continue the strong push on infrastructure development, especially in Tier-II and Tier-III cities, with public capital expenditure increased to Rs. 12.2 lakh crores in FY 2026-27, supported by innovative financing instruments such as Infrastructure Investment Trusts ('InVITs') and Real Estate Investment Trust ('REITs') and institutions like National Investment and Infrastructure Fund ('NIIF') and National Bank for Financing Infrastructure and Development ('NABFID').
- To strengthen private sector participation it is proposed to set up an Infrastructure Risk Guarantee Fund to provide prudently calibrated partial credit guarantees to lenders. It is further proposed to accelerate monetisation of real estate assets of Central Public Sector Enterprise through dedicated REITs.
- It is proposed to promote sustainable and multimodal logistics by developing new Dedicated Freight Corridors, operationalising 20 National Waterways, launching a Coastal Cargo Promotion Scheme and introducing seaplane manufacturing incentives and a VGF scheme to improve last-mile connectivity and tourism.

14.5 Carbon Capture Utilization and Storage ('CCUS')

It is proposed to scale up CCUS technologies in line with the roadmap launched in December 2025.The initiative will support deployment of CCUS across 5 key industrial sectors such as power, steel, cement, refineries and chemicals to enhance technology readiness and reduce carbon emissions. An outlay of Rs. 20,000 crore is proposed over the next 5 years.

14.6 City Economic Regions

- It is proposed to focus on Tier-II and Tier-III cities, including temple towns, by developing City Economic Regions ('CERs') mapped to their specific growth drivers, enabling cities to realise the economic benefits of agglomeration. An allocation of Rs. 5,000 crores per CER over 5 years is proposed, to be implemented through a challenge-based, reform-cum-results financing mechanism.

- It is proposed to develop 7 High-Speed Rail corridors as sustainable growth connectors between major city pairs, supporting faster mobility and environmentally friendly passenger transport.

14.7 Comprehensive Review of Foreign Exchange Management (Non-debt Instruments) Rules

It is proposed to undertake a comprehensive review of the Foreign Exchange Management (Non-Debt Instruments) Rules to create a more contemporary, simplified and user-friendly framework for foreign investments, aligned with India's evolving economic priorities.

14.8 Corporate Bond Market and Municipal Bonds

- It is proposed to deepen the corporate bond market by introducing a market-making framework, along with access to funds, derivatives on corporate bond indices and total return swaps.
- It is proposed to encourage large municipal bond issuances by providing an incentive of Rs. 100 crores for single issuances exceeding Rs. 1,000 crores.

14.9 Liberalisation of Portfolio Investment by Person Resident Outside India ('PROI')

It is proposed to liberalise the investment framework for Individuals Person Resident Outside India ('PROI') by permitting them to invest in equity instruments of listed Indian companies through the Portfolio Investment Scheme. It is also proposed to increase the investment limit for an individual PROI under this scheme as under

Particulars	Earlier limit	Proposed limit
Investment limit for an individual PROI	5%	10%
Aggregate investment limit for all Individual PROIs	10%	24%

14.10 Emerging Technologies

- The 21st century is technology-driven and adoption of emerging technologies is aimed at benefiting farmers, women in STEM, youth seeking new skills and Divyangjan, by expanding access to opportunities and improving productivity.
- It is proposed to continue strengthening the technology ecosystem through initiatives such as the AI Mission, National Quantum Mission, Anusandhan National Research Fund and the Research, Development and Innovation Fund, to support innovation, research and inclusive growth.

14.11 High-Powered 'Education to Employment and Enterprise' Standing Committee

- It is proposed to set up a High-Powered 'Education to Employment and Enterprise' Standing Committee to position the Services Sector as a key driver of Viksit Bharat, with a target of achieving 10% share in global services by 2047.
- The Committee will identify priority services sub-sectors, recommend measures to maximise growth, employment and exports and assess the impact of emerging technologies, including AI, on jobs and skill requirements, along with suitable policy interventions.

14.12 Creation of Professionals for Viksit Bharat

- It is proposed to create new skilled career pathways for youth by strengthening the health sector, with upgradation of existing Allied Health Professional ('AHP') institutions and establishment of new AHP institutions in both Government and private sectors.
- It is proposed to build a strong care ecosystem for geriatric and allied services by introducing NSQF-aligned programmes to train multi-skilled caregivers, with 1,50,000 caregivers to be trained in the coming year.

14.13 Orange Economy

India's Animation, Visual Effects, Gaming and Comics ('AVGC') sector is a fast-growing industry, with an estimated requirement of 2 million professionals by 2030. It is proposed to support the Indian Institute of Creative Technologies, Mumbai in setting up AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges.

14.14 Design

The Indian design industry is growing rapidly but faces a shortage of skilled designers. It is proposed to establish a new National Institute of Design, through a challenge-route, to strengthen design education and capability in the eastern region of India.

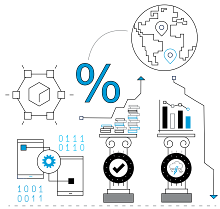
14.15 Focus on the Purvodaya States (Bihar, Jharkhand, West Bengal, Odisha, and Andhra Pradesh)

It is proposed to accelerate development in the Purvodaya States through creation of an integrated East Coast Industrial Corridor, with a strategically connected node at Durgapur. It is proposed to develop 5 tourism destinations across the 5 Purvodaya States and to provide 4,000 electric buses, supporting employment generation, sustainable mobility and regional economic growth.

Chapter 15 TDS and TCS Rates

[As proposed by the Finance Bill, 2026]

In this chapter, we have compiled the relevant provisions of TDS and TCS relating to residents and non-residents under the enacted ITA 2025 and proposed under the Bill, incorporating herein the nature of payments, threshold limits for TDS and the applicable rates of TDS for different classes of recipients. Below provisions shall be applicable from 1 April 2026 unless otherwise specified.



TDS on income chargeable under the head "Salaries"

Sr. No.	Nature of Payment	Note reference	ITA 1961	ITA 2025 and Finance Bill, 2026			
			Corresp-onding section	Section	Table Sl. No.	Threshold for Deduction	Rate of Deduction (Note 1 and 2)
1	Salary	-	192	392(1)	NA	As per the prescribed slab rates	
2	Accumulated balance due to an employee participating in RPF	Note 4	192A	392(7)(b)	NA	Rs.50,000 or more	10%

Tax to be deducted at source for payments to "Resident"

Sr. No.	Nature of Payment	Note reference	ITA 1961	ITA 2025 and Finance Bill, 2026			
			Corresp-onding section	Section	Table Sl. No.	Threshold for Deduction	Rate of Deduction (Note 1, 2 and 3)
1	Insurance commission	-	194D	393(1)	1(i)	Rs. 20,000 p.a.	2%
2	Commission or brokerage (other than insurance commission)	Note 5	194H	393(1)	1(ii)	Rs. 20,000 p.a.	2%
3	Rent (when payer is person other than specified person)	Note 6, 7	194-IB	393(1)	2(i)	Rs. 50,000 per month or part of the month	2%
4(a)	Rent of Plant, Machinery or Equipment	Note 4, 5	194-I(a)	393(1)	2(ii)(a)	Rs. 50,000 per month or part of the month	2%
4(b)	Rent of Land / Building (including factory building) / Furniture or fittings	Note 4, 5	194-I(b)	393(1)	2(ii)(b)		10%

Sr. No.	Nature of Payment	Note reference	ITA 1961	ITA 2025 and Finance Bill, 2026			
			Corresp-onding section	Section	Table Sl. No.	Threshold for Deduction	Rate of Deduction (Note 1, 2 and 3)
5	Consideration for transfer of any immovable property (other than agricultural land)	Note 6, 8, 9	194-IA	393(1)	3(i)	Rs. 50,00,000	1%
6	Monetary Consideration payable under joint development agreement	Note 9	194-IC	393(1)	3(ii)	No threshold	10%
7	Payment of compensation on compulsory acquisition of certain immovable property (other than agricultural land)	Note 10	194LA	393(1)	3(iii)	Rs. 5,00,000 p.a.	10%
8	Payment in respect of units of specified mutual fund or specified undertaking or specified company	**Note 4**	194K	393(1)	4(i)	Rs.10,000 p.a.	10%
9(a)	Income from units of a business trust by way of interest and dividend from a special purpose vehicle	-	194LBA	393(1)	4(ii)	No threshold	10%
9(b)	Income from units of real estate investment trust by way of renting or leasing or letting out any real estate asset	-	194LBA	393(1)	4(ii)	No threshold	10%
10	Taxable income in respect of units of investment fund	-	194LBB	393(1)	4(iii)	No threshold	10%
11	Income in respect of investment in securitization trust	-	194LBC	393(1)	4(iv)	No threshold	10%

