

Union Budget 2026: Synopsis



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Preface



India's Union Budget 2026 embodies a strategic economic policy framework, prioritizing fiscal discipline with a targeted deficit of 4.3% of GDP while ramping up public capex to ₹12.2 lakh crore for FY27 to fuel infrastructure-led growth and job creation. This approach balances Viksit Bharat's ambitions with inclusive development for youth, farmers, and MSMEs, projecting 6.8-7.2% GDP growth amid global uncertainties.

The Finance Bill 2026 proposes 22 amendments in Income Tax, 1961 and 87 amendments in Income Tax Act, 2025, thereby, justifying some key amendments much required from legislative correction prospective and also to rationalize / fine tune provisions under ITA 2025, incorporating suggestions received from various stakeholders during the drafting of stage of the Act.

Direct Tax Reforms

Direct tax changes, including the new Income Tax Act 2025 effective April 2026, simplify slabs, offer relief like zero tax up to ₹12 lakh plus rebate, easing salaried burdens and spurring consumption. These measures - such as TCS cuts to 2% on education remittances and buyback tax shifts - enhance compliance, attract FDI, and boost disposable incomes, potentially adding 0.5-1% to GDP via higher spending.

Welcome changes boosting the confidence of foreign investors and GCC's by introducing safe harbor of 15.50% and consolidating all services under the nomenclature of IT Services, enhancing the upper limit for safe harbor from ₹ 300 Crores to ₹ 2,000 Crores, introduction of tax holiday for data centers, integration of ICDS and IndAS, de-criminalization of offences, shift from penalty to fee on non-compliance and introducing Foreign Assets of Small Tax Payers Disclosure Scheme 2026.

Indirect Tax Impacts

Indirect taxes maintain GST stability with rationalised rates and MSME credit guarantees, minimizing inflationary pressures while supporting manufacturing via PLI expansions in green energy and electronics. This sustains revenue at ₹28.7 lakh crore without broad hikes, fostering export competitiveness and reducing import reliance, which could lift overall economic resilience by 7% growth trajectory.

NEWS

NETWORK

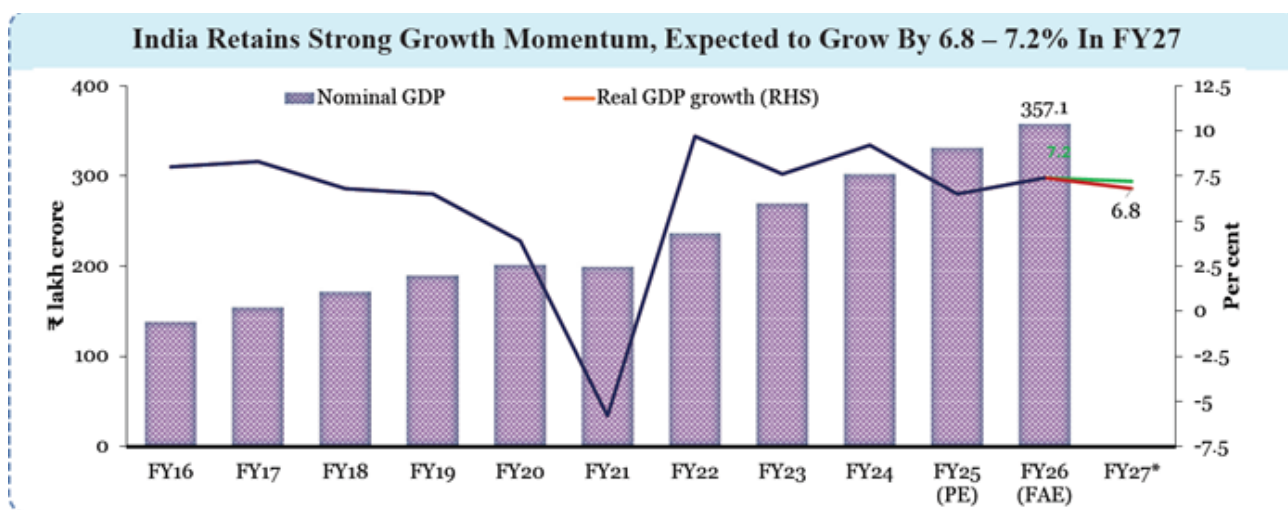
Economic Survey

Economic Survey 2025-26 (Highlights)

The Economic Survey 2025-26 points out the growth momentum and macroeconomic stability in India, which is supported by fiscal consolidation, high tax buoyancy, and a stronger financial sector. Structural reforms and public spending have led to record performance in the external sector, agriculture, and manufacturing sectors, and social parameters have registered significant progress in poverty alleviation, employment, and financial inclusion. In a world full of uncertainties, the Economic Survey has presented a balanced roadmap for sustainable and inclusive progress towards Viksit Bharat 2047 through prudent fiscal policy, building capabilities, and regulation.

Macroeconomic Outlook & Fiscal Performance

- India retains strong 7.4% growth in the current fiscal FY 2025-26, expected to grow by 6.8 - 7.2 % in FY 2026-27, indicating continued economic momentum

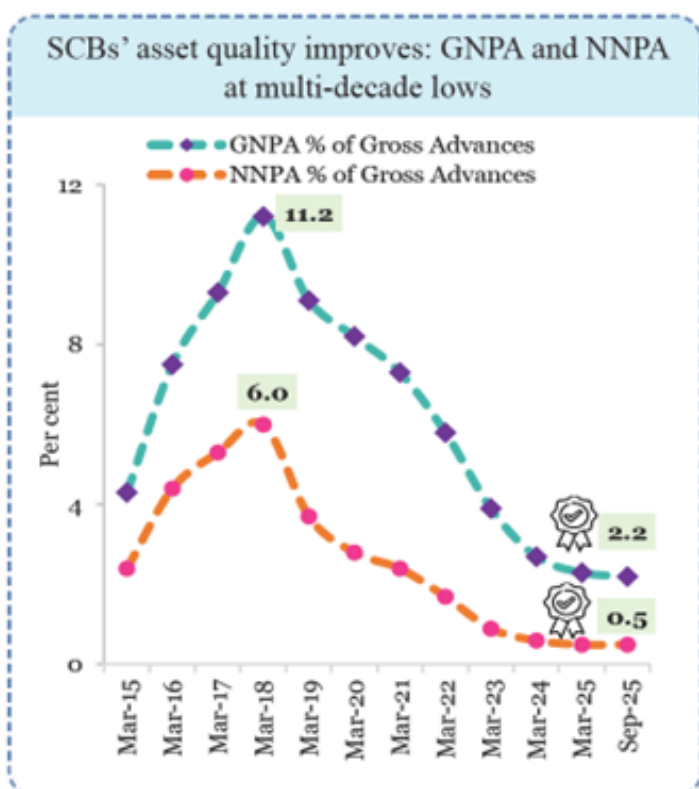


- The Central Government is on track to achieve a fiscal deficit target of 4.4% of GDP for FY 2025-26.
- Centre's revenue receipts rose to 9.2% of GDP in FY 2024-25 (PA), driven by buoyant non-corporate tax collections.
- Direct tax share in Gross Tax Revenue rose from 52% pre-pandemic to 59% in FY 2024-25 (PA), reflecting a significant structural shift and improved tax buoyancy.

- Gross GST collections reached ₹17.4 lakh crore during April-December 2025, registering a 6.7% year-on-year growth.
- Domestic inflation averaged 1.7% for April–December 2025.
- GNPA reached a multi-decadal low of 2.2% in September 2025.

External Sector & Global Trade

- Total exports reached record levels of \$825.3 billion in FY 2024-25, with services exports hitting an all-time high of \$387.6 billion, growing by 13.6%.
- India's share of global merchandise exports nearly doubled from 1% to 1.8% between 2005 and 2024.
- India remains the world's largest recipient of remittances, with inflows reaching \$135.4 billion in FY 2024-25.
- Gross FDI inflows stood at \$64.7 billion during April-November 2025.
- India's Foreign Exchange reserves increased to \$701.4 billion as of 16th January, 2026, providing cover for 11 months of imports and 94% of external debt.
- Trade talks with the US are expected to conclude this year, helping reduce external uncertainty.



- The total number of Income Tax Returns (ITR) filed increased substantially from 6.9 crore in 2021-22 to 9.2 crore in 2024-25, indicating a wider tax base and improved compliance.
- India received three sovereign credit rating upgrades in 2025 from Morningstar DBRS, S&P Global, and R&I.



Agriculture & Rural Development

- India's foodgrain production is estimated to have reached 3577.3 lakh metric tonnes (LMT) in agriculture year (AY) 2024-25, an increase of 254.3 LMT over the previous year.
- For the first time, horticulture production (362.08 MT) surpassed foodgrain production, marking a structural shift in Indian agriculture.
- More than ₹4.09 lakh crore has been released to eligible farmers under PM-Kisan since its inception.
- Viksit Bharat-Gramin (VB-GRAM G) is a comprehensive statutory overhaul of MGNREGS aligning rural employment with the long-term vision of Viksit Bharat 2047.
- India's rank in the Global Innovation Index improved to 38th in 2025, up from 66th in 2019.
- India's National Highway network has expanded by around 60% since FY 2013-14.
- High-Speed Corridors increased nearly ten-fold, from 550 km (FY 2013-14) to 5,364 km (FY 2025-26, up to December 2025); 3,500 km of railway were added in FY 2025-26.
- India is the world's 3rd largest domestic aviation market, with the number of airports increasing from 74 in 2014 to 164 in 2025.
- Historic turnaround for Discoms, recording a positive PAT of ₹2,701 crore in FY 2024-25 for the first time.

Industry, Infrastructure & Energy

- Manufacturing GVA grew by 7.72% in Q1 and 9.13% in Q2 of FY 2025-26, reflecting structural recovery.
- Production Linked Incentive (PLI) schemes across 14 sectors have attracted over ₹2.0 lakh crore of actual investment, generating incremental production/sales exceeding ₹18.7 lakh crore and over 12.6 lakh jobs as of September 2025.
- India Semiconductor Mission has advanced domestic capabilities, with 10 projects of about ₹1.60 lakh crore of investment.
- India ranks 3rd globally in overall renewable energy and installed solar capacity; non-fossil fuel sources now account for 51.93% of India's installed power capacity.
- India becomes the fourth nation to achieve autonomous satellite docking (SpaDeX) capability.

Social Sector & Human Development

- Multidimensional Poverty Index (MPI) as measured by NITI Aayog shows a decline from 55.3% in 2005-06 to 11.28% in 2022-23.

- The unemployment rate declined to 3.2% in 2023-24 from 6% in 2017-18.
- Labour Codes have been enacted to formally recognize gig and platform workers and expand social security nets.
- Over 31 crore unorganized workers are registered on the e-Shram portal, with women comprising 54% of registrants.
- 55.02 crore bank accounts were opened as of March 2025 under PMJDY, with 36.63 crore in rural and semi-urban areas.
- As of October 2025, the PMMY completed a decade of impact by disbursing ₹36.18 lakh crore across 55.45 crore accounts, with women entrepreneurs securing 69% of loans and ₹15.6 lakh crore reaching SCs, STs, OBCs and other minorities.
- Number of unique investors crossed the 12-crore mark in September 2025, with nearly 25% being women.
- India now has 23 IITs, 21 IIMs, and 20 AIIMS, alongside the establishment of two international IIT campuses in Zanzibar and Abu Dhabi.
- India's rank in the Global Innovation Index improved to 38th in 2025, up from 66th in 2019.
- Online platforms may be required to enforce age verification, while simpler and safer devices are encouraged for children to curb rising digital addiction and protect mental health.
- The Survey has suggested exploring a ban on advertisements of ultra-processed foods from 6 am to 11 pm, and recommends restricting the marketing of infant and toddler milk and beverages.
- The Survey proposes a "Disciplined Swadeshi" strategy, prioritising critical imports like fertiliser inputs, APIs, and telecom equipment for rapid domestic scale-up and assured demand support.
- The Survey flags rising fiscal indiscipline at the state level, warning that populist spending and unconditional cash transfers could raise borrowing costs and weaken investor confidence.
- The Survey notes that low Floor Space Index (FSI) norms restrict vertical construction, forcing cities to expand horizontally and increasing housing and infrastructure delivery costs, indicating the need to ease such regulations.

