INDIA BUDGET 2026

Key Aspects in a Nutshell

Macro Economic Analysis - Economy Survey 2025-26

The Department of Economic Affairs released a report ‘Economic Survey 2025-26’ on 29 January 2026. The key economic highlights as per the aforesaid report and certain significant aspects as announced by the Hon’ble Finance & Corporate Affairs Minister Mrs. Nirmala Sitharaman in the Union Budget 2026 on 1 February 2026 are as under:

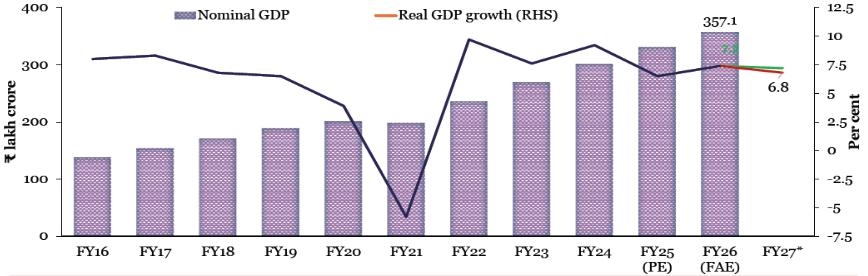
GDP GROWTH

- The India’s real GDP is estimated to grow by 7.4% in FY 2025-26 and is projected to grow at 6.8% - 7.2% in FY 2026-27.
- India’s potential growth rate revised from 6.5% to 7%.

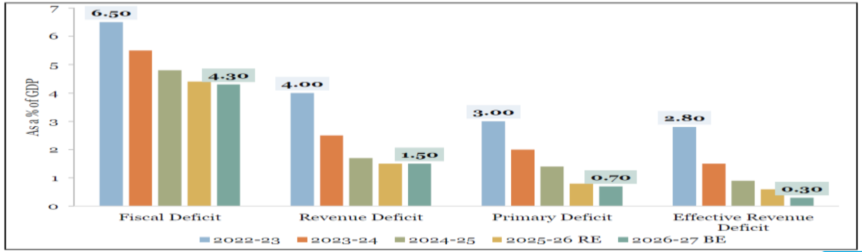
EXTERNAL DEBT

- India’s external debt stood at US$ 746 billion as at September 2025 as against US$ 736.30 billion as at March 2025. The external debt-to-GDP ratio has remained broadly stable, averaging around 20.2% over the last decade.
- India’s external debt to GDP ratio stood at 18.4% which is relatively lower as compared to many large economies.
- India’s debt-to-GDP ratio is estimated to be 55.6% for FY 2026-27, compared to 56.1% of GDP for FY 2025-26.

India Retains Strong Growth Momentum, Expected to Grow By 6.8 – 7.2% In FY27



Deficit Trends



Macro Economic Analysis - Economy Survey 2025-26

FOREIGN DIRECT INVESTMENT (FDI)

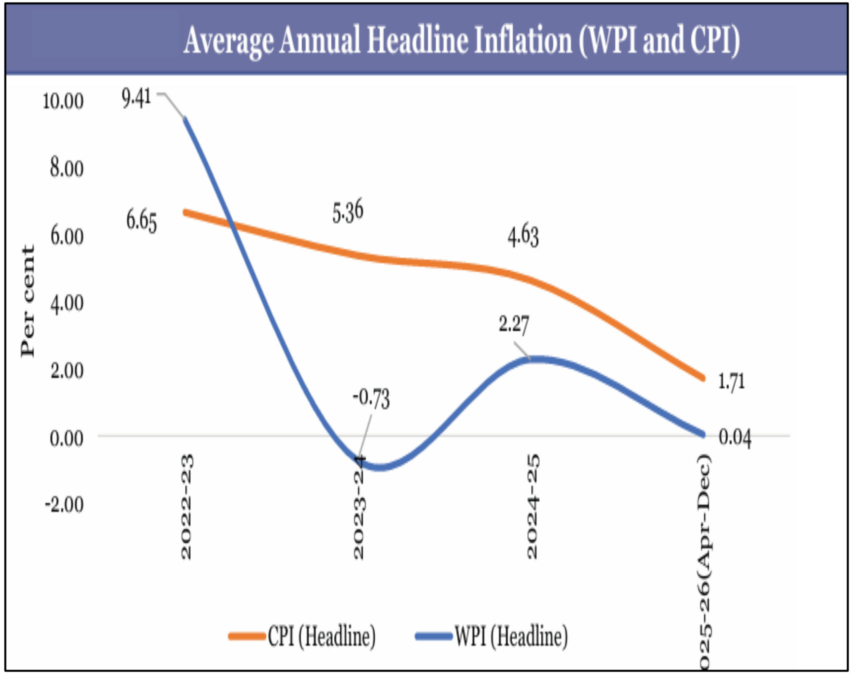
- Gross FDI inflows in India stood at US$ 81.0 billion in FY 2024-25 representing a 13% increase from US$ 71.3 billion in FY 2023-24. Gross FDI inflows further strengthened to US$ 64.7 billion for the period April to November 2025, as compared to US$ 55.8 billion in April to November 2024.
- India's foreign exchange reserves rose to US$ 701.4 billion as on 16 January 2026, covering 11 months of imports and ~94% of external debt outstanding as of September 2025.

FISCAL DEFICIT

- The fiscal deficit for FY 2024-25 is achieved at 4.8% of GDP and estimated at 4.4% of GDP for FY 2025-26. The fiscal deficit for FY 2026-27 is budgeted at 4.3% of GDP.