Sr. No.	Nature of Payment	Note reference	ITA 1961	ITA 2025 and Finance Bill, 2026			
			Corresp-onding section	Section	Table Sl. No.	Threshold for Deduction	Rate of Deduction (Note 1, 2 and 3)
12	Interest on securities	**Note 4**	193	393(1)	5(i)	Rs. 10,000 p.a.	10%
13(a)	Interest other than interest on securities (when payer is bank or co-operative society or post office)	Note 4, 11	194A	393(1)	5(ii)	Rs. 1,00,000 p.a. (senior citizen) / Rs. 50,000 p.a. (others)	10%
13(b)	Interest other than interest on securities (when payer is specified person)	Note 4, 5, 11	194A	393(1)	5(iii)	Rs. 10,000 p.a.	10%
14	Payments to contractors	Note 5, 12	194C	393(1)	6(i)	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a.	2% (1% for individual and HUF)
15	Payment of certain sums by certain individuals or HUF	Note 6, 13	194M	393(1)	6(ii)	Rs. 50,00,000 p.a.	2%
16(a)	Fees for technical services and specified royalty	Note 5, 14	194J	393(1)	6(iii)	Rs. 50,000 p.a.	2%
16(b)	Fees for professional services, non-compete fees, remuneration to director other than salary and other royalties	Note 5, 14	194J	393(1)	6(iii)	Rs. 50,000 p.a. (Nil for Director's Remuner-ation)	10%
17	Dividend by domestic company, including dividends on preference shares	**Note 4**, 15	194	393(1)	7	Nil / Rs. 10,000 p.a. (for individuals)	10%
18	Income in respect of life insurance policy	Note 4, 16	194DA	393(1)	8(i)	Rs. 1,00,000 p.a.	2%
19	Purchase of goods	Note 17	194Q	393(1)	8(ii)	Above Rs. 50,00,000	0.10%

Sr. No.	Nature of Payment	Note reference	ITA 1961	ITA 2025 and Finance Bill, 2026			
			Corresp-onding section	Section	Table Sl. No.	Threshold for Deduction	Rate of Deduction (Note 1, 2 and 3)
20	Pension and bank interest of specified senior citizen resident in India of 75 years or above	-	194P	393(1)	8(iii)	As per slab rate	
21	Benefit or perquisite to any person arising from business or profession	Note 5, 18	194R	393(1)	8(iv)	Rs. 20,000	10%
22	Payment on account of sale of goods or provision of services by an e-commerce participant, facilitated by an e-commerce operator	-	194-O	393(1)	8(v)	Nil / Rs. 5,00,000 p.a. (for Individual / HUF)	0.10%
23	Transfer of Virtual Digital Assets	**Note 6**, 19	194S	393(1)	8(vi)	Rs.10,000/ Rs.50,000 (in case of specified individual / HUF)	1%

Tax to be deducted at source for payments to "Non-resident"

Sr. No.	Nature of Payment	Note reference	ITA 1961	ITA 2025 and Finance Bill, 2026			
			Corresp-onding section	Section	Table Sl. No.	Threshold for Deduction	Rate of Deduction* (Note 1, 2 and 3)
1	Payment to non-resident sportsmen (including an athlete) / entertainer / sports association	–	194E	393(2)	1	No threshold	20%
2	Income by way of interest payable to non-residents from Indian company or a business trust	Note 20	194LC	393(2)	2, 3, 4	No threshold	5% / 4% / 9%
3	Interest income from Infrastructure Debt Fund	-	194LB	393(2)	5	No threshold	5%

Sr. No.	Nature of Payment	Note reference	ITA 1961	ITA 2025 and Finance Bill, 2026			
			Corresp-onding section	Section	Table Sl. No.	Threshold for Deduction	^Rate of Deduction* (Note 1, 2 and 3)
4	Income from units of a business trust by way of interest and dividend from a SPV	Note 22	194LBA	393(2)	6	No threshold	10% (dividend) / 5% (interest)
5	Income from units of REIT by way of renting out any real estate asset	Note 21, 22	194LBA	393(2)	7	No threshold	Rate in force
6	Taxable income in respect of units of investment fund	Note 21	194LBB	393(2)	8	No threshold	Rate in force
7	Income in respect of investment in securitization trust	Note 21	194LBC	393(2)	9	No threshold	Rate in force
8	Payment in respect of units of specified mutual fund or specified company	Note 21	196A	393(2)	10	No threshold	20%
9	Any income / LTCG from units purchased in FC, for Offshore funds	Note 21	196B	393(2)	11, 12	No threshold	10% (any income) / 12.50% (LTCG)
10	Any income / LTCG from bonds or GDR purchased in FC, for non-resident	Note 21	196C	393(2)	13, 14	No threshold	10% (any income) / 12.50% (LTCG)
11	Income of FIIs from securities other than units purchased in FC	Note 21	196D	393(2)	15	No threshold	20%
12	Income of specified fund from securities other than units purchased in FC	Note 21	196D	393(2)	16	No threshold	10%.
13	Any other sum chargeable to tax in India (other than salaries)	Note 6, 21	195	393(2)	17	As per the rate in force	

**Please note TDS rate shall be increased with applicable surcharge and cess in case of payments made to non-residents and tax is deducted as per the ITA 2025.*

^TDS rate as per ITA 2025 or DTAA rate, whichever is beneficial

Tax to be deducted at source for payments to any person (resident / non-resident)

Sr. No.	Nature of Payment	Note reference	ITA 1961	ITA 2025 and Finance Bill, 2026			
			Corresp-onding section	Section	Table Sl. No.	Threshold for Deduction	Rate of Deduction* (Note 1, 2 and 3)
1	Winning from lottery or crossword puzzle, card game and game of any sort, gambling or betting, etc.	-	194B	393(3)	1	Rs. 10,000 per trans-action	30%
2	Winnings from online games	Note 23	194BA	393(3)	2	No threshold	30%
3	Winnings from horse race	-	194BB	393(3)	3	Rs. 10,000 per trans-action	30%
4	Commission, etc. on sale of lottery tickets	-	194G	393(3)	4	Rs. 20,000 p.a.	2%
5	Cash withdrawal from one or more accounts maintained by such person	Note 24	194N	393(3)	5	Rs. 1 cr. p.a. / Rs. 3 cr. p.a. (for Co-operative society)	2%
6	Payment in respect of deposits under National Savings Scheme, 1987	Note 4	194EE	393(3)	6	Rs. 2,500 p.a.	10%
7	Payment or credit of salary, remuneration, interest, bonus or commission by firm to partners	-	194T	393(3)	7	Rs. 20,000	10%

**Please note TDS rate shall be increased with applicable surcharge and cess in case of payments made to non-residents and tax is deducted as per the ITA 2025.*

We have incorporated herein the nature of receipts, threshold limits for tax collection and the applicable rates of TCS for different classes of persons.

Tax to be collected at source on payments from any person

Sr. No.	Nature of Transaction	ITA 1961	ITA 2025				Finance Bill, 2026	
		Corresp-onding section	Section	Table Sl. No.	Threshold for Collection	Rate of Collection (Note 1 and 3)	Proposed Threshold for Collection	Proposed Rate of Collection (Note 1 and 3)
1	Sale of alcoholic liquor for human consumption (Note 26)	206C(1)	394(1)	1	No Threshold	1%	No Threshold	**2%**
2	Sale of tendu leaves (Note 26)	206C(1)	394(1)	2	No Threshold	1%	No Threshold	**2%**
3(a)	Sale of Timber or any other forest produce (not being tendu leaves) obtained under forest lease (Note 26)	206C(1)	394(1)	3	No threshold	2%	No Threshold	2%
3(b)	Sale of Timber by any other modes (Note 26)	206C(1)	394(1)	3	No threshold	2%	No Threshold	2%
4	Sale of scrap (Note 26)	206C(1)	394(1)	4	No threshold	1%	No Threshold	**2%**
5	Sale of minerals, being coal or lignite or iron ore (Note 26)	206C(1)	394(1)	5	No threshold	1%	No Threshold	**2%**
6	Sale of motor vehicle or any other **luxury goods (Note 25)**	206C(1F)	394(1)	6	Above Rs. 10,00,000 p.a.	1%	Above Rs. 10,00,000 p.a.	1%

Sr. No.	Nature of Transaction	ITA 1961	ITA 2025				Finance Bill, 2026	
		Corresp-onding section	Section	Table Sl. No.	Threshold for Collection	Rate of Collection (Note 1 and 3)	Proposed Threshold for Collection	Proposed Rate of Collection (Note 1 and 3)
7(a)	Remittance outside India under LRS for specified education loan (Note 27)	206C(1G)	394(1)	7	NA	-	NA	-
7(b)	Remittance outside India under LRS for education loan other than mentioned above and for medical treatment	206C(1G)	394(1)	7	Above Rs. 10,00,000 p.a.	5%	Above Rs. 10,00,000 p.a.	**2%**
7(c)	Remittance outside India under LRS in any case other than mentioned above	206C(1G)	394(1)	7	Above Rs. 10,00,000 p.a.	20%	Above Rs. 10,00,000 p.a.	20%
8	Sale of overseas tour programme package	206C(1G)	394(1)	8	Upto Rs. 10,00,000 p.a.	5%	**No Threshold**	**2%**
					Above Rs. 10,00,000 p.a.	20%		
9	Use of parking lot or toll plaza or mining or quarrying excluding for mineral oil	206C(1C)	394(1)	9	No threshold	2%	No threshold	2%

Notes:

1 Section 397(2)(b)(i) of the ITA 2025 (section 206AA of the ITA 1961), in a case where payee is not able to furnish PAN to the payer, TDS shall be at higher of the following rates:

(a) rate specified in the relevant provision of the ITA 2025, or

(b) at the rates in force, or

(c) at the rate of 20% [5% for TDS under section 393(1) [Table Sl. No. 8(ii) and 8(v)] (section 194Q and 194-O of the ITA 1961)]

Section 397(2)(b)(ii) of the ITA 2025 (section 206CC of the ITA 1961), in a case where collectee is not able to furnish PAN to the collector, TCS shall be twice the rate specified in the relevant provision of the ITA 2025 or 5%, whichever is higher.