Emerging Trends & Recommendations

- Gold and silver prices are expected to remain elevated due to sustained safe-haven demand amid global uncertainties.

NEWS

NETWORK

Direct Tax

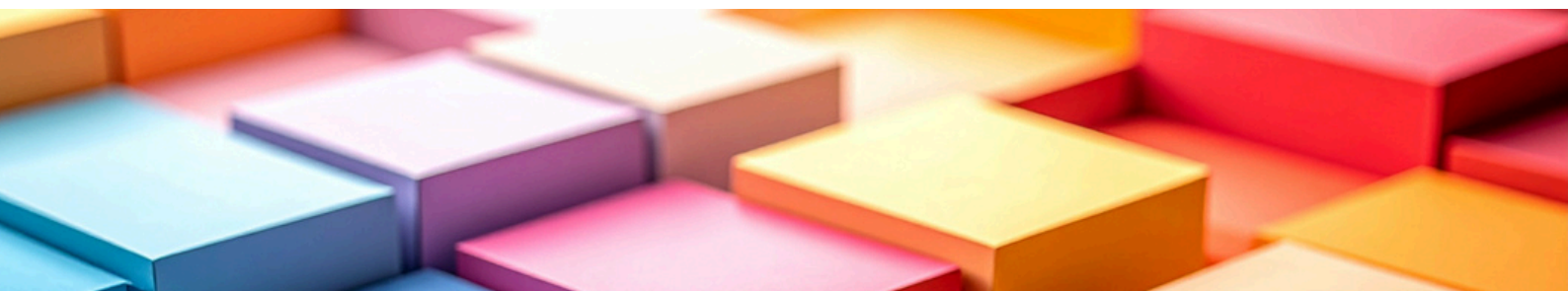
Applicable tax rates

There are no changes in prescribed rates applicable for Individuals, HUF's, Co-operative Societies, Firms, Local authorities, and Companies. Also, the below-mentioned rates are subject to applicable surcharge and education cess @ 4% of tax calculated

1. Tax rates under new tax regime

For Individual & Hindu Undivided Family (HUF)

S. No.	Total Income	Current Tax Rates
1	Upto ₹ 4,00,000	Nil
2	From ₹ 4,00,001 to ₹ 8,00,000	5%
3	From ₹ 8,00,001 to ₹ 12,00,000	10%
4	From ₹ 12,00,001 to ₹ 16,00,000	15%
5	From ₹ 16,00,001 to ₹ 20,00,000	20%
6	From ₹ 20,00,001 to ₹ 24,00,000	25%
7	Above ₹ 24,00,0000	30%



2. Tax rates under old tax regime

For Individual & HUF of age less than 60 years		For Senior Citizens of age 60 years and above		For Super Senior Citizens of age above 80 Years	
Total Income	Current Rates	Total Income	Current Rates	Total Income	Current Rates
Upto ₹ 2,50,000	Nil	Upto ₹ 3,00,000	Nil	Upto ₹ 5,00,000	Nil
From ₹ 2,50,001 to ₹ 5,00,000	10%	From ₹ 3,00,001 to ₹ 5,00,000	5%	From ₹ 5,00,001 to ₹ 10,00,000	20%
From ₹ 5,00,001 to ₹ 10,00,000	20%	From ₹ 5,00,001 to ₹ 10,00,000	20%	Above ₹ 10,00,000	30%
Above ₹ 10,00,000	30%	Above ₹ 10,00,000	30%		



In the case of a cooperative society		In the case of Firm & Local Authority.	
Total Income	Current Rates	Total Income	Current Rates
Upto ₹ 10,000	10%	Every Firm	30%
From ₹ 10,001 to ₹ 20,000	20% of amount exceeds ₹	Every Local Authority	30%
Income exceeds ₹ 20,000	30% of amount exceeds ₹		



A. Rationalisation of TCS rates

S.No.	Nature of Receipts	Current Rate	Proposed Rate
1	Sale of alcoholic liquor for human consumption.	1%	2%
2	Sale of tendu leaves.	5%	2%
3	Sale of scrap.	1%	2%
4	Sale of minerals, being coal or lignite or iron ore	1%	2%
5	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding 10 Lakh rupees	(a) 5% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment.	(a) 2% for purposes of education or medical treatment; (b) 20% for purposes other than education or medical treatment.
6	Sale of "overseas tour programme package" including expenses for travel or hotel stay or boarding or lodging or	(a) 5% of amount or aggregate of amounts up to ten lakh rupees; (b) 20% of	2%

**This amendment will take effect from the 1st day of April, 2026.*

B. Increase in tax rates of Securities Transaction Tax

S.No.	Transaction Type	Basis of Levy	Current STT Rate	Proposed STT rate
1	Sale of option in securities	Option premium	0.10%	0.15%
2	Sale of option (where option is exercised)	Intrinsic value	0.13%	0.15%
3	Sale of futures in securities	Traded price	0.02%	0.05%

** This amendment will take effect from the 1st day of April, 2026.*

Ease of Living

- Rationalising the due date to credit the employee's contribution by the employer to claim such contribution as a deduction

Section 29(1)(e)(i) of the Income-tax Act, 2025 ("the Act") allows employers to claim a deduction for employee welfare contributions if credited to the relevant fund by the prescribed due date. Earlier, this due date was linked to the deposit deadline under the applicable law. It is proposed that the due date will now be the return filing due date under section 263(1) of the Act. Accordingly, employers can claim the deduction if the contribution is deposited up to the income-tax return filing deadline. The said amendment will be applicable with effect from 1st April, 2026.



- **Exemption on interest income under the Motor Vehicles Act, 1988.**

Section 11 of the Income-tax Act, 2025 ("the Act") grants exemption to specified persons listed in Schedule III of the Act, subject to prescribed conditions. The Motor Vehicles Act, 1988, provides for compensation and interest on such compensation awarded by a tribunal in cases of death, permanent disability, or bodily injury. Such interest income may cause a tax burden on accident victims or their legal heirs. To alleviate hardship, it is proposed to amend Schedule III of the Act to exempt interest income received under the Motor Vehicles Act, 1988. This exemption will apply to individuals or their legal heirs receiving such interest. The said amendment will be applicable with effect from 1st April, 2026.

- **No tax to be deducted at source in respect of interest on compensation amount awarded by Motor Accidents Claims Tribunal to an individual**

Section 393(4) of the Income-tax Act, 2025 ("the Act") currently provides that no tax is required to be deducted at source on interest awarded by the Motor Accidents Claims Tribunal if such interest does not exceed Rs. 50,000 in a tax year. To provide greater relief to accident victims and hardship,

it is proposed to remove this provision. Accordingly, no tax shall be deducted at source on interest received on compensation awarded by the Motor Accidents Claims Tribunal to an individual, irrespective of the amount. The said amendment will be applicable with effect from 1st April, 2026.

- **Enabling electronic verification and issuance of a certificate for the deduction of income-tax at a lower rate or no deduction of income-tax**

Section 395 of the Income-tax Act, 2025 ("the Act") provides for the issuance of certificates for deduction of tax at source (TDS) and collection of tax at source (TCS) at nil or lower rates. Under the existing provisions corresponding to section 197 of the Income-tax Act, 1961, a payee is required to make an application to the Assessing Officer, who, after due verification, issues the appropriate certificate.

With a view to reduce compliance burden, particularly for small taxpayers, it is proposed to permit the payee to submit such applications electronically to the prescribed income-tax authority, which may issue the certificate subject to the fulfilment of prescribed conditions or reject the

application if the conditions are not satisfied or the application is incomplete. The said amendment will be applicable with effect from 1st April, 2026.

- **Relaxation from TAN Requirement for Resident Individuals/HUFs Purchasing Property from Non-Residents**

Section 397(1)(a) of the Income-tax Act, 2025 ("the Act") requires persons deducting or collecting tax to obtain a Tax Deduction and Collection Account Number (TAN), while clause (c) specifies exceptions. Currently, a buyer of immovable property from a resident seller is not required to obtain TAN, but TAN is mandatory where the seller is a non-resident. This results in additional compliance burden for buyers, especially resident individuals and HUFs, for a single transaction.

To ease this burden, it is proposed to amend section 397(1)(c) of the Act. Accordingly, resident individuals and HUFs will not be required to obtain TAN for deducting TDS on transfer of immovable property under section 393(2) of the Act. The said amendment will be applicable with effect from 1st October 2026.

- **Enabling the filing of a declaration for no deduction to a depository**

Under Section 393(6) of the Income Tax Act, 2025 ("the Act"), some types of income like dividends, interest from securities, and mutual fund earnings do not require tax deduction at source if the investor gives a written declaration to the person paying the income (Form 15G or Form 15H).

In previous Act, if an investor earns from multiple sources, they have to submit separate declarations to each payer, which is a lot of paperwork. To make this easier, it is proposed that investors can submit one declaration to the depository, and the depository will share it with all the relevant payers.

Also, under section 197A of the Income Tax Act, 1961, declarations are usually reported to the tax authorities every month. To reduce the burden on payers, it is proposed that this reporting be done quarterly instead of monthly under section 393(6) of the Act. This easier process will only be available to investors who hold their securities or mutual fund units in a depository and where these securities are listed on a recognised stock exchange in India. The said amendment will be applicable with effect from 1st April 2027.

- **Application of TDS on the supply of manpower**

Section 393(1) of the Income Tax Act, 2025 ("the Act") prescribes different TDS rates for payments to contractors and for professional or technical services. While contractor payments attract TDS at 1% or 2%, as the case be, professional or technical fees are subject to TDS at 2% or 10%, leading to ambiguity for the application of TDS on the supply of manpower.

To clarify this, it is proposed to include "supply of manpower to a person to work under his supervision, control, or direction" within the definition of "work" under section 402(47) of the Act. Accordingly, TDS on manpower supply will be governed by the contractor-related provisions of section 393(1) of the Act. The said amendment will be applicable with effect from 1st April 2026.

- **Allowing deduction to non-life insurance business when TDS, not deducted earlier is paid later**

Part B of Schedule XIV of the Income-tax Act, 2025 ("the Act") governs the computation of profits from insurance business other than life insurance and requires inadmissible expenses to be added back to profits. Section 35(b)(i) and (ii) of the Act disallow certain

certain expenses where TDS is not deducted or paid on time, but permit deduction in the year of actual TDS compliance.

However, Schedule XIV of the Act earlier provided a subsequent-year deduction mechanism only for section 37 of the Act and not for section 35(b) of the Act. To rationalize this inconsistency, it is proposed to amend the provisions to allow amounts disallowed under section 35(b) of the Act to be claimed as deduction in the year in which TDS is deducted and paid. The said amendment will be applicable with effect from 1st April 2026.

