

BUDGET



OVERVIEW



2026

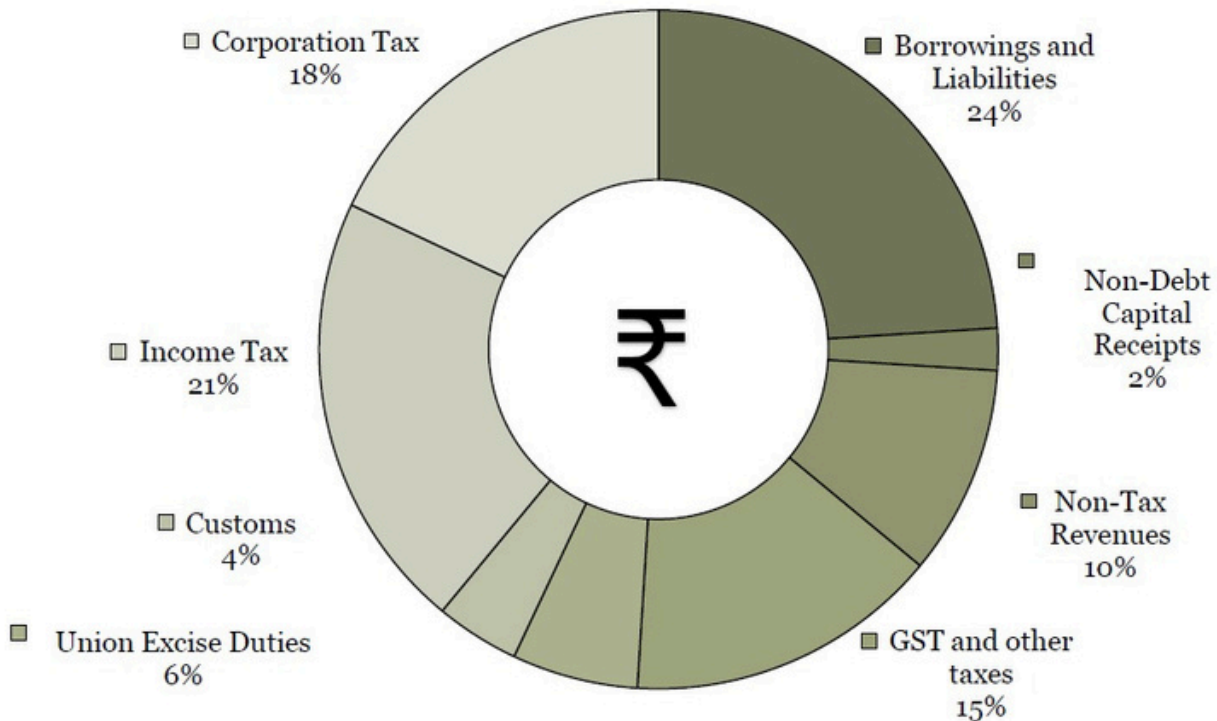
GENERAL OVERVIEW



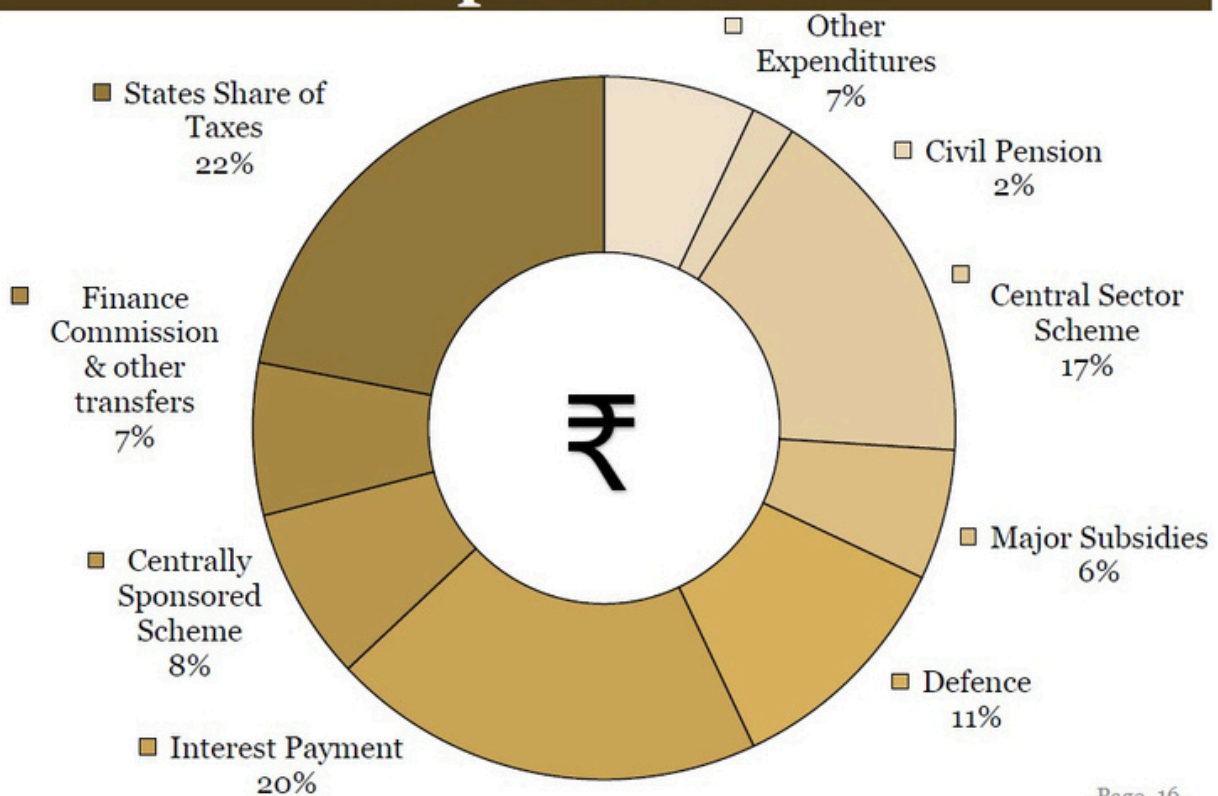
Key Numbers

In ₹ crore	2024-25 (Actuals)	2025-26 (Budget Estimates)	2025-26 (Revised Estimates)	2026-27 (Budget Estimates)
Revenue Receipts	3,03,6619	34,20,409	33,42,323	35,33,150
Capital Receipts	16,16,249	16,44,936	16,22,519	18,14,165
Total Receipts	46,52,867	50,65,345	49,64,842	53,47,315
Total Expenditure	46,52,867	50,65,345	49,64,842	53,47,315
Effective Capital Expenditure	13,24,609	15,48,282	14,03,906	17,14,523
Revenue Deficit	5,64,296	5,23,846	5,26,764	5,92,344
Effective Revenue Deficit	2,91,640	96,654	21,8613	99,642
Fiscal Deficit	15,74,431	15,68,936	15,58,492	16,95,768
Primary Deficit	4,58,856	2,92,598	28,4154	2,91,796