Certain payments to non-residents such as interest, royalty, FTS and transfer of capital asset will not require PAN if alternative documents such as TRC, tax identification number of country of residence, etc. are furnished.

In case PAN is not furnished by the person entitled to receive the accumulated balance in RPF, the tax shall be deducted as specified above in lieu of MMR.

2 Section 393(4) of the ITA 2025 provides for certain cases where TDS is not applicable. Further, a payer shall not be required to deduct TDS on 'GST' component wherever, in terms of the agreement between the payer and payee, the GST component comprised in the amount payable to a resident payee is indicated separately.

3 LDC can be obtained by the deductee for deduction under section 393 of the ITA 2025 (section 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194K, 194LA, 194LBA, 194LBB, 194LBC, 194M, 194-O, 194Q and 195 of the ITA 1961). If LDC received, rates to be taken as per LDC after considering the threshold amount prescribed in LDC and the period of LDC.

4 TDS not applicable if the payee (not being a company or a firm) furnishes to the payer a declaration in Form No.15G or 15H, as the case may be. **Further, in order to ease compliance, the Bill has proposed to allow investors to furnish declaration for no TDS to the depository instead of the person responsible for paying income viz. income from units, interest on securities or dividends, where such units or securities are held with such depository and are listed on a recognised stock exchange.**

5 An individual or HUF is not liable to deduct tax. However, an individual or HUF, whose total sales, gross receipts or turnover from business exceeds Rs.1,00,00,000 or from profession Rs. 50,00,000 during the immediately preceding

tax year in which sum is credited or paid, are covered within the ambit of specified person as defined under section 402(37) of the ITA 2025.

6 A person who is required to deduct tax under provisions of section 393(1) [Table Sl. No. 2(i), 3(i) and 6(ii)] of the ITA 2025 (section 194-IB, 194-IA and 194M of the ITA 1961) shall be able to deposit TDS using PAN and shall not be required to obtain TAN. **The Bill proposes to extend this relaxation to person required to deduct tax on transfer of VDA under section 393(1) [Table Sl. No. 8(vi)] of the ITA 2025 (section 194S of the ITA 1961) and a resident individual or HUF required to deduct tax on any consideration for the transfer of any immovable property under section 393(2) [Table Sl. No. 17] of the ITA 2025 (section 195 of the ITA 1961), with effect from 1 October 2026.**

7 An individual or HUF (other than those covered under tax audit) is liable to deduct tax on payment of rent in the last month of the tax year or last month of tenancy arrangement, whichever is earlier, under section 393(1) [Table Sl. No. 2(i)] of ITA 2025 (section 194-IB of the ITA 1961). In case where TDS is applicable as per section 397(2) of the ITA 2025 (section 206AA of the ITA 1961), such deduction shall not exceed the amount of rent payable for the last month of the tax year or the last month of tenancy, as the case may be.

8 As per section 402(9) of the ITA 2025 (explanation to section 194-IA of the ITA 1961), 'consideration for immovable property' shall include all charges of the nature of club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property. Further, aggregate of amount payable by all transferee(s) to all transferor(s) in respect of an immovable property to be considered as consideration while comparing with threshold of Rs. 50,00,000 to determine TDS under section 393(1) [Table Sl. No. 3(i)] of the ITA 2025 (section 194-IA of the ITA 1961). Tax shall be deducted on consideration or stamp duty value, whichever is higher.

9 In cases where TDS is applicable under both Table Sl. No. 3(i) and Table Sl. No. 3(ii) of section 393(1) of the ITA 2025 (section 194-IA and 194-IC of the ITA 1961), then TDS applicable as per Table Sl. No. 3(ii).

10 If payment is made in respect of any award or agreement which is exempted from income-tax under section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (30 of 2013), no TDS under section 393(1) [Table Sl. No. 3(iii)] of the ITA 2025 (section 194LA of the ITA 1961). Further, tax shall be deducted even if stamp duty value of the property is equal to or exceeds Rs. 50,00,000 and consideration does not exceed said threshold.

11 Co-operative society shall be liable to TDS under section 393(1) [Table Sl. No. 5(ii) and 5(iii)] read with section 393(4) [Table Sl. No. 7] of the ITA 2025 (section 194A of the ITA 1961), if its total sales, gross receipts or turnover exceeds Rs. 50,00,00,000 during the immediately preceding tax year.

12 No TDS on credit or payment of transport charges, if the transporter owns 10 or less than 10 goods carriages at any time during the tax year and furnishes a declaration to that effect along with his valid PAN.

The definition of "work" as provided under section 402(47) of the ITA 2025 explicitly excludes payments referred under section 393(1) [Table Sl. No. 6(iii)] of the ITA 2025 (section 194J(1) of the ITA 1961). **Further, the Bill has proposed to include supply of manpower to a person to work under his supervision, control or direction under the ambit of "work".**

13 Payment made by an individual or HUF to a resident on account of contractual work, professional fees or brokerage, who are not required to deduct tax under section 393(1) [Table Sl. No. 6(i) and (iii) or Sl. No. 1(ii)] of the ITA 2025 (section 194C, 194J and 194H of the ITA 1961) shall be required to deduct tax on the aggregate sum exceeding the threshold.

14 TDS @ 2% on payment made to a person engaged only in the business of operation of call center, fees for technical services (not being a professional service) and royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films.

15 Section 393(1) [Table Sl. No. 7] of the ITA 2025 (Section 194 of the ITA 1961) shall not be applicable on dividend credited or paid to business trust by a SPV. Further, the TDS shall be levied before making any distribution or payment of dividend.

16 TDS shall be levied on the income comprised in the sum payable by way of redemption of a life insurance policy including the sum allocated by way of bonus on such life insurance policy, excluding the amount exempted under Schedule II [Table Sl. No. 2] of the ITA 2025 (section 10(10D) of the ITA 1961). Schedule II [Table Sl. No. 2] of the ITA 2025 [section 10(10D) of ITA 1961] is not applicable to any unit linked insurance policy, issued on or after 1 February 2021, if the amount of premium payable for any of the tax year during the term of such policy exceeds Rs. 2,50,000.

17 The buyer of goods would be liable to deduct tax @ 0.10%, where the value or aggregate of such value in a tax year is in excess of Rs. 50,00,000. Only those buyers whose total sales, gross receipts or turnover from its business exceeds Rs. 10,00,00,000 in the immediately preceding tax year, shall be liable to deduct tax.

18 Section 393(1) [Table Sl. No. 8(iv)] of the ITA 2025 (section 194R of the ITA

1961), wherein the person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, whether in cash or in kind or partly in cash and partly in kind, arising from carrying out of a business or profession by such resident, shall before providing such benefit or perquisite, as the case may be, to such resident, ensure TDS @ 10% is levied on the value or aggregate of value of such benefit or perquisite. For the purpose of this section, 'person responsible for providing' means a person providing such benefit or perquisite or in case of a company, the company itself including the principal officer thereof.

19 TDS @ 1% on transfer of VDA to a resident for amount exceeding Rs. 10,000 p.a. and in case payer is a specified individual or HUF, the threshold is Rs. 50,000. No requirement to obtain TAN. 'Specified Individual or HUF' means a person being an individual or HUF whose total sales, gross receipts or turnover does not exceed Rs. 1,00,00,000 in case of business and Rs. 50,00,000 in case of profession in the immediately preceding tax year or does not have any income under the head 'Profits and gains of business and profession'.

In case both provisions of section 393(1) [Table Sl. No. 8(v) and 8(vi)] of the ITA 2025 (section 194-O and 194S of the ITA 1961) are applicable then the tax shall be deductible under section 393(1) [Table Sl. No. 8(vi)] of the ITA 2025 (sections 194S of the ITA 1961).