- **Exemption of income on compulsory acquisition of any land under the RFCTLARR Act.**

Section 11 read with Schedule III of the Act grants exemption to certain incomes, including capital gains arising from transfer of agricultural land, subject to conditions. Section 96 of the RFCTLARR Act, 2013 provides that compensation received under awards or agreements (other than under section 46) is not chargeable to income tax. To remove ambiguity, CBDT had earlier clarified that such compensation is exempt even under

the Income-tax Act even if there are no specific provisions for exemption. To formally align the two laws, it is proposed to amend Schedule III to explicitly exempt income arising from compulsory acquisition of land under the RFCTLARR Act. The said amendment will be applicable with effect from 1st April 2026.

- **Exemption for Disability Pension to armed force personnel**

Disability pension is paid to Armed Forces personnel invalidated out of service due to a

disability attributable to or aggravated by service and includes both service and disability elements. Such a pension has historically been exempt from tax under income-tax. It is now proposed to restrict this exemption only to cases of invalidation due to service-related disability and not to superannuation or other retirements. It is also proposed to extend this benefit to paramilitary personnel. The said amendment will be applicable with effect from 1st April 2026.



- Rationalising due dates for filing of return of Income.**

Section 263(1)(c) of the Income Tax Act, 2025 (“the Act”) specifically prescribes due dates for different classes of Assessee for filing of income tax returns. To ease compliance, especially for non-audit business cases and trusts, it is proposed to rationalize and extend certain due dates. The same are duly tabularised as follows –

Category of Assessee	Before Amendment	After Amendment (Proposed)
Assessee to whom section 172 of the Act applies (including partners of the firm or the spouse of such partner if section 10 applies to such spouse)	30th November	30th November (No change)
a) Company b) Non-company assessee (audit cases) c) Partner of firm on whom section 172 not applicable [Audit applicable or the spouse of such partner (if section 10 applies to such spouse)]	31st October	31st October (No change)
a) Assessee having income from Business/Profession (Audit not applicable) b) Partner of firm [audit not applicable/ spouse (section 10 applicable)]	31st July	31st August (Extended)
a) Individuals filing ITR-1 / ITR-2 b) Any other Assessee	31st July	31st July (No change)

The said amendments are applicable with effect from 1st April 2026 for tax year 2026-27 under Income-tax Act, 2025 and from 1st March 2026 for the Assessment year 2026-27 under Income-tax Act, 1961.

- **Extending the period of filing revised return**

Section 263(5) of the Income Tax Act, 2025 ("the Act") permits a taxpayer to file a revised return to correct any omission or wrong statement in the original or belated return, within nine months from the end of the relevant tax year or before completion of assessment, whichever is earlier. To address the issue that the time limits for belated and revised returns currently coincide, it is proposed to extend the time limit for filing a revised return from 9 months to 12 months from the end of the relevant tax year. This change will enable taxpayers who file belated returns at the end of the timeline to subsequently revise them. Further, a fee under section 428(b) of the Act is proposed for revised returns filed beyond nine months, amounting to Rs. 1,000 where total income does not exceed Rs. 5 lakh and Rs. 5,000 in other cases. The said amendment is applicable with effect from 1st April, 2026.

Further, the corresponding changes are also proposed in section 139(5) of the Income-tax Act, 1961. The

said amendment applicable with effect from 1st March, 2026 and shall be applicable for A.Y 2026-2027.

- **Scope of filing of updated return in the case of reduction of losses**

Section 263(6) of the Income Tax Act, 2025 allows a taxpayer to file an updated return within 48 months, subject to conditions such as payment of additional tax and restrictions on reducing tax liability or increasing refund. An updated return cannot ordinarily be a return of loss and is barred in cases of ongoing or completed proceedings. While conversion of a loss return into an income return is permitted, reduction of loss was earlier not allowed. Therefore, it is proposed to allow the filing of an updated return where the taxpayer reduces the amount of loss originally claimed. This amendment relaxes the existing restriction and provides greater flexibility to taxpayers. The said amendment is applicable with effect from 1st April, 2026.

Further, the corresponding changes are also proposed in the Income-tax Act, 1961. The said amendment is applicable with effect from 1st March, 2026 and shall be applicable for A.Y 2026-2027.

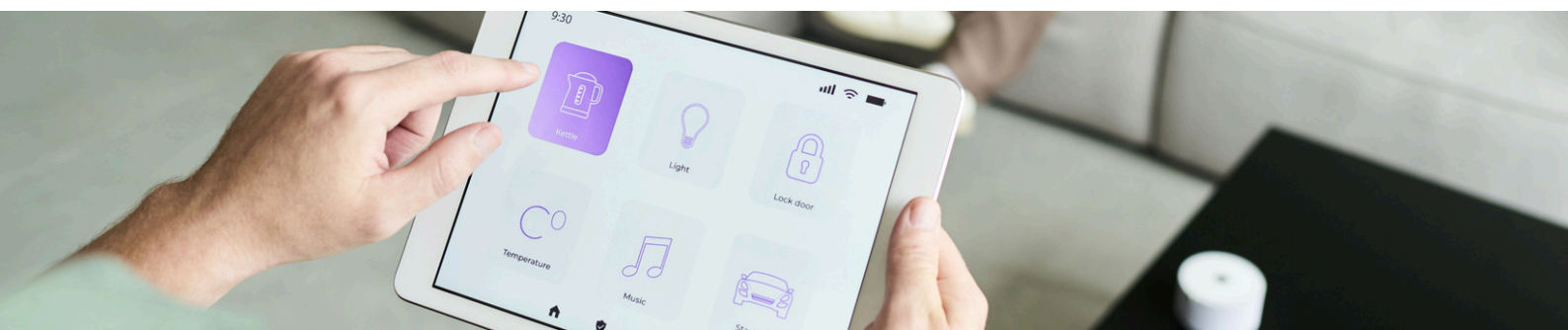
- **Allowing the filing of updated return after issuance of notice of reassessment**

Section 263(6) of the Income Tax Act, 2025 ("the Act") permits a taxpayer to file an updated return within 48 months to encourage voluntary tax compliance, subject to conditions such as the payment of additional tax and restrictions on loss, refunds, or reductions in tax liability. Earlier, filing an updated return was barred where reassessment proceedings were initiated. To reduce litigation, it is proposed to allow the filing of an updated return even after issuance of a reassessment notice under section 280 of the Act, within the period specified in such notice. Further, an additional 10% tax over the applicable additional income tax is proposed, with immunity from penalty on such disclosed income. These amendments will apply from tax year 2026-27 onwards, with effect from 1st April 2026 for tax year 2026-27.

Further, the corresponding changes are also proposed in the Income-tax Act, 1961. The said amendment applicable with effect from 1st March, 2026 and shall be applicable for A.Y 2026-2027.

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

The Black Money Act, 2015 targets undisclosed foreign income and assets and earlier provided a one-time disclosure window in 2015. Ongoing non-compliance, especially in legacy and inadvertent cases of small taxpayers such as foreign ESOPs or dormant bank accounts, has been observed. Information from the Automatic Exchange of Information framework also shows widespread non-disclosure. To facilitate voluntary compliance, a time-bound disclosure scheme for foreign assets and income is proposed. The scheme will involve payment of tax or fee with limited immunity from penalty and prosecution, excluding serious cases. It will be introduced through the Finance Bill, 2026.



S.No.	Nature of Undisclosed Asset/ Income	Amount Payable	Conditions
1	Undisclosed asset located outside India or undisclosed foreign income	• Tax @ 30% of value of undisclosed foreign asset (as on 31-03-2026) • Tax @ 30% of undisclosed foreign income • Penalty @ 100% of tax	Aggregate value of undisclosed foreign assets does not exceed ₹1 crore
2	a. Foreign asset acquired when assessee was non-resident, or from income earned outside India during non-resident period, but not disclosed after becoming resident b. Foreign asset acquired from income which was already taxed in India, but not disclosed in return	• Fee of ₹1 lakh	Value of such foreign asset does not exceed ₹5 crore

Rationalising Penalty and Prosecution

- **Amendment in Section 473 of the Income-tax Act, 2025**

Section 473 of Income-tax Act, 2025 talks about the punishment with rigorous imprisonment in case of contravention of order made under 247 of the 2025 Act (i.e., Search & Seizure), the Finance bill 2026, proposed to made changes in the punishment from “rigorous imprisonment for a term upto two years and shall also be liable to fine” to “simple imprisonment upto two years and with fine” and changed the heading of the section from “Contravention of order made under section 247” to “Contravention of order made during search action”

- **Amendment in Section 474 of the Income-tax Act 2025**

Section 474 of Income-tax Act, 2025 talks about punishment with rigorous imprisonment in case any person fails to provide required access to books or documents under section 247(1)(ii) of the Income-tax Act 2025 to Authorised officer. The Finance bill 2026, proposed to made changes in the

punishment from “rigorous imprisonment for a term upto two years and shall also be liable to fine” to “simple imprisonment up to six months, or fine, or both” and made changes in the heading of the section to “Failure to afford facility for inspection of books of account during search.” and changed the heading of the section from “Failure to comply with section 247(1)(ii)” to “Failure to afford facility for inspection of books of account during search”.

- **Amendment in section 475 of the Income-tax Act, 2025**

Section 475 of the Income-tax Act, 2025 talks about punishment with rigorous imprisonment in case of fraudulent removal, concealment, transfer or delivery to any person of any property to prevent tax recovery. The Finance bill 2026, proposed to made changes in the punishment from “rigorous imprisonment for a term up to two years and fine” to “simple imprisonment for a term up to two years and fine”.

- **Amendment in section 476 of the Income-tax Act, 2025**

Section 476 of the Income-tax Act, 2025 talks about punishment with rigorous imprisonment in case of not crediting the TDS deducted in the account of the Central Government. This section covers four offences which are TDS deducted for winnings from lottery, crossword puzzle, winning from online games, benefit or perquisite arising from business or profession, and a sum for transfer of a virtual digital asset. The Finance Bill 2026 proposed to substitute sub-section (1) of section 476 of the 2025 Act; the proposed changes are as follows:

1. The offense in which TDS is deducted for winning from online games not credited to the account of the Central Government excludes TDS deducted on winnings that are wholly in kind.
2. The offense in which TDS is deducted on any sum by way of consideration for the transfer of a virtual digital asset not credited to the account of the Central Government excludes consideration that is wholly in kind.
3. The punishment is also proposed to be changed as under:

Existing Penalty	Amended Penalty
Rigorous imprisonment for a term not less than three months and upto seven years, and fine	a) simple imprisonment up to two years, or fine, or both, where the tax amount exceeds fifty lakh rupees; or b) simple imprisonment up to six months, or fine, or both, where the tax amount exceeds ten lakh rupees but does not exceed fifty lakh rupees; or c) fine, in any other case.

- Amendment in section 477 of the Income-tax Act, 2025

Section 477 of the Income-tax Act, 2025 talks about punishment with rigorous imprisonment in case of not crediting the TCS deducted in the account of the Central Government. The Finance Bill 2026, proposed to make changes in the punishment as under:

Existing Penalty	Amended Penalty
Rigorous imprisonment for not less than three months and upto seven years, and fine	a) simple imprisonment up to two years, or fine, or both, where the tax amount exceeds fifty lakh rupees; or b) simple imprisonment up to six months, or fine, or both, where the tax amount exceeds ten lakh rupees but does not exceed fifty lakh rupees; or c) fine, in any other case.