Rupee Comes From

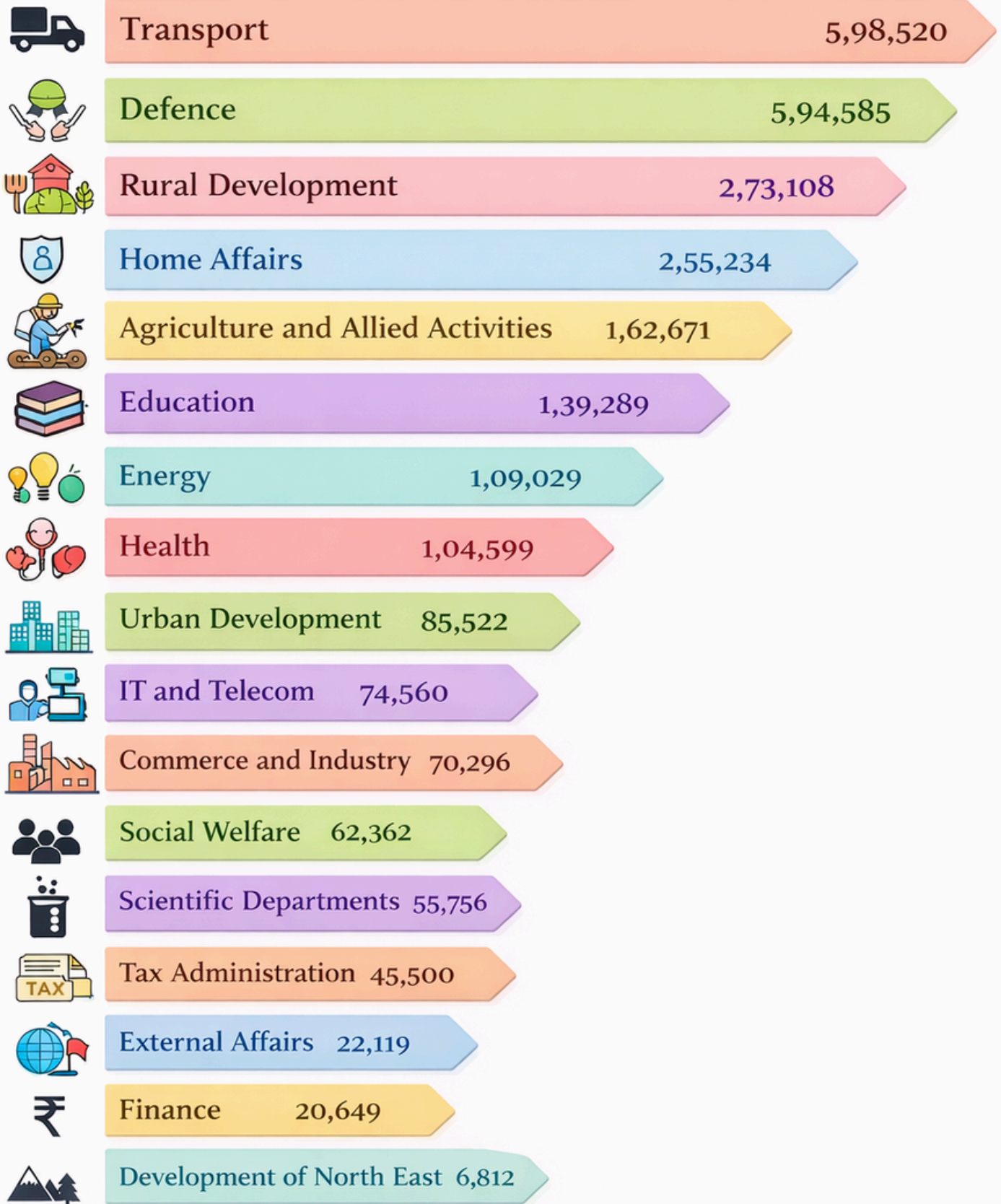


Rupee Goes To



Expenditure of Major Items

In ₹ crore



DIRECT TAXES

Income from House Property

Property held as stock-in-trade (w.e.f. 1st April, 2026)

Under section 21(5) of the Income-tax Act, 2025, the annual value of property held as stock-in-trade shall be taken as nil for up to two years from the end of the financial year in which the completion certificate is obtained from the competent authority, to align with existing provision of earlier ITA.

Interest deduction on self-occupied house property (w.e.f. 1st April, 2026)

Section 22(2) of the Act provides that the deduction for interest on borrowed capital in respect of a self-occupied house property is capped at ₹2 lakh. This limit shall be inclusive of prior-period interest payable, in line with section 24 of the Income-tax Act, 1961. There is no change in tax computation status as such.

Profit and Gain from Business and Profession

Due Date for Deduction of Employees' Contribution (w.e.f. 1st April, 2026)

Section 29(e) (ITA -2025)

The due date to credit employee contribution to the relevant employee welfare fund (viz. PF, ESI, or superannuation fund) by the employer has been extended from the existing due date of deposit of contribution as per the relevant fund to the due date of filing of return of income, to claim such contribution as deduction.

Definition of due date - Due date of filing of return under section 263(1)

Impact:

Employers can now claim deduction for employee contributions if deposited into the employee's fund account before the due date of filing the tax return, providing a relaxation

Exclusion from MAT for Certain Non-Resident Businesses

Section 61 of Income Tax Act 2025 (w.e.f. 1st April 2026)

To ensure consistent tax treatment across all specified businesses of non-residents opting for presumptive taxation, the applicability of Minimum Alternate Tax (MAT) is extended on a uniform basis.