20 In respect to section 393(2) [Table Sl. No. 2 and 3] of the ITA 2025 (section 194LC of the ITA 1961), the TDS @ 5% in following cases:

(a) under a loan agreement or issue of long term infrastructure bond on or after 1 July 2012 but before 1 July 2023, which is approved by the CG;

(b) by way of issue of any long-term bond on or after 1 October 2014 but before 1 July 2023, which is approved by the CG,

(c) any income by way of interest payable in respect of moneys borrowed from a source outside India by way of issue of RDB before 1 July 2023.

In respect to section 393(2) [Table Sl. No. 4] of the ITA 2025 (section 194LC of the ITA 1961), TDS on interest income from any long term bond or RDB, which is listed only on a recognised stock exchange located in any IFSC, is as follows:

(a) 4%, where such bonds are issued between 1 April 2020 and 1 July 2023; and

(b) 9%, where such bonds are issued on or after 1 July 2023.

21 For the purpose of claiming DTAA benefit, the non-resident payee should furnish a valid TRC from foreign tax authority and electronically filed Form 10F. Form 10F is not required to be furnished if all the particulars stated therein are provided in the

TRC itself. The relief under the DTAA is subject to MLI provisions as applicable.

22 In case of non-resident referred to in section 393(2) [Table Sl. No. 6 and 7] of the ITA 2025 (section 194LBA of the ITA 1961), TDS @ 5% on interest income and @ 10% on dividend income whereas on other income, TDS shall be as per the rates in force or rate specified in the relevant DTAAs, whichever is beneficial. If the SPV i.e. business trust has not exercised option under section 200 of the ITA 2025 (section 115BAA of the ITA 1961), TDS shall not be applicable on dividend income.

23 Tax shall be deducted on the net winnings earned from online games during the tax year in the user account, computed in the manner as may be prescribed, at the end of the tax year. In case of withdrawal during the tax year, tax shall be deducted at the time of such withdrawal on the net winnings comprised in such withdrawal as well as on the remaining amount of net winnings in user account at the end of the tax year.

24 A banking company, a co-operative society engaged in carrying on the business of banking or a post office is responsible for levying TDS @ 2% at the time of making payment of such sum in cash to any person from an account maintained by the recipient with it. Further, no tax shall be deducted on cash payments made to the Government, banking company, cooperative society engaged in carrying on the business of banking, post office, banking correspondents and white label ATM operators.

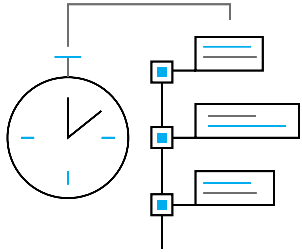
25 **In relation to section 394 [Table Sl. No. 6] of ITA 2025 (section 206C(1F) of ITA 1961), vide Notification no. 36/2025 dated 22 April 2025, the CBDT has notified high-value wrist watches, art pieces including antiques, paintings, and sculptures, collectibles such as coins and stamps, yachts, rowing boats, canoes and helicopters, sunglasses, handbags, purses and shoes, sportswear and equipment (e.g. golf kits, ski-wear), home theatre systems, horses used for horse racing or polo as luxury goods. The same is subject to TCS effective from 22 April 2025.**

26 TCS is not applicable on receipts specified under section 394(1) [Table Sl. No. 1 to 5] of the ITA 2025 (section 206C(1) of the ITA 1961) if the buyer provides a written declaration that the goods are to be utilised for manufacturing, processing or producing articles or things or for generating power and not for trading purpose.

27 TCS not applicable in respect of receipt specified in section 394(1) [Table Sl. No.7] of the ITA 2025 [section 206C(1G) of the ITA 1961] on such amount on which tax has been collected under section 394(1) [Table Sl. No. 8] of the ITA 2025 or on such sum being remitted out is an education loan from any financial institution as referred to in section 129(3)(b) of the ITA 2025 (section 80E of the ITA 1961).

Chapter 16 Direct Tax, GST & FEMA Compliance Calendar

(As updated up to Income-tax Act, 2025 [ITA 2025])



The Income-tax Act, 2025 introduces the concept of the Tax Year (TY), replacing the earlier Previous Year / Assessment Year framework. Under this system, all income earned during a financial year is assessed in the subsequent tax year, simplifying compliance timelines and reporting obligations. We have provided an overview of the various direct tax & GST compliances from the perspective of a Company, Partnership Firm (including LLP), Individual and HUF covering areas such as income-tax return filing, tax payment, TDS/TCS compliance, tax audit and reporting obligations.

16.1 Direct Tax Compliance Calendar

Nature of Compliances	Person	
	Other than Individual and HUF	Individual and HUF
I. Due date for filing of ROI (Note 1)		
Person covered under tax audit (to whom transfer pricing is not applicable) **(Note 2)**	31 October	
Person to whom transfer pricing is applicable **(Note 3)**	30 November	
Trusts, person (other than Company) having income from business and profession and **not** covered under tax audit **(Note 4 and 5)**	31 August	
Other persons (other than Company) **(Note 6)**		31 July
Updated Return **(Note 7)**	Within 48 months from the end of subsequent TY	
II. Due date for issuance of Tax Audit Report and Transfer Pricing Report		
Person covered under tax audit (other than to whom transfer pricing is applicable)	30 September	
Person covered under tax audit (to whom transfer pricing is applicable)	31 October	
Person covered under transfer pricing	31 October	

<table>
<tr><th rowspan="2">Nature of Compliances</th><th colspan="2">Person</th></tr>
<tr><th>Other than Individual and HUF</th><th>Individual and HUF</th></tr>
<tr><td colspan="3">III. Advance Tax Payments for Income Tax (Note 8 & 9)</td></tr>
<tr><td>1st Installment – Atleast 15%</td><td colspan="2">15 June of TY</td></tr>
<tr><td>2nd Installment – Atleast 45%</td><td colspan="2">15 September of TY</td></tr>
<tr><td>3rd Installment – Atleast 75%</td><td colspan="2">15 December of TY</td></tr>
<tr><td>4th Installment – 100%</td><td colspan="2">15 March of TY</td></tr>
<tr><td colspan="3">IV. Tax Deducted at Source (Note 10)</td></tr>
<tr><td>Tax must be deducted at the time of payment, in case of salary</td><td rowspan="3">Applicable</td><td rowspan="3">Applicable, only if the person is a specified person</td></tr>
<tr><td>In case of payments other than salary, at the time of making payment or credit, whichever is earlier</td></tr>
<tr><td>Tax deducted must be deposited by 7th day of following month except tax deducted in March must be deposited by 30 April</td></tr>
<tr><td>Tax deducted under section 393(1) of the ITA 2025 (corresponding to section 194-IA of the ITA 1961) on purchase of immovable property (other than agricultural land) must be deposited within period of 30 days from the end of month of deduction</td><td colspan="2">Applicable</td></tr>
<tr><td>Tax deducted on personal services under section 393(1) of the ITA 2025 (corresponding to section 194M of the ITA 1961) must be deposited within period of 30 days from the end of month of deduction</td><td>Not Applicable</td><td>Applicable, only if the person is a specified person</td></tr>
<tr><td>Tax shall be deducted on rent under section 393(1) of the ITA 2025 (corresponding to section 194-IB of the ITA 1961) at the time of credit of rent, for the last month of the TY or the last month of tenancy, if the property is vacated during the TY, as the case may be, or at the time of payment, whichever is earlier. Tax deducted must be deposited within a period of 30 days from the end of month of deduction</td><td>Not Applicable</td><td>Applicable</td></tr>
</table>

Nature of Compliances	Person	
	Other than Individual and HUF	Individual and HUF
V. Tax Collected at Source		
Tax must be collected at the time of debiting the amount to the account of the buyer or at the time of receipt, whichever is earlier	Applicable	Applicable
Tax collected must be deposited within 7 days from the last day of the month in which the collection is made		
VI. Due dates for filing of TDS Returns / TCS Returns (Note 11)		
For the Quarter ended June	31 July / 15 July	
For the Quarter ended September	31 October / 15 October	
For the Quarter ended December	31 January / 15 January	
For the Quarter ended March	31 May / 15 May	
VII. Due dates for issue of Form 16 and Form 12BA (for Salaries) / Form 16A (for other than Salaries) / Form 16B (for Sale of Property) / Form 16C (for Section 393(3) of ITA 2025 [corresponding to section 194-IB of ITA 1961]) / Form 16D (for Section 393(1) of ITA 2025 [corresponding to section 194M of ITA 1961]) and Form 27D (for TCS)		
Issue of Form 16 and Form 12BA annually	15 June	
Issue of Form 16A / 27D for quarter ended June	15 August / 30 July	
Issue of Form 16A / 27D for quarter ended September	15 November / 30 October	
Issue of Form 16A / 27D for quarter ended December	15 February / 30 January	
Issue of Form 16A / 27D for quarter ended March	15 June / 30 May	
Issue of Form 16B / Form 16C / Form 16D	15 days from the date of furnishing Form 26QB, 26QC and 26QD respectively	
VIII. Due Date of submission in Form 61 by Persons Specified in Rule 114D (Details of transactions in which PAN to be quoted)		
For declarations received in Form 60 for first half year ended 30 September	31 October	
For declarations received in Form 60 for second half year ended 31 March	30 April	