- Amendment in section 478 of the Income-tax Act, 2025

Section 478 of the Income Tax Act, 2025, talks about punishment in case of a willful attempt to evade tax, penalty, or interest chargeable or imposable or under-reporting his income. The Finance Bill 2026 proposed to make changes in the punishments mentioned in sub-sections (1) & (2) of section 478 of the Income-tax Act, 2025. The punishment mentioned in sub-sections (1) & (2) is proposed to be changed as under:

Existing Penalty	Amended Penalty
<u>Sub-section (1).</u> (a) In a case, where the amount evaded or tax on under-reported income exceeds twenty-five lakh rupees, rigorous imprisonment for a term not less than six months and maximum upto seven years, and with fine. (b) in any other case, rigorous imprisonment for a term not less than three months and maximum upto two years, and with fine. <u>Sub section (2).</u> Rigorous imprisonment for a term not less than three months and maximum upto two years and at the discretion of the court, also be liable to fine.	<u>Sub- section (1) & (2).</u> (a) simple imprisonment upto two years, or fine, or both, where the amount evaded or tax on under-reported income exceeds fifty lakh rupees; or (b) simple imprisonment upto six months, or fine, or both, where the amount evaded or tax on under-reported income exceeds ten lakh rupees but does not exceed fifty lakh rupees; or (c) fine, in any other case.

Further proposes to change the heading of the section from “Wilful attempt to evade tax, etc.” to “Failure to comply with a direction of special audit or valuation”.

- **Amendment in section 479 of the Income-tax Act, 2025**

Section 479 of the Income-tax Act, 2025 talks about punishment in case of failure to furnish returns of income. The Finance Bill 2026 proposed to made changes in the punishments as under:

Existing Penalty	Amended Penalty
(a) in a case, where the amount of tax, evaded exceeds twenty-five lakh rupees, with rigorous imprisonment for a term not less than six months and maximum up to seven years, and with fine; (b) in any other case, with imprisonment for a term not less than three months and maximum up to two years and with fine.	a) Simple imprisonment up to two years, or fine, or both, where the amount of tax evaded exceeds fifty lakh rupees or b) Simple imprisonment up to six months, or fine, or both, where the amount of tax evaded exceeds ten lakh rupees but does not exceed fifty lakh rupees or c) fine, in any other case.

- **Amendment in section 480 of the Income-tax Act, 2025**

Section 480 of the Income-tax Act, 2025 talks about punishment in case of failure to furnish a return of income in search cases. The Finance Bill 2026, proposed to made changes in the punishments as under:

Existing Penalty	Amended Penalty
(a) in a case, where the amount of tax, evaded exceeds twenty-five lakh rupees, with rigorous imprisonment for a term not less than six months and maximum up to seven years, and with fine; (b) in any other case, with imprisonment for a term not less than three months and maximum up to two years and with fine.	a) Simple imprisonment up to two years, or fine, or both, where the amount of tax evaded exceeds fifty lakh rupees or b) Simple imprisonment up to six months, or fine, or both, where the amount of tax evaded exceeds ten lakh rupees but does not exceed fifty lakh rupees or c) fine, in any other case.

• Amendment in section 481 of the Income-tax Act, 2025

Section 481 of the Income-tax Act, 2025 talks about punishment in case of failure to produce accounts and documents as referred in the assessment notice or failure to comply with the direction of special audit and valuation. The Finance Bill 2026 proposed the following changes:

1. Failure to produce accounts and documents as referred in the assessment notices is proposed to be fully decriminalised.
2. Failure to comply with the direction of special audit and valuation, the punishment has proposed to be changed from “rigorous imprisonment for a term which may extend to one year and with fine” to simple imprisonment for a term up to six months, or fine, or both.

• Amendment in section 482 of the Income-tax Act, 2025

Section 482 of the 2025 Act talks about punishment in case any person makes false statement in verification or delivers an account or statement which is false, which he believes or knows to be false. The Finance Bill 2026 proposed to made changes in the punishments as under:

Existing Penalty	Amended Penalty
(a) in a case, where the amount of tax, evaded exceeds twenty-five lakh rupees, if the false statement or account had been accepted as true, then punishment with rigorous imprisonment for a term not less than six months and maximum up to seven years, and with fine; (b) in any other case, punishment with rigorous imprisonment for a term not less than three months and maximum up to two years, and with fine.	a) Simple imprisonment for a term up to two years, or fine, or both, where the amount of tax evaded exceeds fifty lakh rupees, if the false statement had been accepted as true or b) Simple imprisonment for a term up to six months, or fine, or both, where the amount of tax evaded exceeds ten lakh rupees but does not exceed fifty lakh rupees, if the false statement had been accepted as true, or c) Fine, in any other case.

- **Amendment in section 295 of the Income-tax Act, 2025**

Section 295 deals with situations where undisclosed income found during a search or requisition relates to a person other than the one searched (the “other person”). Under the current provisions, both the searched person and the other person are subjected to the same block assessment period.

This creates an unnecessary compliance burden for the other person, especially where the undisclosed income relates only to a single tax year and no search was conducted on them. To address this issue, it is proposed to amend section 295(2) of the Income-tax Act, 2025 to restrict the block assessment period in the case of third parties. The beneficial provisions are tabularised as follows –

Period of Undisclosed Income of Other Person	Block Period to be Considered
Undisclosed income pertains to the period commencing from the tax year immediately preceding the year of search/requisition and ending on the date of initiation of search or requisition	Block period shall comprise: (i) the specified year (i.e., the tax year immediately preceding the year of search/requisition), and (ii) the period starting from 1 April of the tax year in which the search/requisition is initiated up to the date of execution of the last authorisation
Undisclosed income pertains to a single tax year out of the five tax years preceding the specified year	Block period shall be restricted only to that single tax year, irrespective of the general block period provisions

The said amendment is applicable to searches or requisitions initiated on or after 1st April 2026.

- **Amendment in section 296 of the 2025 Act**

Section 296 of the Income-tax Act, 2025 talks about the timelines to complete block assessment. The Finance Bill 2026 proposed to make changes in time limit as prescribed under:

Existing Time limit	New Time limit
12 months from the end of the quarter in which last search authorisation or requisition was made.	18 months from the end of the quarter in which last search authorisation or requisition was made.

- **Amendment in section 446 of the Income-tax Act, 2025**

Section 446 of the Income-tax Act, 2025 deals with penalty for failure to get books of account audited, The Finance Bill, 2026 has proposed to substitute the Section 446 of the Income-tax Act, 2025, which now relates to penalty for non-compliance of furnishing the statement in respect of crypto-asset transactions as prescribed under Section 509 of the Income-tax Act, 2025. The penalty of non-compliance is Rs. 200 per day for the period default continues. Further, if inaccurate information is furnished and not rectified, or if due diligence requirements under Section 509 of the Income-tax Act, 2025 are not complied with, a penalty of Rs. 50,000 may be imposed. And now the penalty prescribed under section 446 of 2025 Act has been converted into fees of Rs. 75,000 and 1,50,000 under section 428(c) of the Act which depends on the period of delay with effect from 1st April 2026.

- **Amendment in section 447 of the Income-tax Act, 2025**

Section 447 of the 2025 Act, which prescribed a penalty for failure to furnish an accountant's report for international or specified domestic transactions, has now been omitted in the new Finance Bill 2026 and the penalty converted into fees of Rs. 50,000 and 1,00,000 under section 428(4) of the 2025 Act which depends on the period of delay with effect from 1st April 2026.

• Amendment in section 454 of the Income-tax Act, 2025

Section 454 of the Income-tax Act, 2025 deals with penalty for failure to furnish a statement of financial transaction or reportable account transaction. The Finance Bill, 2026 substitute the said section which specifically applies where failure to furnish a statement of financial transaction or reportable account transaction continues even after issuance of a notice. In such cases, penalty of Rs. 1,000 per day from immediately after the due date of notice, subject to a maximum of Rs. 1,00,000. and further proposes to convert penalty into fees under section 427(3) of the Income-tax Act, 2025 with effect from 1st April 2026.

• Amendment in section 274 of the Income-tax Act, 1961

Section 274 of the 1961 Act provides the procedure for imposing the penalties and mandates that no penalty is imposed unless the reasonable opportunity of being heard is given to assessee. The finance Bill 2026 proposes to insert “by way of a show cause notice to that effect” after the words “a reasonable opportunity of being heard” and proposes to insert two sub-sections.

Sub-section (4) For draft assessments under Section 144C of 1961 Act, or assessments under

1961 Act made on or after 1st April 2027 in respect of Assessment Year 2026-27 or Section 143 of 1961 Act, or reassessments under Section 147 of earlier Assessment Year:

- Any penalty under Section 270A of 1961 Act shall form part of the draft or final assessment/reassessment order.
- Any reference to the assessment order or penalty under Section 270A of the Income-tax Act, 1961 shall be deemed to refer to such assessment or reassessment order.

Sub-section (5): Where the Joint Commissioner’s approval is obtained for passing an assessment or reassessment order on or after 1st April 2027, such approval shall also be deemed to cover the imposition of any penalty under Section 270A of 1961 Act that forms part of that order.

The amendments are applicable with effect from 1st March 2026.

• Amendment in section 220 of the Income-tax Act, 1961

Section 220 the Income-tax Act, 1961 deals with the payment and recovery of tax demand, stating that any amount specified in a notice of demand under Section 156 of 1961 Act must be paid within 30 days of service of the notice.

The Finance bill, 2026 proposed to insert a new proviso in Section 220(2) of 1961 Act, stating that no interest shall be charged on any demand arising from a penalty under Section 270 the Income-tax Act, 1961:

(a) up to the date of passing of the order under Section 250 of the Income-tax Act, 1961

(b) up to the date of passing of the order under Section 254 the Income-tax Act, 1961, where the assessment or reassessment has been made based on the directions issued by the Dispute Resolution Panel under Section 144C of 1961 Act.

The amendments are applicable with effect from 1st March 2026.

- **Amendment in section 195 of the Income-tax Act, 2025**

Section 195 of the Income-tax Act, 2025 deals with the tax on income referred to in section 102, 103, 104, 105 or 106 of the Income-tax Act, 2025 for unexplained investment, assets, expenditure, borrowing or repayment through negotiable instrument. Income tax for such income shall be levied at the rate of 30%. The Finance bill 2026 proposed to make amendment in sub-section (1) of section 195 of the Income-tax Act, 2025 by decreasing the tax rate to 30% from 60%. The amendments are applicable with effect from 1st April 2026

- **Expanding the scope of immunity from imposition of penalty or prosecution under section 440 of 2025 Act and section 270AA of 1961 Act**

Presently, immunity under section 270AA of the Income-tax Act, 1961

can only be granted in the cases of under reporting of income and not in the case of under-reporting of income in consequence of misreporting. It is proposed that provision of immunity should also be extended to such cases where under-reporting of income is in consequence of misreporting. 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 the penalty with effect from 1st March 2026. Similar amendment is made under section 440 of the Income-tax Act, 2025 with effect from 1st April 2026.

Additionally, as the separate penalty (existing penalty under section 443 of the Act) for income determined by AO, which is in the nature of income referred to in section 102 to 106 (unexplained credits, unexplained investment, unexplained asset etc) of the IT Act, 2025 is proposed to be omitted and subsumed in cases of misreporting of income under section 439(11), therefore immunity provision for the same is also proposed in section 440, to provide opportunity to the taxpayers to settle the disputes at an early stage on payment of additional-tax and reduce the burden of litigation and

compliance. However, the taxpayer is required to pay an additional income-tax to the extent of 120% of the amount of tax payable on such income in lieu of penalty with effect from 1st April 2026.

Cooperatives

- Deductions in respect of dividends received and distributed by certain cooperative societies

Previously, Section 149(2)(d) of the Income-tax Act, 2025 allows a co-operative society to claim a deduction on interest or dividend income derived from its investments in other co-operative societies. However, under Budget 2026, in the new tax regime, this deduction is restricted to the extent that such dividends are distributed to its members.