INFLATION

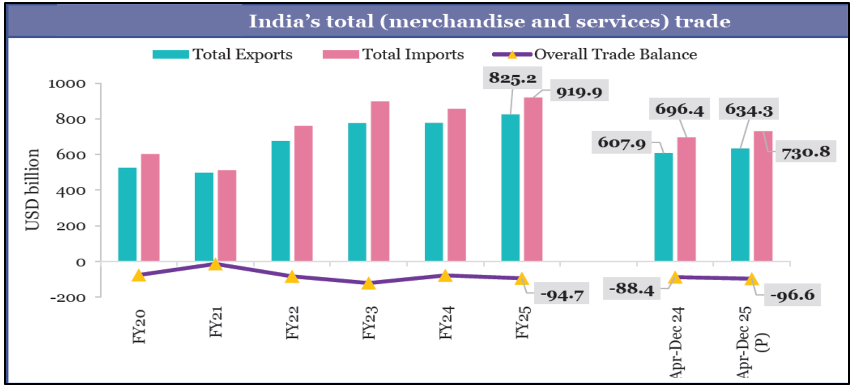
- The Retail inflation has declined steadily from 6.7% in FY 2022-23 to 1.7% in FY 2025-26 (upto December 2025).



Macro Economic Analysis - Economy Survey 2025-26

FOREIGN TRADE

- The total exports (merchandise and services) reached US$ 825.3 billion in FY 2024-25, registering a 6.1% (YoY) growth, with continued momentum in FY 2025-26. Merchandise exports grew by 2.4% in April to December 2025, while service exports increased by 6.5%.
- The total imports during the same period reached US$ 919.9 billion, registering a growth of 7.4% (YoY).



TAX COLLECTIONS

- The net tax receipts are estimated at Rs. 26.70 lakh crores. The direct tax collections have reached ~53% of the budgeted target as on November 2025. Indirect tax collections remained robust despite lower inflation and import volatility.

	Revenue receipts / GDP	Gross Tax Revenue / GDP	Non-corporate tax collections / GDP		Income tax returns filed
Post-pandemic avg (FY22-FY25)	9.1%	11.5%	3.3%	2024-25	9.2 crore
Pre-pandemic avg (FY16-FY20)	8.5%	10.8%	2.4%	2021-22	6.9 crore

Macro Economic Analysis - Economy Survey 2025-26

OTHER ASPECTS

- GIFT city has shown a strong growth momentum with over 1034 domestic and international entities registered across various categories as on 30 November 2025. GIFT City has moved up 9 places in the Global Financial Centres Index (GFCI), reaching a rank of 43 out of 120 financial centers.

- India is now the world's 3rd largest domestic aviation market, with the number of airports increasing from 74 in 2014 to 164 in 2025.

- The Multidimensional Poverty Index has declined from 55.3% in FY 2005-06 to 11.28% in FY 2022–23.

- India ranks 3rd globally in renewable energy and installed solar capacity. India has also become 4th nation to achieve autonomous satellite docking capability under the SPADEX mission.

Introduction to Union Budget 2026

In the backdrop of the Economic Survey, the Hon'ble Finance & Corporate Affairs Minister Mrs. Nirmala Sitharaman presented the Union Budget on 1 February 2026.

We present the tax proposals for amendments under the Finance Bill, 2026 under the following heads:

A. Direct Tax Proposals

1. **Rates of Income-tax – Corporate Entities and Individual & HUFs**
2. **Significant tax announcements**

a) Business Entities
b) TDS & TCS Provisions
c) General
d) Transfer Pricing
e) Non-Profit Organisations (NPOs)

B. Indirect Tax Proposals

C. Other Significant Proposals

The said proposals will be effective after the Finance Bill, 2026 (as finally approved by the legislature) receives assent of the Hon'ble President of India.

Direct Tax - Rates of Income-tax – Corporate Entities

A. Tax Rates for Domestic Companies unchanged for FY 2026-27

Particulars	Maximum Effective Tax Rate	Effective MAT Rates
Opting for Concessional Tax Regime		
Domestic companies opting for concessional corporate tax regime - Tax under section 200 of ITA, 2025 (corresponding to section 115BAA of ITA, 1961) - Irrespective of the level of total income	25.168%	Not Applicable (Note 1)
New domestic companies with manufacturing activity opting for concessional corporate tax regime - Tax under section 201 of ITA, 2025 (corresponding to section 115BAB of ITA, 1961) - Irrespective of the level of total income (Applicable to new companies set-up after 1 October 2019 and commenced manufacturing on or before 31 March 2024)	17.16%	
Not Opting for Concessional Tax Regime		
Having total turnover / gross receipts in FY 2024-25 upto Rs. 400 crore	29.12%	16.3072% (Note 2)
Having total turnover / gross receipts in FY 2024-25 exceeding Rs. 400 crore	34.944%	

Direct Tax - Rates of Income-tax – Corporate Entities

Proposed changes in respect of MAT provisions

Note 1 – Domestic companies opting for concessional tax regime for a 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.

Note 2 – The MAT rate for domestic companies not opting for concessional rax regime has been reduced to 14% (effective MAT rate = 16.3072%) from earlier 15% (effective MAT rate = 17.472%) from tax year 2026-27 and onwards. Further, tax paid under MAT provisions shall be considered as final tax and no resultant MAT credit shall be allowed for carry forward and set-off in subsequent years.