Nature of Compliances	Person	
	Other than Individual and HUF	Individual and HUF
IX. Due dates for submission of statement under section 505 of ITA 2025 (corresponding to section 285 of ITA 1961)		
Non-resident having liaison office in India to file statement in Form 49C with AO in respect of its activities in a TY	8 months from the end of TY	
X. Due dates for submission of statement under section 507 of ITA 2025 (corresponding to section 285B of ITA 1961) (Note 12)		
Producers of cinematograph films or persons engaged in specified activities to file Form 52A for all payments over Rs. 50,000 to each persons engaged by him	60 days form the end of the TY	
XI. Due date for filing Annual Information Return under section 508 of ITA 2025 (corresponding to section 285BA of ITA 1961)		
Specified persons to furnish Annual Information Return in Form 61A in respect of specified financial transactions (SFT)	31 May immediately following the TY in which transaction was recorded	
XII. Due dates for filing Appeals before the Income-tax authorities		
Objections before the Dispute Resolution Panel	Within 30 days from the receipt of the draft assessment order	
Appeal to the Commissioner of Income-tax (Appeals) (Note 13)	Within 30 days from the date of service of notice of demand / from the date on which intimation of the order sought to be appealed against is served	
Appeal to the Income-tax Appellate Tribunal (Note 14)	Within 2 months from the end of the month in which the order sought to be appealed against is communicated to the assessee	
XIII. Due date for filing online response to CPC communication		
Communication of proposed adjustment under section 270(1)(a) of ITA 2025 (corresponding to 143(1)(a) of the ITA 1961)	Within a period of 30 days from the date of issue of the communication. In case, no response is received by CPC within 30 days of issue of the intimation, the ROI will be processed after making necessary adjustment(s) under section 270(1)(a) of ITA 2025 (corresponding to 143(1)(a) of the ITA 1961)	

Nature of Compliances	Person	
	Other than Individual and HUF	Individual and HUF
Notice under section 263(7)(a) of the ITA 2025 (corresponding section 139(9) of ITA 1961)	Within 15 days of receipt of the notice In case no response is made, the ROI filed shall be liable to be treated as an invalid return	
XIV. Digital Payment Facility		
As per section 187 of ITA 2025 (corresponding section 269SU of ITA 1961) every person carrying on business, if his total sales, turnover or gross receipts, as the case may be, in business exceeds Rs. 50,00,00,000 during the immediately preceding TY shall provide facility for accepting payment through (i) Debit Card powered by RuPay, (ii) Unified Payments Interface (UPI) (BHIM-UPI) and (iii) Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code) electronic modes, in addition to the facility for other electronic modes. These are not applicable to a specified person having only B2B (Business to Business) businesses if at least 95% of aggregate of all amounts received during the TY, including amount received for sales, turnover or gross receipts, are by any mode other than cash.		

Notes:

1. The due date to file revised return of income has been extended from 9 months from the end of TY to 12 months from the end of TY as per section 263(5) of ITA 2025 (corresponding to section 139(5) of ITA 1961). This amendment shall be applicable from AY 2026-27.
2. The due date for filing the ROI of partner of a firm whose accounts are required to be audited and spouse of such partner if the provisions of section 10 of the ITA 2025 (corresponding to section 5A of the ITA 1961) applies to them shall be 31 October.
3. The due date of filing the ROI of the partner of a firm shall be 30 November if the said firm is required to furnish transfer pricing report.
4. The due date of filing the ROI of Partner of a firm whose accounts are not required to be audited and spouse of such partner if the provisions of section 10 of the ITA 2025 (corresponding to section 5A of the ITA 1961) applies to them shall be 31 August.
5. Notably, the amendment in section 263(1) (corresponding to section 139(1) of ITA 1961) pertaining to extension of due date to 31 August shall be applicable from AY 2026-27 onwards.
6. A senior citizen resident in India aged 75 years or more during the TY has pension income and no other income except interest income from the scheduled bank in

which the pension income is received shall be exempt from filing ROI. A declaration shall have to be furnished to the scheduled bank by such senior citizen.

7. Any person whether or not he has filed a return under section 263(1), 263(4) or 263(5) of the ITA 2025 (corresponding to section 139(1), 139(4) and 139(5) respectively of the ITA 1961), to furnish an updated return of income for a TY within 48 months of the end of the subsequent TY including in case of return of income resulting in decrease in loss.

8. Advance tax payment for income-tax is applicable to every person (except a senior citizen resident in India not having income from business or profession) where the amount of income-tax payable is Rs. 10,000 or more. Advance tax on dividend income (other than deemed dividend) is to be paid on declaration / receipt of dividend and interest on shortfall in the advance tax instalment shall not be applicable on it.

9. An eligible assessee in respect of eligible business or eligible profession referred to in section 58 of ITA 2025 (corresponding section 44AD and 44ADA of the ITA 1961) opting for computation of profits or gains of business or profession on presumptive basis, shall be required to pay advance tax of the whole amount in one installment on or before 15 March of the TY.

10. A Nil Declaration is basically a declaration for non-filing of TDS Statements for those deductors who are not liable to deduct any tax during the relevant quarter or have not deducted tax during any quarter and subsequently did not file a TDS Statement under section 397(3) of ITA 2025 (corresponding to section 200(3) of ITA 1961) for any quarter.

11. The due date to file correction statement for TDS return and TCS return shall be 2 years from the end of the TY in which the regular return was required to be delivered.

12. ‘Specified Activities’ means any event management, documentary production, production of programs for telecasting on television or over the top platforms or any other similar platform, sports event management, other performing arts or any other activity as may be notified by the CG.

13. Electronic filing of appeal is mandatory before the Commissioner of Income Tax (Appeals).

14. Appeal / memorandum of cross objection before ITAT is mandatorily required to be filed electronically using a DSC on the ITAT e-filing portal - itat.gov.in under the ‘e-filing login’ tab selecting ‘Assessee Login’. A memorandum of cross objection is to be e-filed within 30 days from the receipt of notice intimating that the appeal has been preferred before the Tribunal, against any part of the order under appeal, if required. The ITAT e-filing portal can be used with a valid PAN, registered mobile number and e-mail address and will need to be verify either through One Time Password (OTP) or verify with Pre-Validated code (PVC).

16.2 Goods and Services Tax (GST) Compliance Calendar

Nature of Compliances		Due dates	Periodicity of filing
Forms	**Description**		
GSTR-1	Details of outward supplies		
	Taxpayers whose aggregate turnover does not exceed Rs 5,00,00,000 in preceding financial year or current financial year (and opted for the QRMP scheme)	13th day of the month succeeding the quarter	Quarterly
	Taxpayers whose aggregate turnover exceeds Rs. 5,00,00,000 in preceding financial year or current financial year (Regular filers – Non QRMP)	11th day of the succeeding month	Monthly
GSTR-1A – (Optional)	Amendment of outward supplies for current tax period	Post due-date or filing date (whichever is later) of GSTR 1 for a tax period and prior to filing of GSTR 3B for that same tax period	Monthly/Quarterly for regular/QRMP filers respectively
GSTR-3B	Monthly Return	**(Refer Note 1)**	Monthly/Quarterly
GSTR-4	Annual Return by Composition scheme taxpayers **(Refer Note 2)**	30th June of succeeding financial Year	Annually
GSTR-5	Return by Non-Resident taxable person	13th day of the succeeding month	Monthly
GSTR-5A	OIDAR service provider	20th day of the succeeding month	Monthly
GSTR-6	Input Service Distributor	13th day of the succeeding month	Monthly
GSTR-7	Person deducting Tax at Source (TDS)	10th day of the succeeding month	Monthly
GSTR-8	Return by E-commerce Operator liable for collecting Tax at source under section 52	10th day of the succeeding month	Monthly