Accordingly, the following specified businesses of non-residents are excluded from the applicability of MAT:

- Business of operation of cruise ships
- Business of providing services or technology for setting up an electronics manufacturing facility in India for a resident company

Rationalization of Minimum Alternate Tax provisions

Section 206 of Income Tax Act 2025 (*w.e.f.* 1st April, 2026)

Tax rate of MAT has been reduced to 14% of book profit from the existing 15%. Further, set-off of MAT credit may be allowed only in the new tax regime for domestic companies to the extent of 25% of the tax liability.

In the case of foreign companies, set off is proposed to be allowed to the extent of the difference between the tax on the total income and the minimum alternate tax, for the tax year in which normal tax is more than MAT.

Extension of Deduction Period for IFSC Units and Rationalisation of Tax Rate

Extended Deduction Period

(*w.e.f.* 1st April, 2026)

Certain incomes of OBU and IFSC units are now entitled to extended deduction periods.

Category	Deduction Period
Offshore Banking Units	20 consecutive years from commencement
Other IFSC Units	20 out of 25 years (at assessee's option)

OBU Tax Rate (Section 218):

Income from Offshore Banking Units/IFSC units taxed at 15% concessional rate. Other income taxed at normal rates.

Capital Gains:

Taxation of buyback of shares (*w.e.f. 1st April, 2026*)

Amount received on buy-back of shares will be taxed under “Capital Gains” instead of dividend income.

For promoters holding shares subject to buyback, additional income tax imposed:

Type of Gain	Domestic Co.	Others
Short-term capital gains referred to in Section 196	2%	10%
Long-term capital gains (Sections 197/198 of ITA 2025)	9.5%	17.5%

Who is a 'Promoter'?

- **Listed companies:** As per SEBI Buyback Regulations, 2018
- **Other cases:** (i) Promoter as per Companies Act, 2013, OR (ii) Holding >10% shareholding

Impact

Significant increase in tax burden on promoters participating in buyback. This is in addition to normal capital gains tax.

Special rule for promoters:

- For individual promoters, gains from buy-back will be taxed at an effective rate of 30%.
- For promoter companies, the effective tax rate will be 22%.

Capital Gains Exemption on Sovereign Gold Bonds

S. 70(1)(x) of ITA 2025 (*w.e.f. 1st April, 2026*)

Capital gains on redemption of Sovereign Gold Bonds (SGBs) are exempt from tax only if held since the original date of subscription to redemption upon maturity from tax.

Conditions

- Held by individual
- From date of original issue till maturity

This applies to all series of SGBs issued by the Reserve Bank of India.

S.No.	Section No.	Tax rate before	Proposed tax rate
1	102 : Unexplained Credits	60%	30%
2	103 : Unexplained Investments	60%	30%
3	104 : Unexplained Assets	60%	30%
4	105 : Unexplained Expenditure	60%	30%
5	106 : Amount borrowed or repaid through negotiable instrument, hundi, etc. being unexplained	60%	30%

CO-OPERATIVE SOCIETIES

Co-operative Society Definition (Section 2(32))

The definition is updated to include registration under Multi-State Co-operative Societies Act, 2002 or state/UT laws.

Deductions for Co-ops (Section 149)

Expanded Coverage

Primary co-operative society engaged in supplying cotton seed and cattle feed, now included in the section, for providing deduction of income earned out of such activities out of total income of the Co-op society.

Federal Co-operatives (Section 150)

Federal co-operatives can deduct dividend income received from investments in any company out of the total income if:

- Investment recorded in books on or before January 31, 2026.
- Such amount is distributed to members at least 1 month before due date of the return filing.

Other Income Provisions

Income of Foreign Companies From Indian Sources

Provision	Exemption	Time Limit (Up to)	Conditions
Data Centre Services	No tax on income earned by foreign companies from using specified data centres in India	31 March 2047	If services are provided to Indian users, they must be routed through an Indian reseller company
Supply of Capital Goods/Equipment/ Tools for Electronic Goods manufacturers (section 11 rws Schedule IV of ITA, 2025)	No tax on income earned by foreign companies from supplying these to Indian contract manufacturers	Tax Year 2030-31	Contract manufacturer must: <ul style="list-style-type: none"> • Be a resident company in India • Be located in a custom bonded warehouse (Sec. 65, Customs Act, 1962) • Produce electronic goods on behalf of the foreign company for payment

Exemption of Income of Non Residents of India (NRI's)

Special exemption provision has been provided for inviting the migrant Indians specializing in certain sectors for special government schemes providing exemption on incomes earned by them under these schemes.