B. The tax rate for foreign companies continues to be 35% (excluding applicable surcharge and health & education cess) (on income other than income chargeable at special rates)

Direct Tax - Rates of Income-tax – Individuals & HUFs

RSM

FY 2026-27 - Old tax regime - unchanged

Total Income (Rs.)	Tax rate
Upto 2,50,000	Nil
2,50,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

FY 2026-27 - New tax regime – unchanged

Total Income (Rs.)	Tax rate
Upto 4,00,000	Nil
4,00,001 to 8,00,000	5%
8,00,001 to 12,00,000	10%
12,00,001 to 16,00,000	15%
16,00,001 to 20,00,000	20%
20,00,001 to 24,00,000	25%
Above 24,00,000	30%

Note: Rebate of Rs. 12,500 available in case of old tax regime for total income upto Rs. 5,00,000 has been continued. Rebate of Rs. 60,000 in case of new tax regime for total income upto of Rs. 12,00,000 also continued. (applicable for resident individuals only)

FY 2026-27 – Surcharge rate

Total Income (Rs.)	Surcharge
50,00,001 to 1,00,00,000	10%
1,00,00,001 to 2,00,00,000	15%
2,00,00,001 to 5,00,00,000	25%
Above 5,00,00,000 (old regime only)	37%

- Maximum rate of surcharge capped @ 15% in case of dividend (for residents), long-term capital gains and short-term capital gains (under section 111A of the ITA, 1961 and section 196 of ITA, 2025)
- Maximum rate of surcharge capped @ 25% in case of new tax regime

Health and education cess applicable @ 4%

Direct Tax - Rates of Income-tax – Business Entities

SIGNIFICANT TAX ANNOUNCEMENTS – Business Entities

➢ **Rationalisation of tax treatment on buy-back of shares: Shift from dividend income to capital gains with special provisions for promoters -** Under the ITA, 2025, it is now proposed to tax buy-back proceeds as capital gains instead of dividend income. The applicable rate for promoter shareholders shall be as under:

Type of Promoters	Nature of gains	Type of security	Normal tax rate	Additional tax rate	Total tax rate
Domestic Company	Long term	Listed Shares	12.5%	9.5%	22%
	Long term	Unlisted Shares	12.5%	9.5%	22%
	Short term	Listed Shares	20%	2%	22%
	Short term	Unlisted Shares	Applicable Rate	-	Applicable Rate
Other than domestic company	Long term	Listed Shares	12.5%	17.5%	30%
	Long term	Unlisted Shares	12.5%	17.5%	30%
	Short term	Listed Shares	20%	10%	30%
	Short term	Unlisted Shares	Applicable Rate	-	Applicable Rate

The above tax rates are excluding surcharge and health & education cess. Tax rates for non-promoter shareholders shall be same as their applicable capital gains tax rates.

SIGNIFICANT TAX ANNOUNCEMENTS – Business Entities

- **Rationalising the due date of payment for allowability of employees' contribution to various welfare funds** – Section 29(e)(i) of the ITA, 2025 [corresponding to section 36(1)(va) of the ITA, 1961] provides for deduction of employees' contribution to welfare funds if the amount is paid to the relevant fund within due date as specified under the respective Act. It is proposed to amend the section to provide that the due date for payment shall be due date of filing of return under section 263(1) of the ITA, 2025 [corresponding to section 139(1) of the ITA, 1961].

- **Clarification in respect of exemption of income on compulsory acquisition of any land under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act) –** Section 96 of RFCTLARR Act provided for income-tax exemption on any award or agreement made under the said Act on compulsory acquisition of land. In order to resolve ambiguity and align the provisions of the ITA, 2025 with RFCTLARR Act, it is proposed to expressly provide for such exemption under Schedule III read with section 11 of the ITA, 2025 (corresponding to section 10 of the ITA, 1961).

- **Extension of period of deduction for units in IFSC and rationalization of tax rate** – The provisions of section 147 of the ITA, 2025 (corresponding to section 80LA of the ITA, 1961) provide for deduction of 100% on certain incomes to the units of IFSC and offshore banking units (OBUs). This is available for 10 consecutive years out of 15 years for units in IFSC and 10 consecutive years for OBUs. To increase the competitiveness of IFSC, it is proposed to increase the period of deduction 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%.

Direct Tax - Rates of Income-tax – Business Entities

SIGNIFICANT TAX ANNOUNCEMENTS – Business Entities – Attracting Global Business and Investment

In order to attract global business and investment, it is proposed to provide below exemptions:

Income not to be included in the total income	Eligible Persons	Conditions
Any income arising on account of providing capital goods, equipment or tooling to a contract manufacturer, being a resident company	A foreign company, who is providing capital goods, equipment or tooling to the contract manufacturer for use in electronic manufacturing in India	(a) Ownership of such capital goods, equipment or tooling remains with the foreign company; (b) Such capital goods, equipment or tooling is under the control and direction of the contract manufacturer; (c) The contract manufacturer is located in a custom bonded area; (d) The contract manufacturer produces electronic goods on behalf of the foreign company for a consideration; (e) Such exemption shall be available up to the tax year 2030-2031
Any income which accrues or arises outside India and is not deemed to accrue or arise in India.	An individual, being a non-resident for a period of five consecutive tax years immediately preceding the tax year during which he visits India for the first time for rendering services in India in connection with any scheme as may be notified by the Central Government.	(a) Such individual, during the relevant tax year renders any service in India in connection with any scheme as may be notified by the Central Government; (b) Such exemption shall not be available beyond a period of five consecutive tax years commencing from the first tax year during which he visits India in connection with such scheme; and (c) Such other conditions, as may be prescribed.