Nature of Compliances		**Due dates**	**Periodicity of filing**
Forms	**Description**		
GST ITC 04	Details of Inputs/Capital Goods sent and received back from Job Worker	25th day of the succeeding Half Year/ Year	Half Yearly/ Yearly **(Refer Note 3)**
Due date for filing Annual Return (Refer Note 4)			
GSTR-9	Annual Return	31st December of succeeding financial year	Annually
GSTR-9A	Annual Return for Composition scheme taxpayers	Suspended from FY 2019-20 onwards and replaced with annual filing in GSTR-4	Suspended from FY 2019-20 onwards and replaced with annual filing in GSTR-4
GSTR-9B	Annual Return by E-commerce operator collecting Tax at source under section 52	31st December of succeeding financial year	Annually (It may be noted that Form GSTR-9B is not notified till date)
GSTR-9C	Self-Certified Annual Reconciliation statement	31st December of succeeding financial year	Annually
Quarterly Return and Monthly Payment Scheme (QRMP)			
Invoice Furnishing Facility (IFF) - Optional	Turnover up to Rs. 5,00,00,000	13th day of succeeding month for first 2 months of a Quarter	
GSTR 1	Turnover up to Rs. 5,00,00,000	13th day of the month succeeding the quarter	Quarterly
GSTR 3B	Turnover up to Rs. 5,00,00,000	(Refer Note 1)	Quarterly
Due date of payment of GST			
For regular taxpayers: GST amount due as per return shall be paid on or before last date of filing such return			20th of the succeeding month
For QRMP taxpayers: GST amount shall be paid as per below mechanism: For first 2 months of a quarter – As per Fixed Sum Method OR Self-Assessment Method by making challan payment in Form GST PMT 06. For the quarter ending – Quarterly GSTR 3B return would be filed and cash liability net of amount already deposited in first 2 months shall be additionally paid and offset while filing the return.			25th of the succeeding month 22nd or 24th day of the month succeeding the quarter (Please refer Note 1 for state-wise due-dates)

Nature of Compliances		Due dates	Periodicity of filing
Forms	**Description**		
Interest on delayed payment of GST			
Failure to pay GST Please note: In case of delayed filing of GSTR 3B return, interest shall be payable on net cash liability. Further, as per CGST Amendment Rules 2024, any amount lying in Electronic Cash Ledger as on the due-date of filing of GSTR 3B return but debited after the due-date for discharge of liability, such amount available in the Electronic Cash Ledger shall not be considered for computing the interest on delayed payment of GST liabilities.		18% p.a.	
Undue / excess claim of input tax credit or undue / excess reduction in output tax liability Please note: In case of undue/excess claim of input tax credit, interest shall be applicable if such excess availment is also utilized by way of debit to Electronic Credit Ledger		18% p.a.	

Note 1:

- Government has implemented the Form GSTR 3B filings based on turnover in a phased manner as per the due dates specified below:

Turnover of Taxpayers	States	Due Date
Above Rs. 5,00,00,000	All States	20th day of succeeding month
Below Rs. 5,00,00,000 (Opted for quarterly filing as per QRMP Scheme)	Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, Daman and Diu, Dadra and Nagar Haveli, Puducherry, Andaman	22nd day of the month succeeding the quarter

Turnover of Taxpayers	States	Due Date
	and Nicobar Islands, Lakshadweep	
	Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand, Odisha, Jammu and Kashmir, Ladakh, Chandigarh, Delhi.	24th day of the month succeeding the quarter

Note 2:

- The due-date for filing of Form GSTR 4 from the FY 2024-25 is 30 June of the subsequent financial year (Notification No. 12/2024-Central Tax dated10 July 2024).
- The composition taxpayers are required to file a self-assessed tax return in form of a one-pager statement cum challan – **Form GST –CMP 08 (Introduced from April 2019)** of the Central Goods and Service Tax Rules, 2017. This quarterly return must be filed by the 18th day of the month succeeding the quarter.

Note 3:

- With effect from 1st October 2021, any principal with aggregate turnover above Rs. 5,00,00,000 in the preceding financial year, needs to file half yearly Form ITC-04 on or before 25th of the succeeding month following the end of the half-year Any principal with aggregate turnover up to Rs. 5,00,00,000 in preceding FY, needs to undertake filings on annual basis. Prior to 1st October 2021, all applicable taxpayers being principal were required to file Form ITC-04 on a quarterly basis without any turnover based segregation.

Note 4:

- Notification No.15/2025-Central Tax dated 17 September 2025 exempts the registered person whose aggregate turnover in any financial year is up to Rs. 2,00,00,000, from filing annual return in Form GSTR 9 for the said financial year. Further, the minimum aggregate turnover for requirement to file the Form GSTR 9C for FY 2024-25 is Rs. 5,00,00,000 (Rule 80(3) of CGST Rules, 2017).

16.3 FEMA COMPLIANCE CALENDAR

Sr.	Form Name	Description / To be filed by	Due Date(s)
COMPLIANCES PERTAINING TO FOREIGN INVESTMENTS IN INDIA			
	Annual Compliances		
1.	Annual Return on Foreign Liabilities and Assets (FLA)	An Indian Company, LLP or other entities such as SEBI registered Alternative Investment Funds (AIFs), Partnership Firms, Public Private Partnerships (PPP) etc. which have received FDI or capital contribution in the previous year(s) including the current year to file FLA return on FLAIR portal One time registration to be done on FLAIR portal for filing FLA return	On or before the 15th day of July each year
	Event based compliances The below mentioned forms (except downstream investment intimation to DPIIT) are required to be filed on FIRMS portal after obtaining entity user and business user registration on FIRMS portal		
2.	Form Foreign Currency-Gross Provisional Return (FC-GPR)	- Indian company issuing equity instruments to a person resident outside India which is considered as FDI - Conversion of ECB into equity	Within 30 days from the date of issue of equity instruments
3.	Form Foreign Currency-Transfer of Shares (FC-TRS)	Transfer of equity instruments of an Indian company between resident and non-resident or between Non-resident (On repatriation basis) and another Non-resident (On Non-repatriation basis). To be filed by resident transferor/ transferee or the non-resident holding equity instruments on a non-repatriation basis	Within 60 days of transfer or receipt / remittance of funds whichever is earlier
4.	Form ESOP	Indian company issuing employees' stock option to persons resident outside India who are its employees/directors or employees/directors of its holding company/joint venture / wholly owned overseas subsidiary/subsidiaries	Within 30 days from the date of issue of employees' stock option

Sr.	Form Name	Description / To be filed by	Due Date(s)
5.	Form Depository Receipt Return (DRR)	Domestic Custodian to report issue / transfer of depository receipts	Within 30 days of close of the Issue
6.	Form LLP (I)	LLP receiving amount of consideration for capital contribution and acquisition of profit shares from a person resident outside India	Within 30 days from the date of receipt of consideration
7.	Form LLP (II)	Disinvestment / transfer of capital contribution or profit share between resident and non-resident. To be filed by resident transferor / transferee	Within 60 days from the date of receipt of funds
8.	Form InVI	Investment vehicle which has issued its units to a person resident outside India	Within 30 days from the date of issue of units
9.	Downstream Investment by an Indian Company in another Indian Company (treated as Indirect foreign investment in later entity)/by an Investment Vehicle which is Foreign Owned and Controlled Company (FOCC)		
	– Intimation letter	An Indian entity or an investment vehicle making downstream investment in another Indian entity which is considered as indirect foreign investment for the investee Indian entity in terms of the Rules, shall notify the Secretariat for Industrial Assistance, DPIIT	Within 30 days of such investment
	– Form DI	Indian entity or an investment Vehicle making downstream investment in another Indian entity which is considered as indirect foreign investment	Within 30 days from the date of allotment of Equity instruments
10.	Form Convertible Notes (CN)	Indian start-up company issuing Convertible Notes to a person resident outside India or transfer of Convertible Notes	Within 30 days of issue/ transfer

Sr.	Form Name	Description / To be filed by	Due Date(s)
COMPLIANCES FOR OVERSEAS INVESTMENTS			
	Annual Compliances		
1.	Form APR	A person resident in India which has made Overseas Direct Investment (ODI) must submit APR annually	Every year on or before December 31
2.	Annual Return on Foreign Liabilities and Assets (FLA)	Person Resident in India (PRII) which has outstanding ODI as on 31 March, in previous year(s) including the current year is required to file FLA return on FLAIR portal One time registration to be done on FLAIR portal for filing FLA return	On or before the 15th day of July each year
	Event based compliances		
3.	Form FC – section A to E	- A PRII making ODI (Equity/Non-fund-based commitment) in foreign entity - PRII other than resident Individual making ODI in Step down Subsidiary - PRII providing guarantee on behalf of foreign entity - PRII granting loan to foreign entity - ODI by way of capitalisation of export proceeds or other entitlements	At the time of undertaking outward remittance / financial commitment whichever is earlier
4.	Form FC – section F	Reconstruction of balance sheet of foreign entity involving diminution in the total value of the outstanding dues towards person resident in India on account of investment in equity and debt	Within 30 days of re-construction
5.	Form FC – section G	A person resident in India disinvesting its stake in foreign entity by way of sale or transfer of equity capital/ buyback of equity capital/ closure/ liquidation/ winding up/ merger/ amalgamation	Within 30 days of re-ceipt of dis-investment proceeds
6.	Form OPI	- A PRII other than a resident individual, making any Overseas Portfolio Investment (OPI) - Transfer of such investment by way of sale	Within 60 days from the end of the half-year (i.e.,