Provision	Details
Who	Non-resident individuals visiting India to provide services under a Central Government-notified Scheme
Benefit	Tax exemption on foreign income (earned outside India and not deemed to arise in India)
Duration	5 consecutive tax years starting from the year of first visit to India
Conditions	<ul style="list-style-type: none"> • Must be non-resident for 5 years before first visit • Must render services under a notified Scheme • Must meet other prescribed conditions

Due dates for filing of return of Income (w.e.f. 1st April, 2026)

Staggered due date of filing has been provided for non-auditable business assessees.

S.No	Person	Conditions	Proposed Due Date
1	Assessee, including the partners of the firm or the spouse of such partner (if section 10 applies to such spouse).	Assessee subject to transfer pricing provisions under s. 172	30th November
2	(i) Company (ii) Any assessee (other than a company) whose accounts must be audited under tax law or any other law (iii) Partner of such audited firm, or their spouse (if section 10 applies)	All corporate or audit assessees (except Transfer Pricing)	31st October
3	(i) Assessee with business/professional income whose accounts are not required to be audited. (ii) Partner of such non-audited firm, or their spouse (if section 10 applies)		31st August
4	Any other assessee (Individual, HUFs etc.)	-	31st July

Revised Return

Section 263(5) of the Income-tax Act, 2025 extends the time limit for filing a revised return from 9 months to 12 months from the end of the relevant tax year. This allows taxpayers who file a belated return at the last date to still revise their return, if required.

Updated Return

- Section 263(6) is amended to allow filing of an updated return of loss, provided the taxpayer reduces the loss originally claimed.
- Updated returns, which were earlier not permitted when reassessment proceedings were pending, are now allowed even after a reassessment notice under section 280 is issued, with the objective of reducing litigation.

Relaxation in TDS & TCS Rates and Thresholds:

Clarification on TDS for Supply of Manpower Sec (Section 393(1))

Supply of manpower is clarified to be covered under “work”, as per provisions of TDS applicable to Contractors. No consequential effect.

Motor Accident Compensation Interest (Section 393(4))

TDS exemption on interest awarded by Motor Accidents Claims Tribunal:

- Individuals: Full exemption (no limit)
- Non-individuals: Exemption if aggregate interest \leq ₹50,000 during tax year

Electronic Filing of Lower / Nil TDS-TCS Certificates (Sec 395 - ITA 2025)

The process for obtaining certificates for lower or nil deduction/collection of tax is proposed to be digitised. Payees may apply electronically to the prescribed income-tax authority, which may issue or reject the certificate based on prescribed conditions. This must simplify the discretionary powers of respective assessing officers.

TAN Not Required in Certain Property Transactions (Sec 397(1))

Resident individuals or HUF purchasing immovable property from a non-resident also, are not required to obtain TAN solely for deducting TDS now.

Rationalisation of TCS Rates Section 394(1)

For expenditure incurred for various purposes including education, medical expenses and travel overseas, relaxation in TCS rates has been provided.

Nature of Transaction	Existing Rate	Proposed Rate
Sale of alcoholic liquor for human consumption	1%	2%
Sale of tendu leaves	5%	2%
Sale of scrap	1%	2%
Sale of minerals (coal/lignite/iron ore)	1%	2%
Liberalised Remittance Scheme Education/Medical (above ₹10 lakh)	<p>5% for education or medical treatment</p> <p>20% for purpose other than education or medical treatment</p>	<p>2% for education or medical treatment</p> <p>20% for purpose other than education or medical treatment; or travel as above.</p>
Overseas tour programme package	<p>5% of the aggregate amount upto Rs. 10,00,000 in a year.</p> <p>20% of the aggregate amount exceeding Rs. 10,00,000 in a year.</p>	2% (no threshold)

Penalty and Prosecution

Section 446 (Tax Audit)

- Penalty for failure to get accounts audited is converted into a fee, under proposed section 428(c).
- Graded fee: ₹75,000 for delay upto one month or ₹1,50,000, if delay continues thereafter.
- The original penalty under section 446 is omitted. Section 446 is now replaced by penalty provisions for failure to furnish information or furnishing inaccurate information on crypto transactions.