Further, dividends received by a cooperative society from a company are expressly made taxable in the hands of the cooperative society.

However, a temporary relief has been introduced for notified federal co-operatives, whereby dividends received from companies for a period of 3 years up to the Tax Year 2028-29 shall be deductible under

both old and new tax regimes, provided the investments were made on or before 31.01.2026 and the dividends are distributed to its members.

Supporting IT Sector as India's Growth Engine

- Associated Enterprise can file modified returns pursuant to advance pricing agreements

Under the existing provisions of the Income Tax Act, 2025, only a taxpayer who enters into an Advance Pricing Agreement (APA) can file a modified return of income, while an Associated Enterprise (AE) whose income or tax liability is impacted by the APA is not allowed to file a modified return.

It is proposed to amend section 169 of the Income-tax Act, 2025 to extend this facility to both the taxpayer and any affected AE to file a modified return limited to the terms of the APA within three months from the end of the month in which the APA is executed. This amendment will apply to tax years covered by APA entered into on or after 1st April 2026,

including the tax year commencing on 1st April 2026 and subsequent years. The proposed change will enable affected AEs to appropriately align their tax positions with the terms of the APA.

Attracting global business and investment

- **Foreign Company Tax Holiday on Data Centre Services**

A tax holiday has been introduced to foreign tech companies on income from specified Indian data centres upto tax year ending 31st March 2047 under section 11 read with schedule IV of Income-tax Act, 2025. For such benefit to be claimed, services to the Indian users must be provided through an Indian reseller entity. Additionally, Indian providers of such services are also entitled to 15% cost-based safe harbour margin. The said amendment will be applicable with effect from 1st April, 2026.

- **Foreign Company Tax Holiday – Electronics Manufacturing**

A 5-year tax holiday has been introduced for foreign companies supplying capital goods, equipment, or tooling to Indian electronics manufacturers in custom bonded

areas as per section 11 read with schedule IV of Income Tax Act, 2025. The said exemption will be valid upto Tax Year 2030-31.

Additionally, Safe harbour for components in bonded warehouses provided to non-resident at a profit margin of 2% of the invoice value resulting in 0.7% effective tax rate. The said amendment will be applicable with effect from 1st April, 2026.

- **Tax Exemption for Non-Residents Rendering Services under Notified Schemes**

It is proposed to amend section 11 read with schedule IV of Income-tax Act, 2025 to provide exemption to non-resident individuals visiting India for rendering services in connection with any notified scheme of the Central Government for a consecutive period of five years on income which accrues or arises outside India and is not deemed to accrue or arise in India.

The exemption applies to individuals who were non-residents for the five consecutive tax years prior to their first visit to India. The said amendment will be applicable with effect from 1st April, 2026.

- **Rationalisation for Treasury Centres in IFSC**

Budget 2026 clarifies that loans or advances between group entities will not be treated as deemed dividends (section 2(40), ITA 2025), if:

1. One of the group entities is a finance company/unit; and
2. The counterparty is located outside India, and
3. The parent or principal entity of such group is listed on a recognized foreign stock exchange.

These changes facilitate genuine cross-border intra-group financing and prevent unintended dividend taxation, enhancing India's attractiveness for international treasury operations. The said amendment will be applicable with effect from 1st April, 2026.

- **Extension of Deduction for Units in IFSC & Rationalisation of Tax Rate**

Section 147 of Income-tax Act, 2025 (formerly Section 80LA of Income-tax Act, 1961) provides 100% tax deduction on specified incomes of IFSC and Offshore Banking Units (OBUs).

Deduction period is extended as follows:

1. For IFSC units: 20 consecutive years out of 25 (previously 10/15 years)
2. For OBUs: 20 consecutive years (previously 10 years)

After deduction period, business income will be taxed at a concessional 15% rate as per section 218 of Income-tax Act, 2025, providing long-term certainty.

These measures aim to enhance competitiveness of IFSCs, encourage foreign investment, and make India a global hub for international financial services. The said amendment will be applicable with effect from 1st April, 2026.

- **Rationalisation & Expansion of Safe Harbour for IT Services**

Recognizing India's leadership in software development, IT-enabled services (ITES), knowledge process outsourcing (KPO), and contract R&D services, the budget Consolidates IT, ITES, KPO, and contract R&D services under "Information Technology Services", simplifying compliance.

It is proposed to introduce a uniform safe harbour margin of 15.5%, reducing disputes over transfer pricing adjustments.

Turnover threshold proposed to be increased from Rs. 300 crores to Rs. 2,000 crores, allowing more companies to avail benefits.

Approval process automated using a rule-based system, removing manual intervention and speeding up compliance.

Eligible companies can opt for safe harbour for a block of 5 consecutive years, providing certainty in tax planning.

- For Foreign companies, MAT credit set-off is limited to the difference between regular tax and MAT for the tax year in which normal tax is more than MAT.
- Certain non-resident businesses who pay tax on presumptive basis, such as cruise ship operations and those providing electronics manufacturing support services, are excluded from MAT provisions.
- The said amendment will be applicable with effect from 1st April, 2026.

Rationalisation of Corporate Tax Regime

- Rationalisation of Minimum Alternate Tax (MAT)
 - The MAT rate is reduced from 15% to 14%, as per section 206 of Income-tax Act, 2025.
 - Further, it is clarified that under old regime, MAT will be treated as final tax, and no new MAT credit will be allowed, simplifying compliance.
 - Under New regime for domestic companies, MAT credit set-off allowed only up to 25% of current year's tax liability, preventing indefinite carry-forward of MAT credits.

Rationalisation of other Direct Tax Provisions

- Clarification regarding jurisdiction for pre-assessment enquiry
Clarificatory amendment has been made regarding jurisdiction to issue notice to carry out re-assessment procedure. It has been clarified that Assessing Officer for the purpose of section 148 and 148A of the Income-tax Act, 1961 (i.e., pre-assessment enquiry) shall mean and always be deemed to have mean Assessing Officer other than the National Faceless Assessment Centre (or any of its assessment units).

Accordingly, section 147A inserted under Income-tax Act, 1961 and amendments are also carried out in section 279 of the Income-tax Act, 2025 with effect from 1st April, 2026.

- **Clarification regarding quoting of Document Identification Number (DIN)**

It has been clarified that no assessment under any of the provisions of the Act shall be invalid on the ground of any mistake, defect or omission in respect of quoting of a computer-generated DIN, if the assessment order is referenced by such number in any manner. Section 292BA inserted under Income-tax Act, 1961 and amendment has been proposed under section 522 of the Income-tax Act, 2025 with effect from 1st April, 2026.

- **Clarification regarding time limit for completion of assessment in cases where variation arises on account of order of transfer pricing officer or in case of non-resident assessee**

It has been clarified that timelines provided under section 153 and 153B of the Income-tax Act, 1961 govern the draft order stage and the timelines provided under section 144C of the Income-tax Act, 1961

operate for finalization of assessment which consists of directions received from Dispute Resolution Panel (DRP). Accordingly, amendments are proposed under section 144C of the Income-tax Act, 1961 with corresponding amendments under section 275 and section 286 of the Income-tax Act 2025 with effect from 1st April, 2026.

- **Clarification on manner of computation of period for passing the order by Transfer Pricing Officer**

The transfer pricing officer is required to pass an order under section 92CA(3) of the Income-tax Act, 1961 before 60 days prior to the date on which period of limitation under section 153, or as the case may be, in section 153B for making the order of assessment or reassessment, as the case may be, expires.

The clarification has been provided as to how the period of 60 days is required to be computed. Accordingly, sub-section (3AA) is proposed to be inserted in section 92CA which provides for calculation of 60 days in following manner with retrospective effect from 1 June 2007:

Period of limitation expires	Order under section 92CA(3)
On 31st March of any year (not being a leap year)	30th January of that year
On 31st March of any year (being a leap year)	31st January of that year
On 31st December of any year	1st November of that Year

Corresponding amendments under section 166 of the Income-tax Act 2025 have been proposed with effect from 1st April 2026 which provides as under:

Period of limitation expires	Order under section 166
On 31st March of any year	31st January of that year
On 31st December of any year	31st October of that Year

- It is proposed to amend section 349 of the Income-tax Act, 2025 to enable furnishing of belated return by registered non-profit organisations with effect from 1st April, 2026.
- IT is proposed to amend section 93(2) of the Income-tax Act, 2025 to provide that no deduction shall be allowed in respect of any interest expenditure incurred while computing taxable dividend income or income from mutual fund units with effect from 1st April, 2026.

• Taxation of Buyback of Shares

It is proposed to amend section 69(2) of the Income-tax Act, 2025 to provide buy-back proceeds will be taxed under the head "Capital gains" instead of being treated as dividend income.

Further, non-promoter shareholders are treated like normal investors will pay capital gain tax. However, Promoters are treated like they are extracting dividend and pay normal capital gains tax plus an additional income-tax of:

- a) 2% in case of Short-term capital gain or 9.5% in case of Long-term Capital Gain if promoter shareholder is a domestic company; or
- b) 10% in case of Short-term capital gain or 17.5% in case of Long-term Capital Gain if promoter shareholder is a non-domestic company.

NEWS

NETWORK

Indirect Tax

GST

1. Amendment to Section 15(3)(b) of the CGST Act: Post-Supply Discounts

Earlier, as per Section 15(3)(b) of the CGST Act, post-supply discounts were allowed to be excluded from the value of supply only if the discount was:

- a) Agreed at or before the time of supply,
- b) Linked to specific invoices, and
- c) The recipient reversed proportionate ITC.

Now, the requirement of a prior agreement and invoice-wise linkage has been removed. Post supply discounts can be excluded from the value of supply if the discount is given after supply and:

- a) A credit note is issued by the supplier, and
- b) The recipient reverses the ITC attributable to such discount.



SW view point

This amendment resolves a long-standing issue faced by businesses in respect of year end, volume based and target linked discounts, which are usually determined after supply and were frequently questioned during audits due to lack of prior agreements or invoice linkage.

The Government has clearly shifted the focus from procedural conditions to revenue neutrality, with ITC reversal by the recipient being the key safeguard. This aligns GST valuation with normal business practices and is expected to significantly reduce valuation disputes and litigation. Suppliers may use the Invoice Management System (IMS) on the GST portal to check whether the recipient has accepted, partially accepted, or rejected the credit note or invoice, and accordingly ensure that the proportionate ITC has been reversed before claiming the benefit of value reduction.



2. Amendment to Section 54(6) of the CGST Act: Provisional Refund

Earlier, Section 54(6) of the CGST Act allowed the grant of provisional refund only in cases of zero-rated supply of goods or services or both.

Now, a provisional refund will also be available in cases where a refund is claimed for unutilised input tax credit arising due to an inverted duty structure.



SW view point

This amendment extends the benefit of provisional refund to taxpayers claiming a refund of unutilised ITC due to an inverted duty structure, which was earlier available only for zero-rated supplies. This is a positive step, as refunds under an inverted duty structure often involve significant working capital blockage and are subject to prolonged processing timelines.

By allowing provisional refunds in such cases, the Government has aimed to improve liquidity for businesses and bring parity between different categories of refund claims. The amendment is expected to provide timely cash-flow relief and reduce hardship for sectors operating under inverted tax structures. This change will benefit sectors such as textiles, footwear, fertilisers, and pharmaceuticals, where inverted duty structures are commonly prevalent.



3. Amendment to Section 54(6) of the CGST Act: Provisional Refund

Earlier, Section 54(14) of the CGST Act applied a minimum threshold of INR 1,000 for sanction of refund. If the refund amount was below the given threshold, the refund was not sanctioned, even where tax had been paid.