Direct Tax - Rates of Income-tax – Business Entities

SIGNIFICANT TAX ANNOUNCEMENTS – Business Entities – Attracting Global Business and Investment (Contd.)

In order to attract global business and investment, it is proposed to provide below exemptions (Contd.):

Income not to be included in the total income	Eligible Persons	Conditions
Any income accruing or arising in India or deemed to accrue or arise in India by way of procuring data centre services from a specified data centre.	A foreign company	(a) Such foreign company is notified by the Central Government in this behalf; (b) Such foreign company does not own or operate any of the physical infrastructure or any resources of the specified data centre; (c) All sales by such foreign company to users located in India are made through a reseller entity being an Indian company; (d) Such foreign company maintains and furnishes such information in such form and manner, as may be prescribed; and (e) Such exemption shall be available up to tax year ending on the 31 March 2047.

SIGNIFICANT TAX ANNOUNCEMENTS – TDS provisions

- **Electronic procedure for Lower deduction certificate –** It is proposed to enable electronic filing, verification and issuance of lower rate or no rate deduction certificate to ease the compliance burden of small taxpayers.

- **No TAN for TDS compliance in case of purchase of immovable property from non-resident –** In case of a resident seller, buyer was not required to obtain TAN to comply with applicable TDS provisions. The said relaxation is proposed to be extended to cases where seller is a non-resident. (The proposed amendment is effective from 1 October 2026)

- **TDS on supply of manpower** – Supply of manpower to a person to work under his supervision, control or direction is proposed to be considered under the ambit of ”work” and accordingly, subjected to TDS (1% in case of individuals / HUFs and 2% in case of others).

- **No TDS on interest income of co-operative society engaged in banking –** It is proposed to amend section 393(4) of the ITA 2025 (corresponding to section 193 of the ITA 1961) to not levy TDS on interest income credited or paid to a co-operative society engaged in banking (including a co-operative land mortgage bank).

Direct Tax

SIGNIFICANT TAX ANNOUNCEMENTS – TCS provisions

The Finance Bill, 2026 has proposed the following changes to rationalize TCS rates prescribed under section 394(1) of the ITA 2025 (corresponding to section 206C of the ITA 1961). The said changes are proposed to be effective from 1 April 2026.

Sr. No.	Nature of receipt	As per the ITA 2025		Proposed in Finance Bill, 2026	
		Threshold	TCS rate	Threshold	TCS rate
1	Sale of alcoholic liquor for human consumption, scrap and minerals (coal, lignite or iron ore)	No threshold	1%	No threshold	**2%**
2	Sale of tendu leaves	No threshold	5%	No threshold	**2%**
3	Remittance under Liberalised Remittance Scheme (LRS) for educational loan obtained from financial institution as defined in section 129(3)(b) of the ITA 2025 (corresponding to section 80E of ITA 1961)	No threshold	-	No threshold	-
4	Remittance under LRS for education other than mentioned above and for medical treatment	Above Rs. 10,00,000 p.a.	5%	Above Rs. 10,00,000 p.a.	**2%**
5	Purchase of overseas tour programme package	Upto Rs. 10,00,000 p.a.	5%	No threshold	**2%**
		Above Rs. 10,00,000 p.a.	20%		

Direct Tax

SIGNIFICANT TAX ANNOUNCEMENTS – General

- **Extending the due date to file return of income for certain assessees –** The due date to file return of income in case of non-audit business cases and trust is proposed to be extended from 31 July to 31 August from the end of relevant tax year. The proposed amendment shall be with effect from 1 March 2026, relevant for FY 2025-26 onwards.

- **Extending the period for filing revised return –** The time limit to file revised return of income is proposed to be extended from 31 December to 31 March from the end of relevant tax year, on payment of fees. The proposed amendment shall be with effect from 1 March 2026, relevant for FY 2025-26 onwards.

- **Scope for filing of updated return in case of reduction of losses –** Earlier, filing of updated return could not be filed in case of return of losses. It is proposed to allow filing of updated returns in case where taxpayers reduce the amount of loss in comparison to the loss already claimed in the original return of income. The proposed amendment shall be with effect from 1 March 2026.

- **Allowing filing of updated return after issuance of notice under reassessment–** Earlier, filing of updated return was not permitted in case where assessment or reassessment was pending. It is proposed to allow filing of updated return, where reassessment proceedings are initiated, within the time limit specified in the reassessment notice. The additional income-tax in such case shall be further increased by 10% of aggregate tax and interest payable. The proposed amendment shall be with effect from 1 March 2026.