Section 447 (Report under Section 172)

- Penalty for failure to furnish an accountant's report of Transfer Pricing for international transactions or specified domestic transactions with AEs is converted into a fee under section 428(4).
- Graded fee: ₹50,000 or ₹1,00,000 depending on the period of delay.

Section 454 (Statement of Financial Transactions / Reportable Account)

- Penalty under section 454(1) for delay or non submission of reportable transactions is converted into a fee under section 427(3).
- Section 454(2): Upper limit of ₹1,00,000 introduced for penalty per day of default.

Amend as "**earlier Income Tax Act, 1961**; certain changes have been provided in earlier Income tax Act, wherever they may be applicable in future tax periods.

A gist of such changes is as under:

(w.e.f.: 1st Mar, 2026)

Sec 220(2): No interest on “penalty demand” during appeal period: No interest will accrue on the penalty component under section 270A during the period when the matter is under appeal (CIT(A)/ITAT)

Sec. 234-I: Introduces a fee for belated revised returns filed after 9 months but before 12 months from the end of the assessment year:

₹1,000 if total income ≤ ₹5 lakh

₹5,000 if total income > ₹5 lakh

Sec.270A(11A): No penalty under section 270A shall be levied if additional tax under section 140B(3A) is paid after filing an updated return

Section 270AA (Substituted): Assessee may apply for immunity from initiation of proceedings under sections 276C or 276CC, if the conditions specified in the section are fulfilled

(a) The tax and interest payable as per the order of assessment under section 143(3) or reassessment under section 147 has been paid within the period specified in the notice of demand;

(b) Where penalty has been levied or, as the case may be, leviable under the circumstances referred to in section 270A(9), additional income-tax amounting to one hundred per cent. of the amount of tax payable on under-reported income has been paid within the period specified in the notice of demand, in lieu of such penalty; and

(c) No appeal has been filed against the order referred to in clauses (a) and (b).

Sec.274 The AO is mandated to provide a reasonable opportunity of being heard by issue of a show-cause notice. The penalty under section 270A shall constitute part of draft order for assessment/reassessment from 1st April 2027. This would reduce parallel penalty orders, speed up resolution, and minimize procedural disputes.

Sections	Present (A.Y. 2026-27)	Proposed (A.Y. 2027-28)
275A - Contravention of order made under sub-section (3) of section 132 pertaining to Search and Seizure.	Rigorous imprisonment of upto 2 years with liability of fine	Simple imprisonment of upto 2 years with liability of fine
275B - Failure to comply with the provisions for Search & Seizure	Rigorous imprisonment of upto 2 years with liability of fine	Simple imprisonment of upto 6 months with liability of fine
276 - Removal, concealment, transfer or delivery of property to thwart tax recovery.	Rigorous imprisonment of upto 2 years with liability of fine	Simple imprisonment of upto 6 months with liability of fine
276B (These shall be omitted 276B / 276BB / 276C / 276CC/ 276CCC/ 276D)	Various sections have rigorous imprisonment which may extend upto 7 years with the liability of fine	Tax amount (<10L) Shall be liable for fine
		Tax amount (>10L <50L) Simple imprisonment upto 6 months with the liability of fine
		Tax amount (>50L) Simple imprisonment upto 2 years with the liability of fine

Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (w.e.f: 1st Oct 2024)

As per Para 144 of the Finance Bill, the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 shall not apply upon non disclosure of foreign assets for aggregate value below ₹20 lakhs, under Sections 49 for non filing of return of income disclosing foreign assets and S. 50 for non-disclosure of foreign assets in the ITR (other than immovable property).

Foreign Assets of Small Taxpayers - Disclosure Scheme, 2026 (FAST-DS 2026) Section 114 to 128

A time-bound scheme is proposed for small taxpayers providing an opportunity for compliance and clean up of legacy foreign asset issues, by declaration of undisclosed foreign assets and foreign sourced income, with payment of tax or fees based on the nature and source of acquisition, offering limited immunity from penalty and prosecution under the Black Money Act, and declared assets not to reopen completed assessment; to be effective from a date to be notified by the Central Government.