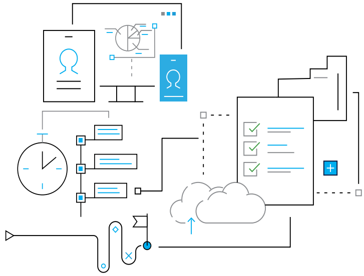
Sr.	Form Name	Description / To be filed by	Due Date(s)
		– OPI by way of acquisition of shares or interest under Employee Stock Ownership Plan or Employee Benefits Scheme	September or March–end) in which such investment or transfer is made
ECB RELATED COMPLIANCES			
1.	Form ECB 2 Return	Borrowers to report actual ECB transactions on monthly basis	Within 7 working days from the close of the month to which it relates
2.	Form ECB	Application for raising ECB under the Automatic / Approval Route and for allotment of Loan Registration Number	Prior to availing ECB
		Changes in terms and conditions of ECB, to be reported to DSIM	Within 7 days from the day of changes effected
IMPORT & EXPORT RELATED COMPLIANCES			
1.	Realization of export proceeds	Export Proceeds must be realized and repatriated to India within stipulated time limit. – In case of goods exported to a warehouse established outside India – In case of other exports AD Bank may grant approval to extend the period of realization of export proceeds	 – Within 15 months from the date of shipment – Within 15 months from the date of export

Sr.	Form Name	Description / To be filed by	Due Date(s)
		beyond stipulated period of realization, up to a period of 6 months, at a time subject to certain conditions	
2.	Remittances for Import Payments	Remittance towards import of goods and services AD Category – I banks can consider granting extension of time for settlement of import dues up to a period of 6 months at a time (maximum up to the period of 3 years) subject to certain conditions	Not later than 6 months from the date of shipment
3.	EDF Form	Exporters shall submit the duplicate copy of the EDF to Customs Duplicate EDF along with relative shipping documents and an extra copy of invoice to be submitted to the AD named in the EDF	At the time of shipment of goods Within 21 days from the date of export
4.	Form SOFTEX	Exporter should submit declaration in Form SOFTEX in quadruplicate in respect of export of computer software and audio / video / television software to the designated official concerned of the Government of India at STPI / EPZ /FTZ / SEZ	Within 30 days from the date of invoice / the date of last invoice raised in a month
COMPLIANCES RELATED TO BO / LO / PO			
1.	Form FNC	Application for establishing BO/LO/PO or Requests for establishing additional BOs / LOs may be submitted to the AD Category-I bank	–

Sr.	Form Name	Description / To be filed by	Due Date(s)
2.	Annual Activity Certificate (AAC)	BO/LO must file AAC along with the audited financial statements to the designated AD Category – I bank as well as Director General of Income Tax (International Taxation), New Delhi whereas PO needs to submit AAC only to the designated AD Category – I bank	On or before September 30 of every year
		If the annual accounts of the BO/LO are finalized with reference to a date other than March 31	Within 6 months from the due date of the Balance Sheet

Chapter 17 ESG and Sustainability: Green Initiatives

17.1 Steering India Towards ESG, Net Zero and Clean Energy Leadership



The Union Budget 2026-27 clarifies India's standing as a secure, independent and globally competitive economy towards the ambition of becoming the third largest in the world. India's climate policy continues to incorporate fiscal incentives, flagship programs, and regulatory reforms to advance ESG-aligned goals beyond renewable power as the nation moves closer to its 2030 climate targets and Net Zero by 2070.

17.2 ESG Disclosures: Moving from Compliance to Credibility

In line with SEBI and India's developing sustainability framework, the Union Budget emphasises programs that directly improve corporate transparency and ESG governance. Companies can incorporate emission-reduction and risk-mitigation strategies with quantifiable bottom-line impact across environmental, social, and governance performance through measures pertaining to energy efficiency (linked to CCTS), Sovereign Green Bonds, and MSME governance. Disclosure credibility has been further improved by the focus on third-party assessment and assurance, especially for Scope 3 emissions and value-chain risk management.

17.3 Sustainability Initiatives, Climate Action & Net Zero 2070

The government has emphasised the sustainable development agenda through a clear decarbonisation strategy, allocating Rs. 33,000 crore to build upon India's Renewable Energy (RE) Strategy under the Make in India and Atmanirbhar Bharat missions. Renewable energy sources like solar and wind remain the centre point of India's clean energy transition, supported by Rs. 22,000 crore under PM Surya Ghar and KUSUM. Bioenergy & green hydrogen are emerging as new renewable integration pathways, with grid readiness for over 260 GW of installed renewable capacity through the Green Energy Corridor.

Sustainability Initiatives: Budget Provisions (In Rs. Crore)

Budget (Y-O-Y)	2022-23	2023-24	2024-25	2025-26	2026-27
RE Total	6,901	10,222	17,063	26,549	32,915
PM Surya Ghar	62	362	11,100	20,000	22,000
PM KUSUM	1,716	1,996	2,525	2,600	5,000
Green Corridor	300	500	600	600	600
Solar (Grid)	3,304	4,970	1,300	1,500	1,775
Wind (Grid)	1,050	1,214	800	500	500
Green H2	0	297	300	600	600
Biogas Etc.	470	883	438	749	2,440

India's transport network is being rampantly decarbonised through the continued PM E-DRIVE scheme, rail & metro electrification & high-speed rail corridors. The Ministry of Power has also dedicated Rs. 1,176 crore for energy efficiency and BESS viability gap funding for renewable grid integration. Newer addition of CCUS with Rs. 20,000 crore outlay over the next 5 years and major focus on Atomic Energy (SHANTI scheme) demonstrates India's focus towards Net Zero. Import duty exemptions on BESS, solar and nuclear infra have been additional relief for India Inc.

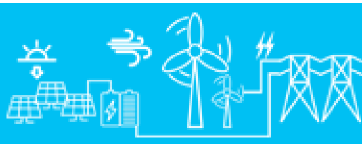
Strategic Initiatives: Budget Provisions (In Rs. Crore)

Budget (Y-O-Y)	2022-23	2023-24	2024-25	2025-26	2026-27
Grand Total	40,349	46,305	50,256	57,032	53,933
Green Mission	188	220	160	220	213
Rail & Metro	29,757	33,815	39,691	46,239	43,740
Sus. Agriculture	0	0	91	91	97
Nuclear Energy	7,436	6,963	5,767	6,126	7,122
Transport (E-Drive)	2,908	5,172	4,429	4,000	1,586
Efficiency / BESS	60	135	118	356	1,176

17.4 Conclusion: A Budget that Aligns Growth with Responsibility

This Budget serves as a strategic blueprint for India's transition to a low-carbon future by accelerating renewable energy deployment, embedding governance, sustainability and social responsibility into economic growth. It further strengthens the social pillar through investments in women's empowerment, youth-focused education, skills, employability, and future-ready technology pathways to boost innovation.

Powering Sustainable Growth Through Clean Energy



Re-engineering Energy for a Sustainable Tomorrow

| Solar | Wind | Green Hydrogen | CBG | BESS | CCUS |

Decarbonization Policy & Strategy

- Current Operations: Gap Identification
- RE Strategy and Net-Zero Roadmap
- Review Energy Policy and Regulatory Framework
- Technology/ Market Analysis

Project Life Cycle Support

- Site Screening and Interconnection Feasibility (IFC/ WB)
- E&S Impact Assessment
- Techno-Commercial Feasibility and Project Report Validation
- Tendering and Bid Review
- Life Cycle Assessment

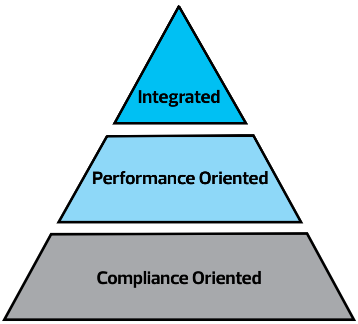
Technical & Performance Review

- SCADA Assessment
- Loss/Degradation Study
- Predictive Maintenance and Reliability Analysis
- Power System Studies and Electrical Testing
- Soil and Water Testing
- Operational Efficiency and CCTS Evaluation

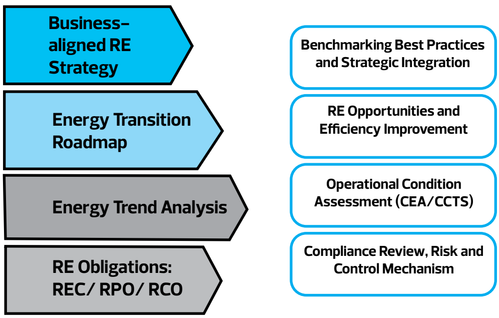
Internal AuditRE Review

- Capacity-Building
- Energy Diagnosis
- RE Waste Management and Circular Economy
- Cloud-based Data Assessment
- Assurance Support

RE Approach



Assessment / Baseline Study



ABBREVIATIONS

A

AAR	Advance Authority Rulings
AD	Authorised Dealer
ADB	Asian Development Bank
ADD	Anti-Dumping Duty
AE	Associated Enterprise
AJP	Artificial Juridical Person
ALP	Arm's Length Price
AMT	Alternate Minimum Tax
AO	Assessing officer
AOP	Association of Persons
APA	Advance Pricing Agreement
APR	Annual Performance Report
ARC	Asset Reconstruction Company
ARO	Advance Release Order