SIGNIFICANT TAX ANNOUNCEMENTS – General

- **Clarification regarding jurisdiction to issue notice under section 148 / 148A of the ITA 1961–** It is proposed to clarify that pre-assessment enquiry under section 148A of the ITA 1961 or issuance of notice under section 148 of the ITA 1961 is to be completed by Assessing officer [other than National Faceless Assessment Centre (NFAC) or any of its assessment units]. Once the Assessee officer reaches a conclusion that case is fit for reassessment and an intimation is sent to the Assessee, the case shall thereafter be carried out in a faceless manner by NFAC. These amendments shall be retrospectively applicable from 1 April 2021, with corresponding changes in the ITA 2025.
- **Assessment not to be invalid on ground of any mistake, defect, or omission on account of Document Identification Number (DIN), if such assessment is referenced by DIN in any manner -** These amendments shall be retrospectively applicable from 1 October 2019, with corresponding changes in the ITA 2025.
- **Introducing Penalty provision for non-furnishing / furnishing inaccurate information in a statement for crypto-asset transactions –** Section 509 of the ITA 2025 (corresponding to section 285BAA of the ITA 1961) provides for obligation to reporting entities to furnish information in respect of transaction in crypto assets. It is proposed to amend section 446 of the ITA 2025 (corresponding to section 271B of the ITA 1961) to provide penalty of Rs. 200 per day for non-furnishing of statement and Rs. 50,000 for furnishing inaccurate particulars in such statement.
- **Expanding the scope of immunity from penalty or prosecution –** It is proposed to amend Section 440 of ITA 2025 (corresponding section 270AA of the ITA 1961) to extend the benefit of immunity of penalty levied on under reporting of income to cases of penalties levied for mis-reporting of income. However, the taxpayer is required to pay an additional income-tax to the extent of 100% of the amount of tax payable on such income in lieu of penalty.

Direct Tax

SIGNIFICANT TAX ANNOUNCEMENTS – General

- **Correction in provisions relating to Income from House Property align with ITA 1961 –**

  Section 21(5) of the ITA 2025 (corresponding to section 23 of the ITA 1961) is proposed to be corrected to provide annual value of property held as stock in trade is to be taken as NIL upto (instead of 'for') 2 years from the end of relevant financial year in which certificate of construction is obtained from the competent authority.

  Section 22 (corresponding to section 24 of the ITA 1961) of the ITA 2025 is proposed to be amended to provide that aggregate deduction of interest on borrowed capital shall be inclusive of prior period interest for the purpose of ceiling limit of allowable deduction of Rs. 2 Lakhs

- **Rationalisation of Prosecution proceedings –** It is proposed to rationalize / decriminalise certain offences by making punishments proportionate to the crimes.

- **Rationalizing the period of block in case of other persons (third party other than specified person) –** It is proposed to amend section 295 of the ITA 2025 (corresponding to section 158BD of the ITA 1961) to limit the period of block in case of other person to a single tax year (earlier block period of assessment were same for specified person and such other person).

- **Referencing the time limit to complete block assessment to the initiation of search or requisition–** It is proposed to amend section 296 of the ITA 2025 (corresponding to section 158BE of the ITA 1961) to take the date of initiation of search (instead of date of last search authorization or requisition) as reference point to determining date of limitation for block assessment. It is also proposed to increase the time limit from 12 months to 18 months. As such, the amended provisions shall provide that the assessment or reassessment must be completed within 18 months from the date of initiation of search.

Direct Tax

SIGNIFICANT TAX ANNOUNCEMENTS – General

Rationalization of Penalties into Fees – It is proposed to convert penalties for technical delays to fees as under:-

Earlier Sections of ITA 2025	Proposed Sections of ITA 2025	Nature of Non-compliance	Penalties (In Rs.) [Before Amendment]	Graded Fees (In Rs.) [After Amendment]
446 [271B of ITA 1961]	428(c)	Failure to get accounts audited	0.5% of total sales / turnover or gross receipts or Rs. 1,50,000, whichever is less	75,000 – 1,50,000, depending on the period of delay
447 [271BA of ITA 1961]	428(4)	Furnish accountant's report in Form 3CEB	Rs 1,00,000	50,000 – 1,00,000, depending on the period of delay
454(1) [271FA of ITA 1961]	427(3)	Furnish statement of financial transactions or reportable account	Rs. 500 / Rs. 1,000 per day	

Separately, penalty relating to SFT reporting is proposed to be capped at Rs. 1,00,000 under section 454(2) of the ITA 2025 (Section 271FA of the ITA 1961)

Direct Tax

SIGNIFICANT TAX ANNOUNCEMENTS – General

- **Imposition of penalty for under-reporting or misreporting of income along with Assessment Order –** It is proposed to streamline the assessment and penalty framework to avoid multiple proceedings and prolonged uncertainty for taxpayers, by providing that penalty for under-reporting or misreporting of income shall be imposed along with the assessment order. Further, interest for delay in payment of tax demand can be levied only after passing of order by CIT(A) or ITAT (for appeal against DRP) [earlier 30 days from date of service of demand notice], as the case may be. The proposed amendment shall be with effect from 1 April 2027.

- **Increase in maximum amount of penalty –** It is proposed to amend section 466 of ITA 2025 (corresponding section 272AA of the ITA 1961) to enhance the maximum penalty for failure to comply with the provisions relating to power to collect information from Rs. 1,000 to Rs. 25,000 to ensure adequate deterrence and to promote voluntary compliance.

- **Rationalization of tax rate under section 195 of ITA 2025 and penalty under section 443 in respect of certain Income**

Component	Old Rate (ITA 1961)	New Rate (ITA 2025) (as amended by Finance Bill 2026)
Relevant Section	Section 115BBE	Section 195
Nature of Income	Unexplained cash credits, investments, money, expenditure (Sec 68-69D).	Unexplained credits, investments, assets, expenditure, hundi (Sec 102-106).
Base Tax Rate	60%	30%,
Surcharge	25% of tax	25% of tax
Health & Education Cess	4% of (Tax + Surcharge)	4% of (Tax + Surcharge)
Effective Tax Rate	78%	39%

It is also proposed to omit penalty of 10% under section 443 (corresponding section 271AAC of the ITA 1961) of the ITA 2025 and subsume under section 439(11) (corresponding section 270A of the ITA 1961) of the ITA 2025. 120% of tax shall be liable to be paid for immunity from penalty.