This threshold applied to:

- a) Refunds relating to export of goods (whether exported with payment of tax or without payment of tax), and
- b) Provisional refunds granted by the tax authorities.

Now, Section 54(14) has been amended to remove this threshold restriction specifically for cases where goods are exported with payment of tax



SW view point

This amendment lifts the threshold barrier for export of goods with payment of tax, so even small refund claims from exporters can now move forward for processing irrespective of the refund amount. It's particularly helpful for businesses with frequent smaller shipments.



4. Amendment to Section 101A of the CGST Act: Interim mechanism for hearing GST appellate appeals

Earlier, appeals under Section 101B of the CGST Act were to be heard by the National Appellate Authority for Advance Ruling. However, since the National Appellate Authority has not yet been constituted, such appeals could not be taken up for hearing.

Now, a new sub-section (1A) has been inserted in Section 101A. Under this provision, until the National Appellate Authority is constituted, the Government may notify and empower any existing Authority, including a Tribunal, to hear appeals filed under Section 101B. In such cases, references to the National Appellate Authority shall be read as references to the notified Authority.



SW view point

This amendment allows appeals against conflicting Advance Rulings to be heard even in the absence of the National Appellate Authority. It ensures that taxpayers are not left without a remedy due to the non-constitution of the appellate body.

The change helps address uncertainty arising from divergent Advance Rulings across States and enables such matters to move forward for resolution instead of remaining pending indefinitely.



5. Amendment to Section 13(8)(b) of the IGST Act: Place of supply for intermediary services

Earlier, as per Section 13(8)(b) of the IGST Act, the place of supply for intermediary services was the location of the supplier, even if such services were provided to recipients located outside India.

Now, Section 13(8)(b) has been omitted, and Intermediary services will follow the general rules under Section 13 instead which is the location of the recipient.





SW view point

This amendment addresses one of the most litigated issues under the IGST law. The earlier provision created a deeming fiction whereby intermediary services were treated as supplied within India solely based on the supplier's location, even when the recipient was located outside India. This resulted in the denial of export status and imposed GST on cross-border intermediary services, leading to significant disputes.

Multiple taxpayers had challenged the constitutional validity of Section 13(8)(b) because it was contrary to the destination-based principle of GST and resulted in export of services being taxed. Divergent judicial views further added to the uncertainty. While the Gujarat High Court in *Material Recycling Association of India v. Union of India* (2020) upheld the validity of the provision, the Bombay High Court in *Dharmendra M. Jani and A.T.E. Enterprises Pvt. Ltd. v. Union of India* (2023) took a contrary view, holding the provision to be unconstitutional to the extent it taxed export of intermediary services.

By omitting Section 13(8)(b), the Government has put an end to this long-standing controversy. Intermediary services will now be governed by the general place of supply rules, allowing such services to qualify as exports where other conditions are fulfilled. This brings certainty to the tax position, aligns the law with the destination-based nature of GST, and is expected to benefit Indian service providers acting as intermediaries for overseas clients



Customs - Legislative Changes

I. Amendments to the Customs Act, 1962

1. Section 1 Extension of the scope of the Customs Act

The Customs Act, 1962, has been amended to expand its applicability beyond the “whole of India.” Earlier, the Customs Act applied only within India. Now, it will also apply to fishing and fishing-related activities carried out by Indian-flagged fishing vessels beyond India’s territorial water. The amendment aims to strengthen regulatory oversight, prevent misuse of Indian-flagged vessels for unlawful activities, and align customs law with maritime security and trade governance objectives.

2. Section 2: Definition of Indian-flagged fishing vessel introduced

A new definition has been inserted in Section 2(28A), defining an “Indian-flagged fishing vessel” as a vessel used or intended for fishing in the seas and entitled to fly the flag of India.

The new definition of 'Indian-flagged fishing vessel' has been inserted as clause (28A). Consequently, the existing definition of 'India' under clause (28A) has been renumbered to (28B)

3. Section 28 Penalty Now Treated as a Charge for Non-Payment of Duty

The Finance Act, 2026, has amended Section 28(6)(i) of the Customs Act, 1962, to clarify that the penalty paid under sub-section (5) shall be treated as a charge for non-payment of duty.

Earlier, upon payment of the short-paid duty, applicable interest, and the prescribed reduced penalty under Section 28(5), proceedings were treated as conclusively settled, with the penalty operating largely as a settlement amount. The amendment now expressly provides that the penalty paid under sub-section (5) of section 28, on determination under sub-section (6) thereof, shall be deemed to be a charge for non-payment of duty, thereby equating its legal character and recoverability with the duty itself.

This clarification ensures that even where evasion-related cases are settled at an early stage, the penalty is recognised as a direct statutory consequence of duty default rather than a nominal payment to close proceedings.

4. Section 28J Extension of Validity of Advance Rulings

The Finance Act, 2026 has amended Section 28J of the Customs Act, 1962 to extend the validity of advance rulings issued by the Customs Authority for Advance Rulings (CAAR) from three years to five years from the date of the ruling. This revised validity will apply to all new advance rulings, providing businesses with longer certainty on matters such as classification, valuation, applicability of duty exemptions, and other customs positions, subject to there being no material change in law or facts.

The amendment also includes a transitional provision for advance rulings that were in force on the date the Finance Bill received Presidential assent. Where requested by the applicant, such rulings will be extended to a full five-year period from their original date of issuance, eliminating the need for immediate re-application.

5. Insertion of New Section—Section 56A

Section 56A of the Customs Act, 1962 has been inserted after section 56 to provide a special provision for fishing and fishing-related activities. Notwithstanding anything contained in the Customs Act or in any other

law for the time being in force, this section applies to fish harvested by an Indian-flagged fishing vessel beyond the territorial waters of India. Such fish may be brought into India without payment of customs duty, in the manner and subject to the conditions as may be prescribed by rules. Further, where the fish harvested by an Indian-flagged fishing vessel is landed at a foreign port, it may be treated as an export of goods, again in such manner and subject to such conditions as may be provided under the rules.

The section further empowers the Board to make regulations prescribing the form and manner of making an entry in respect of fish harvested by such vessels. These regulations may cover matters relating to declaration, custody, examination, assessment of duty, clearance, as well as transit or transshipment of the fish, so as to ensure proper customs control and compliance.

The rules prescribing the manner, conditions, and procedures for the duty-free import of fish and export treatment of foreign landings are yet to be notified.

6. Section 67 Ease in Movement of Warehoused Goods

The Finance Act, 2026, has replaced Section 67 of the Customs Act, 1962 with: *"The owner of any bonded warehoused goods may remove them from one bonded warehouse to another bonded warehouse, subject to such conditions as may be prescribed."* In simpler terms, this change removes the earlier requirement of getting prior approval from a customs officer (also referred to as the "proper officer") every time you want to shift the goods from one custom bonded warehouse to another.

This provision now aligns with the MOOWR (Manufacturing and Other Operations in Warehouse Regulations) scheme covered under Section 65 of the Customs Act, 1962, as it allows smoother movement of goods between MOOWR warehouses without the old permission hurdles. It reduces delays, paperwork, and operational bottlenecks, making inventory management, production planning,

and supply chain efficiency much easier for exporters and manufacturers using the MOOWR facility.

7. Section 84 Strengthening of CBIC Powers over Custody and Examination of Courier and Postal Goods

The Finance Act, 2026, has made a small but useful tweak to Section 84 of the Customs Act, 1962 (which deals with regulations for goods imported or exported by post or courier, like parcels and e-commerce shipments).

Previously, clause (b) allowed the Central Board of Indirect Taxes and Customs (CBIC) to make rules only for the examination (checking) of such baggage/goods, along with assessment to duty and clearance. Now, it's changed to cover the custody, along with the examination — meaning the Board can now frame regulations for both the custody (safekeeping/storage) and examination of these goods.

The above changes will come into effect from the date of assent of the Finance Bill, 2026.



II. Amendments to the Customs Act, 1962

1. Introduction of Baggage Rules, 2026

The Central Government has notified the Customs (Baggage) Rules, 2026 vide Notification No. 14/2026–Customs (N.T.) dated 01 February 2026, thereby superseding the Baggage Rules, 2016. The new rules will come into force with effect from 02 February 2026 and seek to modernize and rationalize the baggage clearance framework for international passengers.

Duty-Free Import of Personal Effects: Under the revised rules, passengers arriving in India, including infants, are permitted duty-free clearance of used personal effects required for daily necessities of life and travel souvenirs. However, specified goods such as firearms, excess tobacco or alcohol, gold or silver other than ornaments, and televisions continue to be excluded from this benefit.

Clarity on Re-import and Temporary Import of Goods: The Baggage Rules, 2026, provide explicit clarity on re-import and temporary import of personal effects other than used personal effects. Residents or eligible foreigners are allowed duty-free re-import of personal effects taken out of India earlier, subject to declaration at the time of departure.

Tourists may temporarily import personal effects required for their stay in India, free of duty, subject to re-export at the time of departure. These facilities are subject to risk-based verification, reducing unnecessary physical checks.

Revised General Free Allowance:

The general free allowance has been rationalized under the new rules. Residents, persons of Indian origin, and eligible foreigners (arriving other than by land) are entitled to a duty-free allowance of up to ₹75,000, while foreign tourists (other than of Indian origin) are eligible for an allowance of ₹25,000. Passengers arriving by land are permitted duty-free clearance only of used personal effects required for daily necessities. Additionally, one laptop or notepad is allowed duty-free in bona fide baggage for passengers aged 18 years and above, excluding crew members.

Special Allowance for Jewellery:

The rules continue to allow a special duty-free allowance for jewellery for residents or persons of Indian origin residing abroad for more than one year. Female passengers may bring jewellery up to 40 grams, while other passengers may bring jewellery up to 20 grams, subject to prescribed

conditions. up to one year, subject to the satisfaction of the customs authorities and recording of reasons in writing. Only bona fide personal and household articles are eligible to be cleared as unaccompanied baggage. Items specifically prohibited or restricted under Annexure-I, including firearms, excess tobacco or alcohol, gold or silver in forms other than ornaments, and televisions, are not eligible for duty-free clearance under this facility.

Provisions relating to import and export of currency remain aligned with FEMA regulations, and the import of pets continues to be regulated under rules notified by the relevant authorities.

Reduction in Tariff Rate: As part of rationalising the customs duty structure and improving ease of living, the Budget proposes to reduce the tariff rate on all dutiable goods imported for personal use from 20% to 10%. This measure is aimed at simplifying the duty framework for personal imports and aligning it with present-day consumption and travel patterns, while also reducing the duty burden on individual importers.

nationals holding a valid visa other than a tourist visa, along with the corresponding conditions and relaxations.

Unaccompanied Baggage, Currency and Pets: The Baggage Rules, 2026 apply to unaccompanied baggage in the same manner as accompanied baggage, unless specifically excluded. Accordingly, the duty-free allowances and conditions available to a passenger may also be availed for unaccompanied baggage, subject to compliance with the prescribed requirements under the rules. Unaccompanied baggage is generally permitted where the baggage was in the possession of the passenger abroad and is dispatched within one month of the passenger's arrival in India. However, recognising practical difficulties, customs authorities have been empowered to relax this time limit in genuine cases, such as illness of the passenger or a family member, natural calamities, disruption in transport or travel arrangements, or other circumstances beyond the passenger's control. In exceptional situations, unaccompanied baggage may also be allowed to arrive up to two months before the passenger's arrival, or within a longer period of

2. Introduction of Customs Baggage (Declaration and Processing) Regulations, 2026

The Central Board of Indirect Taxes and Customs (CBIC) has notified the Customs Baggage (Declaration and Processing) Regulations, 2026, replacing the earlier Passengers' Baggage (Levy of Fees) Regulations, 1998 and the Customs Baggage Declaration Regulations, 2013. These regulations operationalize the new Baggage Rules, 2026 and are effective from 02 February 2026.