B

BEPS	Base Erosion and Profit Shifting
BO	Branch Office
BOI	Body of Individuals

C

CbCR	Country-by-Country Report
CBU	Completely Built Unit
CCIT	Chief Commissioner of Income Tax
CDP	Collect and Delivery Point
CENVAT	Central Value Added Tax
CG	Central Government
CIT	Commissioner of Income Tax
CIT(A)	Commissioner of Income Tax (Appeals)
CPI	Consumer Price Index
CPSEs	Central Public Sector Enterprises
CSL	Cochin Shipyard Limited
CTA	Customs Tariff Act / Covered Tax Agreement
CVD	Countervailing Duty

D

DGFT	Directorate General of Foreign Trade
DPE	Designated Payment Entity
DFCs	Dedicated Freight Corridors
DPI	Digital Public Infrastructure
DPIIT	Department for Promotion of Industry and Internal Trade
DRC	Dispute Resolution Committee
DRP	Dispute Resolution Panel
DSIM	Department of Statistics and Information Management
DTAA	Double Taxation Avoidance Agreement

E

ECB	External Commercial Borrowings
EDF	Export Declaration Form
EFR	Effective Tax Rate
ELOG	Ease of Logistics
EPF	Employee Provident Fund
EPFO	Employees' Provident Fund Organisation
EPZ	Export Processing Zone
ESG	Environmental, Social and Governance

F

FC	Financial Commitment/ Foreign Currency
FDI	Foreign Direct Investment
FIIs	Foreign Institutional Investors
FIPB	Foreign Investment Promotion Board
FIRMS	Foreign Investment Reporting & Management System
FLAIR	Foreign Liabilities & Assets Information Reporting
FOR	Free On Road
FPI	Foreign Portfolio Investor
FTS	Fees for Technical Services
FTZ	Foreign Trade Zones
FTWZ	Free Trade Warehousing Zone

G

GAAR	General Anti Avoidance Rules
GDR	Global Depository Receipts
GHG	Greenhouse gases
GIR	GloBE Information Return
GloBE	Global Anti-Base Erosion
GMT	Global Minimum Tax
GRI	Global Reporting Initiative
GSTN	Goods and Services Tax Network
GW	Gigawatt

I

ICEGATE	Indian Customs Electronic Gateway
IDS	Income Disclosure Scheme, 2016
IEC	Importer- Exporter Code
IIR	Income Inclusion Rule
IF	Inclusive Framework
IFHP	Income from House Property
IFSC	International Financial Service Centre
IMF	International Monetary Fund
IMS	Invoice Management System
IRDAI	Insurance Regulatory & Development Authority of India
ISD	Input Service Distributor
ISIN	International Securities Identification Number
ITAT	Income Tax Appellate Tribunal
ITeS	Information Technology enabled Services
IT Rules	Income-tax Rules, 1962

J

JCIT(A)	Joint Commissioner of Income Tax (Appeals)
JDA	Joint Development Agreement

K

KPO	Knowledge Process Outsourcing

L

LDC	Lower Deduction Certificate
LGD	Lab Grown Diamonds
LO	Liaison Office
LOB	Limitation of Benefit
LRS	Liberalized Remittance Scheme
LTC	Leave Travel Concession
LTCA	Long term Capital asset
LTCG	Long Term Capital Gain

M

MAT	Minimum Alternate Tax
MDSH	Marketing & Distribution Profits Safe Harbour
MFN	Most Favored Nation
MLC	Multilateral Convention
MLI	Multilateral Instruments
MMLP	Multi-Model Logistics Parks
MMR	Maximum Marginal Rate
MoPSW	Ministry of Ports, Shipping and Waterways

N

NABARD	National Bank for Agriculture & Rural Development
NaFAC	National Faceless Assessment Centre
NCLT	National Company Law Tribunal
NPAs	Non Performing Assets
NPS	National Pension Scheme
NRP	National Rail Plan
NSC	National Saving Certificate
NSQF	National Skills Qualifications Framework
NTRO	National Technical Research Organization

O

OECD	Organisation for Economic Co-operation and Development
OIDAR	Online Information Data Base Access and Retrieval

P

PBPT	Prohibition of Benami Property Transaction Act, 1988
PCIT	Principal Commissioner of Income Tax
PCCIT	Principal Chief Commissioner of Income Tax
PE	Permanent Establishment
PMLA	Prevention of Money Laundering Act, 2002
PO	Project Office
PPP	Purchasing Power Parity
PPT	Principal Purpose Test
PSB	Public Sector Banks
PSU	Public Sector Undertakings

Q

QDMTT	Qualified Domestic Minimum Top-up Tax
QFI	Qualified Foreign Investors
QRMP	Quarterly Returns & Monthly Payment

R

RA	Regional Authority
R&D	Research & Development
RCM	Reverse Charge Mechanism
RDB	Rupee Denominated Bond
RI	Resident Individual
RMS	Risk Management System
ROI	Return of Income
RPF	Recognized Provident Fund

S

SAED	Special Additional Excise Duty
SBTI	Science Based Targets initiative
SDT	Specified Domestic Transaction
SGB	Sovereign Gold Bond
SHR	Safe Harbour Rules
SIG	System Improvement group
SION	Standard Input Output Norms
SKD	Semi-Knocked Down
SOP	Self-Occupied Property
STEM	Science, technology, engineering, and mathematics
SOFTEX	Software Export
SPV	Special Purpose Vehicle
STT	Security Transaction Tax
STTR	Subject To Tax Rates
SUUTI	Special Undertaking of the Unit Trust of India

T

TAN	Tax Deduction and Collection Account Number
TP	Transfer Pricing
TPO	Transfer Pricing Officer
TRC	Tax Residency Certificate
TReDS	Trade Receivables electronic Discounting System

U

UEN	Unique Entity Number
ULIP	Unit linked Insurance Policy
UPE	Ultimate Parent Entity
UTPR	Undertaxed Payment Rule

V

VDA	Virtual Digital Assets

W

WMS	Warehouse management system
WOS	Wholly Owned Subsidiary
WPI	Wholesale Price Index

RSM India

Mumbai (Corporate Office)
96-97, 9th Floor,
Maker Chambers VI,
Nariman Point, Mumbai – 400021.

3rd floor, Technopolis Knowledge
Park, A Wing, MIDC
Andheri East, Mumbai - 400 093

Navi Mumbai
1201A, Rupa Renaissance
Juinagar, MIDC Road
Navi Mumbai - 400 705

New Delhi - NCR
4th Floor, 407, Time Tower,
Mehrauli Gurugram Road,
Sushant Lok Phase 1,
Gurugram - 122 002

1st, 2nd & 3rd floor, B37, Sector 1
Noida - 201 301

Chennai
2nd & 4th floor, Apex Towers
R.A. Puram, Chennai - 600 028

Bengaluru
3rd floor, Jubilee Building
45, Museum Road
Bengaluru - 560 025

Hyderabad
1208, Gowra Fountainhead,
Huda Techno Enclave, Hitec City,
Hyderabad - 500 081

Kolkata
5th floor, J K Millennium Centre
Jawaharlal Nehru Road
Kolkata - 700 071

Surat
RSM House, DTA-2
G-02 to G-05 Plot
Gujarat Hira Bourse
Ichhapore-2, Surat - 394 510

Ahmedabad
B/211, 2nd floor, Mondeal Heights
Opp. Karnavati Club, S.G. Highway
Ahmedabad - 380 015

Pune
603, Pride House
Ganesh Khind Road
Opp. NIC University Chowk
Pune - 411 016

Gandhidham
206, Sunshine Arcade II
Plot No. 37, Sector 8
Near D-Mart
Gandhidham - 370 201

Jaipur
101/102, 1st Floor, UDB Tower
University Marg, Bapu Nagar
Jaipur- 302 015

Vijayanagar
A2/UT-F, Power Valley
JSW Steel Township Toranagullu
Bellary - 583 123

THE POWER OF BEING UNDERSTOOD

RSM

For further information please contact:

RSM Astute Consulting Pvt. Ltd.

301-307, 3rd Floor, Technopolis Knowledge Park, Mahakali Caves Road, Chakala, Andheri East, Mumbai 400 093.

T: (91-22) 6108 5555/ 6121 4444

F: (91-22) 6108 5556/ 2287 5771

E: emails@rsmindia.in W: www.rsmindia.in

Offices: Mumbai, New Delhi - NCR, Chennai, Kolkata, Bengaluru, Navi Mumbai, Surat, Hyderabad, Ahmedabad, Pune, Gandhidham, Jaipur and Vijayanagar.

facebook.com/RSMinIndia

x.com/RSM_India

linkedin.com/company/rsm-india

Youtube.com/c/RSMIndia

February 2026