SIGNIFICANT TAX ANNOUNCEMENTS – General

- **Reduction of pre-deposit of demand under dispute from 20% to 10% -** In the budget speech, it is announced that amount of pre-payment shall be reduced from 20% to 10% and will continue to be calculated only on core tax demand.
- **Relaxation of conditions for prosecution under the Black Money Act –** The existing provisions of section 49 and 50 of the Black Money Act, prescribes prosecution, including rigorous imprisonment and fine, where a resident wilfully fails to furnish a return of income or willfully omits to disclose foreign assets or income in the return of income. It is proposed to provide that this provisions shall not apply in respect of foreign assets, other than immovable property, where the aggregate value does not exceed Rs. 20 Lakhs. These amendments shall be retrospectively applicable from 1 October 2024.
- **Non-allowability of interest as deduction against dividend and income from mutual fund –**As per section 93 of the ITA, 2025 (corresponding to section 57 of the ITA, 1961), deduction of interest expenditure was allowed, subject to a ceiling of 20% of the gross dividend or mutual fund income. It is now proposed to amend section 93(2) to completely disallow any deduction of interest expenditure incurred for earning dividend income or income from units of mutual funds.
- **Interest on motor vehicle compensation exempt -** Proposed to not levy income-tax on interest on compensation awarded to an individual or its legal heir on account of death / permanent disability / bodily injury by the Motor Accident Claims Tribunal under the Motor Vehicle Act, 1988. Further, relaxation provided now from TDS provisions proposed on said interest income.

SIGNIFICANT TAX ANNOUNCEMENTS – General

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

To address legacy issues and promote voluntary compliance, the government has proposed a time-bound disclosure scheme for foreign assets and foreign-sourced income. 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.

S 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 crore.
2.	(a) Asset located outside India acquired from income outside India 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 on becoming a resident; or (b) asset located outside India acquired from income which has been offered to tax by the assessee, but such assets were not declared by him in the relevant Schedule in the return.	A fee of Rs. 1 lakh	The value of the asset located outside India does not exceed Rs. 5 crores.

SIGNIFICANT TAX ANNOUNCEMENTS – Provident Fund

- **Provident Fund (PF) 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. Clarification is proposed to be inserted that only such trusts and notified establishments can apply for provident fund recognition.
- **Employer contribution to PF** more than 12% of salary considered as deemed income is proposed to be omitted in Schedule XI of the ITA 2025 (corresponding to Schedule IV of the ITA 1961) as a unified monetary cap of Rs. 7,50,000 for employer contributions exists in the definition of perquisite. Further, regulations pertaining to limit on employer contribution to provident fund in the said Schedule are proposed to be omitted.

SIGNIFICANT TAX ANNOUNCEMENTS – Transfer Pricing

- **Amendment relating to providing effect to advance pricing agreements -** Section 168(1) of the ITA, 2025 (corresponding to section 92CC of the ITA, 1961) allows only the person entering into an Advance Pricing Agreement (APA) to file a modified return. It is now proposed that the person entering the APA shall and any AE may file a return or modified return aligned with the APA terms where such APA is entered on or after 1 April 2026. The return needs to be filed within 3 months from the end of the month in which APA is signed.

Clarifying time-limit for completion of TP assessment - It is clarified that the proceedings before the DRP under section 144C will have a separate timeline of 9 months in addition to the timelines stipulated for regular assessment for TP and non-residents.

SIGNIFICANT TAX ANNOUNCEMENTS – Transfer Pricing

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 Finance Bill, 2026. The summary is as below:

IT Services

- All software development services, Information Technology Enabled Services (ITeS), Knowledge Processing Outsourcing (KPO), software development related contract R&D services to be treated as a single category Information Technology Services ('IT') for applying safe harbour.
- Uniform safe harbour rate of 15.5% proposed to be applied to such IT category and eligibility threshold proposed to be substantially enhanced from operating revenue of Rs. 3,00,00,00,000 to Rs. 20,00,00,00,000.
- Safe Harbour applications to be processed through an automated process and can be applied for up to 5 years at taxpayer's choice.

Manufacturing & Infrastructure

- New safe harbour provisions for attracting investment in data centres at 15% on cost for the Indian entity rendering services as a related party
- Electronic Manufacturing (Warehousing) - to support just-in-time logistics, 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 to be fast-tracked for IT service providers by concluding the UAPA within 2 years which can be extended by maximum 6 months at taxpayer's request.

RSM

SIGNIFICANT TAX ANNOUNCEMENTS – Non-Profit Organisations (NPOs)

- **Insertion of provision related to merger of NPOs –** The ITA, 2025 did not contain provisions in relation to merger of registered NPOs as provided under section 12AC of the ITA, 1961. As such, the provisions related to merger of registered NPOs are proposed to be inserted vide section 354A of the ITA, 2025.

- **Amendment relating to specified violation by a registered NPO –** Existing provisions of section 351 of the ITA, 2025 (corresponding to section 12AB of the ITA, 1961) inter-alia specifies activities which constitute 'specified violation' by a registered NPO and it includes violation on account of commercial activities by registered NPO carrying out advancement of any other object of general public utility. As inclusion of such violation as 'specified violation' may lead to cancellation of registration, which was not the intent under the ITA, 1961, it is proposed to remove the reference of such violation from section 351 of the ITA, 2025 so as to align it with the ITA, 1961.