Mandatory Electronic Baggage Declaration: Passengers arriving in or departing from India are required to declare dutiable or prohibited goods electronically or otherwise, primarily through the Indian Customs Declaration Form (CBD-I). Passengers arriving with only duty-free baggage may proceed through the Green Channel, while those carrying dutiable or prohibited goods must declare the same and use the Red Channel. The regulations emphasize advance electronic declaration, including for unaccompanied baggage, to enable smoother processing.



Customs Duty Free Allowance



S.No.	Eligible Passenger	Mode of Travel	Duty-Free Allowance
1	Indian resident / Tourist of Indian origin / Foreigner with valid visa (excluding infants)	Arriving through any mode other than land	₹75,000
2	Tourists of foreign origin (excluding infants)	Arriving through any mode other than land	₹25,000
3	All passengers	Arriving through land	NIL
4	Indian resident / Tourist of Indian origin who has been residing abroad for over one year	Arriving through any mode other than land	Jewellery: Female – up to 40 grams; Passenger other than female – up to 20 grams
5	All passengers	Arriving through any mode other than land	Alcohol liquor or wine: 2 litres
6	All passengers	Arriving through any mode other than land	Cigarettes up to 100 sticks or cigars up to 25 or tobacco up to 125 grams
7	Passenger of eighteen years and above	Arriving through any mode other than land	One new laptop including notepad

Unaccompanied Baggage Declaration and Clearance:

The regulations prescribe a detailed framework for declaration, transit, examination, and clearance of unaccompanied baggage. Passengers are required to file a separate Unaccompanied Baggage Declaration Form (CBD-II), along with transport and import documents. Customs authorities are empowered to allow clearance at a customs station other than the port of arrival, including clearance at the passenger's destination, to ease logistics.

Temporary Import and Re-import of Baggage: Passengers temporarily importing or re-importing personal effects—such as professional equipment or personal valuables—must declare such goods using the prescribed Export Certificate (CBD-III) or Temporary Baggage Import Certificate (CBD-IV). These certificates remain valid for a specified period and are subject to risk-based verification, reducing routine checks while ensuring compliance.

Risk-Based Verification and Clearance: The regulations introduce a risk-based approach for verification and clearance of baggage. Where customs officers are satisfied that the declared

baggage does not contain prohibited goods and duty has been duly paid, the baggage may be cleared without further examination. This marks a shift away from routine physical checks towards selective and intelligence-based scrutiny.

Custody, Detention, and Disposal of Baggage: Detailed provisions govern custody, detention, and disposal of baggage where goods are dutiable, prohibited, or uncleared. Detained or seized baggage may be stored in customs custody or with authorized custodians. Where baggage is not cleared, re-exported, or claimed within the prescribed time within period of 6 months from the arrival of the passenger or such extended period (not more than 6 months), customs authorities may dispose of the goods, following due process and adjustment of sale proceeds as specified under the regulations.

Record Retention and Penalties: Passengers' declarations and supporting documents must be retained for five years from the date of filing. Any contravention of the regulations, including false declaration or non-declaration, may attract penalties under the Customs Act, 1962, reinforcing compliance obligations.

3. Amendment to Deferred Payment of Import Duty Rules

The Deferred Payment of Import Duty Rules, 2016 have been amended to further ease compliance for importers. Under the revised framework, the period for deferred payment of import duty has been extended to a monthly basis, replacing the earlier 15-day payment cycle.

In addition, a new category of “eligible importers” has been introduced to avail the deferred payment facility. These changes are intended to improve cash-flow efficiency, reduce procedural burden, and encourage wider adoption of the deferred duty payment mechanism.

4. Removal of the value cap on exports through the courier

The existing cap of ₹10 lakh on the value of goods exported through courier mode is being removed by amending the Courier Regulations. This change is intended to facilitate higher-value exports through courier channels, particularly benefiting e-

commerce exporters, MSMEs, and startups, by providing greater flexibility and reducing dependence on traditional cargo modes.

5. Relaxation in return and reject procedures for courier shipments

To further promote ease of e-commerce operations, the procedures relating to returns and rejected consignments in courier mode are being relaxed. This amendment aims to simplify compliance requirements, reduce delays, and make the handling of returned or rejected goods more efficient for businesses engaged in cross-border e-commerce.

6. Allowing ‘return to origin’ to decongest courier terminals

In order to decongest courier terminals and improve overall efficiency in import and export operations, the Courier Regulations are being amended to allow the return of goods to the country of origin. This measure is expected to reduce the accumulation of uncleared consignments at courier terminals, lower handling costs, and streamline logistics and customs processing.

III. Other Changes

- The duty deferral period for Tier 2 and Tier 3 Authorized Economic Operators (AEOs) has been extended from 15 days to 30 days. The same deferred payment facility has also been extended to eligible importers, with the objective of easing cash-flow pressures and encouraging them to move towards Tier 3 AEO accreditation.
- The framework also provides for faster and more predictable clearances for trusted importers by reducing the need for repeated verification of cargo. Export consignments using electronic sealing can be cleared directly from the factory to the port, thereby simplifying export logistics. As per the budget speech, trusted importers will be “regular importers with trusted and long-standing supply chains will be recognised in the risk management system.”
- The customs warehousing regime is proposed to shift towards a self-declaration and post-audit model. The framework will rely on self-declarations by importers, supported by electronic tracking of goods and risk-based audits, rather than routine physical controls. This transition is intended to reduce dependence on officer-driven approvals, resulting in lower transaction delays and reduced compliance costs, while allowing customs authorities to focus oversight on higher-risk cases.
- To help SEZ manufacturing units deal with low-production capacity utilization caused by global trade disruptions, the Budget proposes a one-time relaxation allowing eligible SEZ units to sell goods in the Domestic Tariff Area (DTA) at concessional customs duty rates. These sales will be allowed only up to a specified percentage of the unit's export turnover so that SEZs continue to remain primarily export-oriented. The government will introduce the required regulatory changes to implement this measure while also ensuring that domestic manufacturers in the DTA are not placed at a disadvantage.

- To address genuine concerns faced by passengers during international travel, the government has proposed to revise the provisions governing baggage clearance. The revised rules aim to enhance duty-free allowances in line with present-day travel patterns and provide greater clarity on the temporary carriage of goods brought into or taken out of India. These changes are intended to reduce disputes at airports and ensure smoother and more predictable baggage clearance for travellers.
- Further, recognizing that many honest taxpayers are willing to settle disputes by paying their legitimate dues but are discouraged by the negative connotation attached to penalties, the Budget proposes a more facilitative approach. Under the revised framework, such taxpayers will be allowed to close cases by paying an additional amount in lieu of a penalty, making dispute resolution less adversarial and encouraging voluntary compliance.



Customs - Tariff Changes

Budget 2026 focuses on:

- Tariff simplification
- Lower costs for consumers and industry
- Boost to Make in India, defence, clean energy, and healthcare
- Greater certainty by moving exemptions into the tariff

The Union Budget 2026 reinforces the Government's focus on tariff rationalization, manufacturing competitiveness, and ease of doing business, using customs duty as a key policy lever. The Budget introduces targeted duty reductions, extensions, and restructuring of BCD exemptions to lower input costs, support domestic value addition, and strengthen priority sectors.

A notable shift is the movement of several exemptions from notifications to the Customs Tariff Schedule, enhancing policy certainty, transparency, and compliance simplicity while remaining revenue neutral. The customs proposals prioritize renewable energy, clean technology, infrastructure, defence, electronics, FMCG, healthcare, and passenger facilitation.

Significant relief is provided through full customs duty exemption on 17 cancer drugs, concessions for rare disease treatments, and nil or reduced BCD on key inputs and capital goods for aircraft manufacturing and MRO, electronics, lithium-ion batteries, and renewable energy supply chains. Overall, the Budget 2026 customs measures aim to support long-term growth, sustainability, and global competitiveness of Indian industry.

Set out below are the key sector-specific amendments to the Customs Tariff introduced through Budget 2026:

1. Real Estate And Construction:

A. Changes in Basic Customs Duty (BCD) and Social Welfare Surcharge (SWS)

S.No	Item / Input	Heading	BCD Change	SWS Change
1	Natural sands*	2505	5% → Nil	No change
2	Quartz/ Quartzite*	2506	5% → 2.5%	Exemption continues as there is only change in notification no. from 36/2024 to 11/2018
3	Natural graphite*	2504	5% → 2.5%	Exemption continues as there is only change in notification no. from 36/2024 to 11/2018
4	Artificial graphite*	3801	7.5% → 2.5%	Exemption continues as there is only change in notification no. from 36/2024 to 11/2018
5	Coal & lignite*	2701–2703	5% → 2.5%	No change
6	Petroleum crude	2709	5% → Re.1/tonne	No change
7	Silicon dioxide	2811	7.5% → 2.5%	Exemption continues as there is only change in notification no. from 36/2024 to 11/2018
8	Phosphoric acid	2809	7.5% → 5%	No change

9	Nickel, cobalt & lithium compounds	2822–2836	7.5% → Nil	No change
10	Chemical reactors & storage tanks	84198912-84198919	10% → 7.5%	No change
11	Rayon grade wood pulp	4702	New tariff line – 2.5%	No change
12	Refrigerated containers	8609	New tariff line – 5%	No change
13	Wet blue leather	4104–4106	Nil duty	No change

**From 1ST April 2026, BCD on these items will be applied directly under the Customs Tariff Act, 1975, replacing exemption/concessional notifications, with no change in effective duty rates.*

Entries for which BCD exemption date extended or lapsed

In Notification No. 45/2025-Customs, the following entries are extended up to the dates mentioned below:

- S. No. 247** – Parts and components for the manufacture of tunnel boring machines, extended till 31st March 2028.
- S. No. 219** – Pipes and tubes for use in the manufacture of boilers, extended till 31st March 2026.



2. Baggage

A. Changes in Basic Customs Duty (BCD) and Social Welfare Surcharge (SWS)

S.No	Item / Input	Heading	BCD Change	SWS Change
1	All dutiable goods imported for personal use	9804	20% → 10%	Leviable with effect from 1st April 2026

B. Entries for which BCD exemption date extended- In Notification no 45/2025- Customs following are extended till **31st March 2027**.

- S No. 194** Gold bars (other than tola bars) with serial number and metric weight, and gold coins of at least 99.5% purity, imported by eligible passengers.
- S No. 194** Gold in any other form, including tola bars and jewellery, excluding jewellery with stones or pearls, imported by eligible passengers.
- S No. 195** Silver in any form, including jewellery, excluding jewellery with stones or pearls, imported by eligible passengers.



3. Renewables

A. Changes in Basic Customs Duty (BCD) and Social Welfare Surcharge (SWS)

S.No	Item / Input	Heading	BCD Change	SWS Change
1	Tungsten (wolfram) bars and rods	81019990	New tariff line – 5%	No change
2	Battery separators	850790	New tariff line – 5%	No change
3	Cobalt oxides*	28220010	7.5% → Nil	No change
4	Lithium oxide and hydroxide*	28252000	7.5% → Nil	No change
5	Lithium carbonates*	28369100	7.5% → Nil	No change
6	Strontium carbonate*	28369200	7.5% → Nil	No change
7	Cobalt powders*	81052030	5% → Nil	No change
8	Reactors, columns or towers or chemical storage tanks*	84198912 - 84198919	10% → 7.5%	No change
9	Sodium antimonate	28419000	7.5% → Nil	No change
10	Potassium hydroxide	28152000	Nil% → 7.5%	No change

The BCD exemption for capital goods used in manufacturing Lithium-Ion EV batteries has been extended to cover Battery Energy Storage Systems (BESS), effective 2nd February 2026.