INDIRECT TAXES

GST Amendments

1. Executive Summary

Finance Bill 2026 introduces FIVE key amendments to GST laws affecting both Central GST (CGST) and Integrated GST (IGST). These changes aim to simplify compliance, clarify procedures, and address practical challenges faced by businesses.

Overview of Amendments

Clause	Section Amended	Key Change
137	CGST Section 15(3)(b)	Simplified post-sale discount mechanism
138	CGST Section 34	Credit notes for post-supply discounts
139	CGST Section 54(6) & (14)	Provisional refund & export threshold
140	CGST Section 101A	Interim appellate authority mechanism
141	IGST Section 13(8)(b)	Place of supply for intermediary services

Impact Assessment

- Industry friendly: Post-sale discount simplification reduces compliance burden
- Working capital relief: Provisional refund extended to inverted duty structure cases
- Export facilitation: Threshold limit removed for export refunds
- Litigation support: Interim appellate mechanism till NAA is constituted
- Tax authority: Intermediary services place of supply clarified

CGST AMENDMENTS

2.1 POST-SALE DISCOUNTS *Section 15(3)(b) of CGST Act, 2017*

Previous Provision

Post-sale discounts allowed ONLY if:

- Discount established in terms of agreement at/before supply
- Specifically linked to relevant invoices
- ITC reversed by recipient proportionately

NEW Provision

Simplified requirements - Discount allowed if:

1. Credit note issued by supplier (after supply has been effected)
2. ITC attributable to discount reversed by recipient (as per Section 34)

Key Changes

REMOVED	RETAINED
Requirement of prior agreement	Credit note issuance requirement
Linking discount to specific invoices	ITC reversal by recipient
Discount at/before time of supply	Section 34 compliance

Business Impact

- Greater Flexibility: No need for pre-supply discount agreements
- Reduced Documentation: No specific invoice linking required
- Trade Practice Alignment: Allows retrospective discounts based on volume/performance
- Compliance Required: Credit note and recipient ITC reversal still mandatory

NEW REGIME:

- Issue credit note at year-end for discount amount
- Distributor reverses proportionate ITC

2.2 CREDIT NOTES FOR DISCOUNTS *Section 34(1) of CGST Act, 2017*

Credit notes can now be issued in following cases:

1. Existing reasons: Deficiency in goods/services supplied.
2. New addition: Post-supply discount as per Section 15(3)(b)

Procedural Requirements

- Credit note must be issued by supplier
- Recipient must reverse ITC attributable to discount
- Credit note to be declared in GST return
- Reduction in tax liability for supplier

Practical Impact

This amendment creates a legal framework for credit notes related to post-sale discounts, ensuring Section 15 and Section 34 work in tandem.

2.3 REFUND PROVISIONS *Section 54(6) and 54(14) of CGST Act, 2017*

Previous Scope:

Provisional refund available for refund of tax paid on supply of goods/services

NEW Scope:

Provisional refund NOW ALSO available for:

- Unutilized ITC under inverted duty structure

NEW Rule:

Threshold limit REMOVED for goods exported with payment of tax

Business Benefits

Amendment	Benefit
Provisional refund for inverted duty	Faster working capital recovery
No threshold for export refunds	Small exporters can claim any amount
Provisional means 90% advance	Immediate liquidity support

2.4 NATIONAL APPELLATE AUTHORITY Section 101A of CGST Act, 2017 - NEW Sub-section (1A) inserted

Interim Mechanism:

1. Government empowered: On GST Council recommendation, can notify ANY existing Authority
2. Authority powers: To hear appeals under Section 101B (till NAA is constituted)
3. Flexibility: 'Existing Authority' includes Tribunals
4. Procedure: Sub-sections (2) to (13) of Section 101A will NOT apply

3. IGST AMENDMENTS

3.1 PLACE OF SUPPLY - INTERMEDIARY SERVICES Section 13(8)(b) of IGST Act, 2017 - OMITTED

What are Intermediary Services?