- **Amendment to provide for filing of belated return by NPO -** In order to enable furnishing of belated return by registered NPO as was there in the ITA, 1961, it is proposed to amend the provisions of section 349 of the ITA, 2025 (corresponding to section 12A of the ITA, 1961) to provide reference of section 263(4) of the ITA, 2025 [corresponding to section 139(4) of the ITA, 1961) in the said section.

Indirect Tax - GST

The announcements proposed in the Finance Bill, 2026 are as under:

Removal of agreement requirement and credit note alignment for post sale discounts (Effective from date to be notified)

- Presently, as per section 15(3)(b) of the CGST Act, 2017, post sale discount can be reduced from the value of supply provided such discount is established in terms of an agreement entered into at or before the time of such supply, credit note is linked to the relevant invoices and ITC attributable to such discount has been reversed by the recipient of the supply.
- Section 15(3)(b) of the CGST Act, 2017 is now proposed to be amended to do away with the requirement of linking the post- sale discount with an agreement and hence, post sale discount can be reduced from the value of supply by the supplier provided credit note has been issued and the recipient has reversed the ITC.

Amendment in section 34 of the CGST Act, 2017 to include reference to credit notes issued for post-sale discount (Effective from date to be notified)

- Section 34(1) of the CGST Act, 2017 is proposed to be amended to include credit notes issued in relation to post sale discount referred in section 15(3)(b) of the CGST Act, 2017 in addition to other scenarios provided.

Provisional refund extended to refund under inverted duty structure (Effective from date to be notified)

- It is proposed to amend Section 54(6) of the CGST Act to allow provisional refunds for claims arising on account of unutilized ITC under the inverted duty structure.

Removal of threshold limit for sanction of refund claims (Effective from date to be notified)

- It is proposed to amend Section 54(14) of the CGST Act, 2017 to remove the threshold limit of Rs.1,000 for sanction of refund claims on account of goods exported out of India with payment of IGST.

Empowering existing authority to function as National Appellate Authority (Effective from 1 April 2026)

- It is proposed to insert sub-section (1A) in section 101A of the CGST Act, 2017 to empower an existing authority to exercise the powers of the National Appellate Authority, pending its constitution, for the purpose of hearing appeals under section 101B relating to conflicting advance rulings issued by Appellate Authorities. An explanation is also being inserted under sub-section (1A) to clarify that the term 'existing authority' shall include a tribunal.

Omission of specific place of supply provision for Intermediary Services (Effective from date to be notified)

It is proposed to omit section 13(8)(b) of the IGST Act, 2017, which specifically provided the place of supply for intermediary services shall be the location of the supplier of services. After this deletion, the place of supply for such services will be determined under the general rule as per section 13(2) of the IGST Act, 2017 which is based on the location of the recipient.

Indirect Tax - Customs

CUSTOMS ACT AMENDMENTS

- 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 three 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.

CUSTOMS RULES AMENDMENTS

- 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],

  b) Provision of general free allowance upto specified monetary limits of duty articles other than those mentioned in Annexure-I

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

Indirect Tax - Customs

CUSTOMS RULES AMENDMENTS – Contd.

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.
- Changes in sub-heading note 2 to Chapter 85 to align with WCO HS 2022

NEW EXEMPTIONS INTRODUCED FOR CERTAIN GOODS

- Basic Customs Duty [BCD] exemption is being extended to capital goods used for use in the manufacturing of Lithium-Ion Cells to cover batteries for stationary energy storage applications i.e. Battery Energy Storage Systems (BESS), in addition to existing Electrically Operated Vehicles
- 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 Defense, as per the procedure. The same shall be w.e.f. 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].

Indirect Tax - Customs

RELIEF TO SPECIAL ECONOMIC ZONE [SEZ]:

- To address the concerns arising about utilization of capacities by manufacturing units in the Special Economic Zones [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.

AMENDMENTS TO THE CUSTOMS TARRIF ACT

- Reduction in tariff rate for certain products falling under Food, Agriculture & Edibles, Industrial Minerals & Energy, Critical Chemicals & Strategic Oxides w.e.f. 1 May 2026
- Change in tariff rate for MSME sector importing Umbrellas & Parts, trimmings and accessories of articles of heading 6601 to 6602 w.e.f. 2 February 2026
- Reduction in tariff rate on all dutiable goods imported for personal use falling under HSN 9804 from 20% to 10% w.e.f. 1 April 2026.
- New tariff classifications have been created for certain products falling under Food, Agriculture & Edibles, Critical Chemicals & Strategic Oxides w.e.f. 1 May 2026
- 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 out of 124 entries have been continued up to 31 March 2028 and for the remaining 22 entries, the exemption/concessional duty rates have not been extended and hence, shall lapse on 31 March 2026
- Increase in tariff rates on chewing tobacco, Jarda scented tobacco etc. from 25% to 60% w.e.f. 1 May 2026

Other Significant Proposals

In addition to tax proposals, Budget 2026–27 outlines several policy and regulatory measures aimed at strengthening the business environment, capital markets and institutional frameworks.

- **Liberalisation of Portfolio Investment by Individuals Resident Outside India -** The Budget 2026 proposes 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. These measures are intended to encourage greater participation by overseas individuals in Indian capital markets.