Services provided by agents, brokers, or intermediaries who:

- Arrange/facilitate supply of goods/services between two parties
- Act on behalf of another person
- Do not supply goods/services on their own account

PREVIOUS RULE (Section 13(8)(b))	NEW RULE (After Omission)
Special provision for intermediary services - different from general rule	NO special provision - General rule under Section 13(2) applies
Place of supply: Location of supplier (who provides intermediary service)	Place of supply: Location of RECIPIENT (who receives intermediary service)

CUSTOMS DUTY REGULATIONS

Export Promotion (Marine, Leather & Textiles) (Notification No. 45/2025)

Seafood exports: Duty-free input limit raised from 1% → 3% of FOB value.

Shoe Uppers: Duty-free import benefit extended.

Leather & textiles: Export time limit extended from 6 months → 1 year.

Energy Transition & Security

Lithium-Ion Batteries: BCD(Basic Custom Duty) exemption on capital goods extended to Battery Energy Storage Systems. (Notification No. 25/2002)

Solar Glass: BCD exemption on import of sodium antimonate. (Notification No. 45/2025)

Nuclear Power, Critical Minerals, Biogas Blended CNG

Nuclear Power: BCD exemption extended till 2035 for all nuclear plants, irrespective of capacity.

Critical Minerals: BCD exemption on capital goods used for processing in India.

Biogas CNG: Entire biogas value excluded for Central Excise duty on biogas-blended CNG

Civil & Defence Aviation

Civil Aviation: BCD exemption on components and parts for manufacture of civilian, training and other aircraft.

Defence MRO: BCD exemption on imported raw materials for manufacture of aircraft parts.

Electronics

BCD exemption on specified parts used in manufacture of microwave ovens to deepen domestic value addition.

Special Economic Zones (SEZs)

Electrical energy supplied to DTA by SEZ power plants approved before 19 July 2012 is exempt, with validity up to 31 March 2028 for plants of 1000 MW or above and similarly applicable to plants below 1000 MW. LPG supplied from an SEZ unit to a DTA unit and returned after use in manufacture of polyisobutylene is exempt to the extent not consumed by the DTA unit.

Ease of Living – Personal Imports & Health

Personal Imports & Health: Customs duty cut 20% → 10% exemption on 17 drugs (incl. cancer), and 7 rare diseases notified for duty-free imports of drugs, medicines & FSMP.

Customs Process Reforms (Trust-based Systems):

Duty deferral 30 days for Tier 2 & 3 AEOs (incl. manufacturers), Advance Ruling valid 5 years, single CIS in 2 years for faster, risk-based clearances.

Ease of Doing Business:

Single digital window for multi-agency cargo approvals by year-end.

Food, drugs, plant, & wildlife clearances (≈70% interdicted cargo) operational by April 2026.

AI-based non-intrusive scanning expanded to cover all major ports.

New Export Opportunities:

Fish catch by Indian vessels in EEZ/High Seas made duty-free and foreign landing treated as export; ₹10-lakh cap on courier exports removed with improved handling of returns.

Ease of Living – Travel & Dispute Resolution:

Baggage rules revised to enhance duty-free allowances and clarify temporary import/export, with dispute closure allowed on payment of dues plus an additional amount in lieu of penalty.

Review of Exemptions & Tariff Simplification

Long-standing customs duty exemptions on domestically manufactured or low-import goods will be withdrawn with duty rates incorporated into the Customs Tariff Schedule for simpler determination.

(The information contained in this document is for information purpose only. Readers are requested to seek appropriate independent professional advice prior to relying on, or entering into any commitment based on material published here. If you require any further clarification, please contact us.)

PARTNERS



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Experience: 35 Years



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Experience: 9 Years



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Qualification: FCA

Experience: 27 years



REA SINGHVI

Qualification: ACA

Experience: 5 years



KANUPRIYA SINGHVI

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Experience: 5 Years



SAKSHI JAIN

Qualification: ACA

Experience: 3 years



APOORVA AGARWAL

Qualification: FCA


Experience: 10 years



ABHAY VASHISHTH

Qualification: ACA

Experience: 2 year



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We serve a credible base of clients in India and many other countries in Europe, Middle-east & Far-east etc. We offer good blend of global knowledge and expertise.

Credit: HSD and Aspire team for expeditious preparation of Key Points of Union Budget - 2026

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