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Particulars	Earlier limit	Revised limit under Budget 2026
Investment limit for an Individual PROI	5%	10%
Aggregate investment limit for all Individual PROIs	10%	24%

- **Review of FEMA (Non-Debt Instruments) Framework -** A comprehensive review of the FEMA (Non-Debt Instruments) Rules has been proposed to modernise and simplify India's foreign investment regime. The proposed changes aim to align the framework with evolving economic priorities and global investment practices.
- **Deepening of Corporate Bond Markets** – Measures have been announced to deepen corporate bond markets, including the introduction of a market-making framework, access to derivatives on corporate bond indices and interest total return swaps on corporate bonds. These initiatives are aimed at improving liquidity, strengthening price discovery and facilitating greater diversification of corporate funding sources.
- **ICDS to be merged with Ind-AS –** It is proposed to constitute a Joint Committee of Ministry of Corporate Affairs and CBDT for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (Ind AS) itself. Separate accounting requirement for ICDS will be done away with from the tax year 2027-28.

Other Significant Proposals

- **MSME Growth and Access to Capital** – The Budget proposes the creation of a dedicated SME Growth Fund to support scalable and growth-oriented MSMEs. the creation of a dedicated SME Growth Fund with an allocation of ₹10,000 crore to provide equity and growth capital to scalable MSMEs. The Fund is intended to support the emergence of future MSME champions and strengthen their role within corporate value chains. A three-pronged approach to develop MSMEs as "Champion MSMEs" through targeted equity support, improved liquidity mechanisms and professional assistance, with the objective of enhancing scale, competitiveness and integration into global value chains.

- **Liquidity Support through the TReDS Ecosystem** – Budget 2026–27 places significant emphasis on strengthening liquidity support for MSMEs through wider adoption of the Trade Receivables Discounting System (TReDS). The mandatory use of the TReDS platform for procurement by Central Public Sector Enterprises is intended to set a benchmark for timely payments and improved working capital cycles.
  To further deepen the ecosystem, the Budget proposes credit guarantee support for invoice discounting and the introduction of receivables securitisation to facilitate development of a secondary market. Integration of TReDS with government procurement platforms is also envisaged to enable faster and more cost-effective access to finance.

- **Asset Monetisation through REITs and InVITs -** Budget 2026–27 reiterates the Government's focus on asset monetisation through the accelerated use of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InVITs). The proposed measures include facilitating monetisation of real estate assets held by Central Public Sector Enterprises to unlock embedded value.

Other Significant Proposals

- **Rationalisation of Securities Transaction Tax (STT) -** As part of measures to enhance market efficiency and align transaction costs with evolving market dynamics, the Hon'ble Finance Minister has announced revisions to the Securities Transaction Tax (STT) applicable to equity derivatives. The changes focus on futures and options transactions and are intended to rationalise the tax structure while balancing revenue considerations and market activity.

Particulars	Existing STT rate	Revised STT rate
Equity Futures (on sell side)	0.02%	0.05%
Equity Options (on premium)	0.10%	0.15%
Equity Options (on exercise price)	0.125%	0.15%

- **Scaling up Manufacturing in Strategic and Frontier Sectors -** Under the first kartavya of accelerating economic growth, Budget 2026–27 proposes targeted interventions across strategic and frontier manufacturing sectors with a focus on ecosystem development and import substitution. Key initiatives include Biopharma SHAKTI with an outlay of ₹10,000 crore over five years, expansion of the Electronics Components Manufacturing Scheme to ₹40,000 crore, establishment of Rare Earth Corridors in mineral-rich States, setting up of three Chemical Parks, and launch of India Semiconductor Mission 2.0, aimed at strengthening domestic manufacturing capabilities.

- **Container Manufacturing -** To strengthen logistics resilience and reduce dependence on imports, the Budget proposes a Scheme for Container Manufacturing with a Government allocation of ₹10,000 crore over a five-year period. The initiative aims to create a globally competitive container manufacturing ecosystem in India.

Other Significant Proposals

- **Carbon Capture Utilisation and Storage (CCUS) -** In line with India's long-term energy transition strategy, the Budget proposes an outlay of ₹20,000 crore over the next five years to scale up Carbon Capture, Utilisation and Storage technologies. The initiative will focus on key industrial sectors such as power, steel, cement, refineries and chemicals.
- **Orange Economy (AVGC Sector) -** To support the fast-growing Animation, Visual Effects, Gaming and Comics (AVGC) sector, the Budget proposes setting up AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges. This initiative aims to build a skilled talent pipeline for the creative and digital economy.
- **Purvodaya Initiative -** Under the Purvodaya programme, the Budget proposes development of an Integrated East Coast Industrial Corridor, creation of tourism destinations and deployment of electric buses across eastern States. The initiative seeks to accelerate industrialisation and employment generation in the Purvodaya region.
- **Labour-Intensive Textile Sector -** The Budget proposes an Integrated Programme for the textile sector, covering fibre development, cluster modernisation, skilling, sustainability initiatives and support for handlooms and handicrafts. These measures are aimed at enhancing employment generation, value addition and global competitiveness in labour-intensive textile manufacturing.
- **Professional Support for MSMEs 'Corporate Mitras' -** Budget 2026–27 proposes to facilitate professional institutions such as ICAI, ICSI and ICMAI to design short-term, modular courses to develop a cadre of accredited para-professionals, referred to as "Corporate Mitras". These professionals are intended to assist MSMEs, particularly in Tier II and Tier III cities, in meeting compliance and governance requirements at affordable costs, thereby strengthening ease of doing business for smaller enterprises.

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