*From 1ST April 2026, BCD on these items will be applied directly under the Customs Tariff Act, 1975, replacing exemption/concessional notifications, with no change in effective duty rates.

B. Entries for which BCD exemption date extended

Following S.nos. of Notification No. 45/2025-Customs are exempted are till **31st March 2028**:

1. **S. No. 134** – Specified goods for use in the manufacture of sheets or backsheets used in the manufacture of solar photovoltaic cells or modules.
2. **S. No. 222** – Copper wire of refined copper or copper rods for the manufacture of photovoltaic ribbons used in solar photovoltaic cells or modules.
3. **S. No. 256** – Evacuated tubes with three layers of solar selective coating for use in the manufacture of solar water heaters and systems.
4. **S. No. 220** – Forged steel rings for the manufacture of special bearings used in wind-operated electricity generators.
5. **S. No. 230** – Goods required for the manufacture or maintenance of components of wind-operated electricity generators.
6. **S. No. 415** – *All items of machinery and auxiliary equipment required for the initial setting up of projects for generation of power or generation of compressed biogas (Bio-CNG) using non-conventional materials.*
7. **S. No. 440** – All items of machinery and auxiliary equipment for setting up fuel cell-based systems for generation of power, for demonstration purposes, or balance-of-system components operating on biogas, bio-methane, or by-product hydrogen.
8. **S. No. 107** – Silicon in all forms for the manufacture of un-diffused silicon wafers, and un-diffused silicon wafers for the manufacture of solar cells or solar cell modules

4. FMCG

A. Changes in Basic Customs Duty (BCD)

S.No .	Heading, sub-heading tariff item	Commodity	From	To
1	0207 25 00, 0207 27 00	Meat and edible offal of turkeys, frozen	30%	5%
2	0802 11 00	Almonds, in shell	Rs.42 per kg	Rs.35 per kg
3	0802 12 00	Almonds, shelled	Rs.120 per kg	Rs.100 per kg
4	0802 31 00	Walnuts, in shell	120%	100%
5	2008 19 21, 2008 19 22, 2008 19 29, 2008 19 91	Makhana, other roasted nuts and seeds	150%	30%
6	2008 19 92	Other nuts, otherwise prepared or preserved	150%	30%
7	0306 36 60	Artemia	5%	Nil
8	0511 91 40	Artemia cysts	5%	Nil
9	0306 19 10	Krill, frozen	NA	10%
10	0802 99 10	Pecan Nuts	NA	30%
11	0810 40 10	Cranberries, fresh	NA	10%
12	0810 40 20	Blueberries, fresh	NA	10%
13	0811 90 11 0811 90 91 0813 40 30	Cranberries, frozen/dried	NA	10%

14	0811 90 12 0811 90 92 0813 40 30	Blueberries, frozen/dried	NA	10%
15	1207 99 50	Shea Nuts	NA	15%

B. Entries for which BCD exemption date extended

Notification No. 45/2025-Customs, the following entries are extended up to the dates mentioned below:

- S. No. 148** – Super absorbent polymer (SAP) imported for use in the manufacture of specified goods, extended till **31st March 2028**.
- S. No. 160** – Pulp of wood or other fibrous cellulosic material for the manufacture of newsprint, paper, paperboard, adult diapers, and goods falling under heading 9619, extended till **31st March 2028**.
- S. No. 172** – Hydrophilic non-woven and hydrophobic non-woven materials imported for use in the manufacture of adult diapers, extended till **31st March 2026**.
- S. No. 258** – Coffee roasting, brewing, or vending machines for use in the manufacture or processing of coffee, extended till **2nd February 2026**.



5. Automobiles

A new **S. No. 334A** has been added to **Table I** of Notification No. 45/2025-Customs dated 24.10.2025 to allow **basic customs duty (BCD) exemption** on raw materials imported for manufacturing aircraft parts used in the maintenance, repair, or overhaul (MRO) of aircraft, aircraft components, or engines.

This benefit is available only when the imports are made by Public Sector Units under the Ministry of Defence. The exemption can be claimed subject to compliance with the Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022.

In addition, the importer must submit an end-use certificate issued by an officer not below the rank of **Joint Secretary** in the Ministry of Defence.

This amendment will **come into effect from 2 February 2026**.

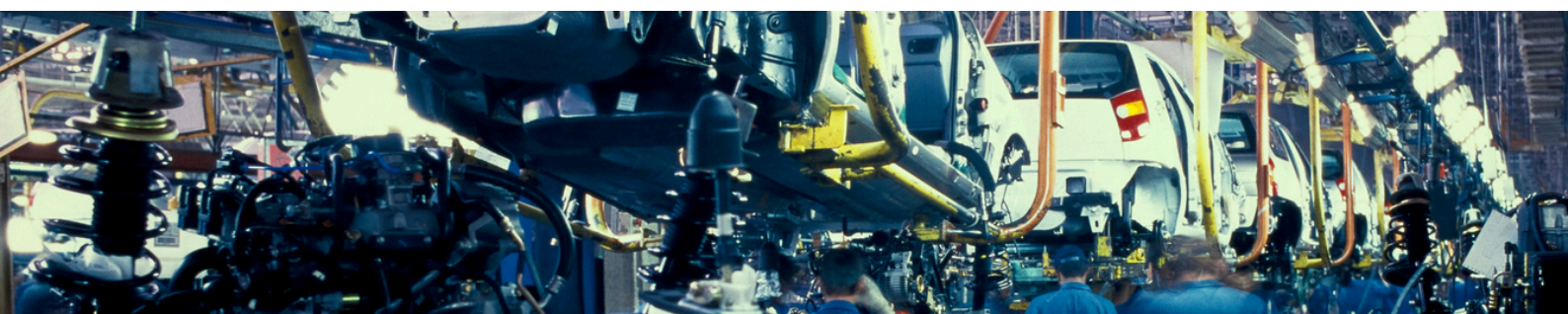
Agriculture Infrastructure and Development Cess (AIDC)

New rubber pneumatic tyres used for aircraft (tariff item 4011 30 00), other than those already covered under S. Nos. 155 and 156 of Notification No. 45/2025-Customs, attract an **Agriculture Infrastructure and Development Cess (AIDC) at the rate of 0.5%** under **Sl. No. 13A of Notification No. 11/2021-Customs**.

There is no change in the AIDC rate, which will continue to be 0.5% on new rubber pneumatic aircraft tyres, except for those items that attract NIL basic customs duty.

Entries for which BCD exemption date extended- In Notification no 45/2025-Customs following are extended till **31st March 2028**:

1. **S. No. 155** New or rethreaded Pneumatic tyres of rubber of a kind used in aircrafts.
2. **S. No. 157** New Pneumatic tyres, of rubber, of a kind used on aircrafts (other than goods covered under S.Nos. 155 and 156 of the notification No. 45/2025-Customs).



6. Electronics

A. Changes in Basic Customs Duty (BCD)

Chapter/ heading / sub- heading/tariff item mentioned in notification	Item / Input	From	To
8529 10 99, 8529 90 90	Specified goods for use in the manufacture of Microwave Ovens falling under tariff item 8516 50 00	As applicable	Nil

B. New tariff line created

Chapter/ heading / sub- heading/tariff item mentioned in notification	Item / Input	New tariff item being created w.e.f. 01.05.2026	BCD Change
8501 10 20, 8504 31 00, 8516 80 00, 8516 90 00	Parts suitable for use solely or principally with the apparatus of headings 8525, 8526 or 8527	8529 10 93, 8529 90 30	10%

C.1 Entries for which BCD exemption date extended- In Notification no 45/2025- Customs following are extended till 31st March 2028:

- S. No. 237** Machinery, electrical equipment, other instruments and their parts except populated PCBs for use in fabrication of semiconductor wafer and Liquid Crystal Display.
- S. No. 238** Machinery, electrical equipment, other instruments and their parts except populated PCBs for use in assembly, testing, marking and packaging of semiconductor chips.
- S. No. 273** All parts for use in the manufacture of LED lights or fixtures including LED Lamps

4. **S. No. 274** All inputs for use in the manufacture of LED (Light Emitting Diode) driver or Metal Core Printed Circuit Board for LED lights and fixtures or LED lamps.
5. **S. No. 280** Specified goods for use in the manufacturing of Microphones.
6. **S. No. 292** (i) Parts, components and accessories for manufacture of Digital Video Recorder (DVR)/Network Video Recorder (NVR) falling under 852190 90, other than the following items, namely(a) populated printed circuit boards; (b) charger or power adapter;(ii) Sub-parts for use in manufacture of items mentioned at (i) above.
7. **S. No. 293** Parts, components and accessories for use in manufacture of reception apparatus for television.
8. **S. No. 294** Parts, components and accessories for manufacture of CCTV Camera.
9. **S. No. 297** Open cell for use in the manufacture of LCD and LED TV panels.
10. **S. No. 302** Specified goods for use in the manufacture of LCD and LED TV panels.
11. **S. No. 306** Magnetron of up to 1.5 KW used for the manufacture of domestic microwave ovens.

C.2 Entries for which BCD exemption date extended- In Notification no 45/2025- Customs following are lapsed on **31st March 2026**:

1. **S. No. 243** High speed cold-set or high-speed heat set web offset rotary printing machines along with mail room equipment.
2. **S. No. 271** Cash dispenser or automatic banknote dispenser and its parts and components.
3. **S. No. 275** Television equipment, cameras and other equipment for taking films, imported by a foreign film unit or television team.
4. **S. No. 291** Parts and Components of digital still image video Cameras.
5. **S. No. 309** Raw materials or parts for use in manufacture of eReaders.
6. **S. No. 397** Parts of video games for the manufacture of video Games.
7. **S No. 1** Motion pictures, music, gaming software for use on gaming consoles printed or recorded on media.

C.3 Entries for which BCD exemption date extended- In Notification no 45/2025- Customs following are lapsed on **2nd February 2026**:

1. **S. No. 285** Parts of radio trunking terminalst.

7. Pharmaceutical

A. Sector: Healthcare – Rare Diseases

List 22 appended to Table I of Notification No. 45/2025-Customs dated 24 October 2025 has been amended to include seven rare diseases covered under the **National Policy for Rare Diseases (NPRD), 2021**, to extend Basic Customs Duty exemption on drugs, medicines, and food for special medical purposes when imported for personal use, effective from **2nd February 2026**.

S.no.	Seven Rare diseases
1	Congenital Hyperinsulinemic Hypoglycemia (CHI)
2	Familial Homozygous Hypercholesterolemia
3	Alpha Mannosidosis
4	Primary Hyperoxaluria
5	Cystinosis
6	Hereditary Angioedema
7	Primary Immune Deficiency Disorders

List 3 appended to Table I of Notification No. 45/2025-Customs dated 24 October 2025 has been amended to include 17 additional drugs and medicines for exemption from Basic Customs Duty, with effect from 02nd February 2026.

S.no.	List of new drugs/medicines	S. no.	List of new drugs/medicines
1	Ribociclib	10	Serplulimab
2	Abemaciclib	11	Tislelizumab
3	Talycabtagene autoleucel	12	Inotuzumab ozogamicin
4	Tremelimumab	13	Ponatinib
5	Venetoclax	14	Ibrutinib

6	Ceritinib	15	Dabrafenib
7	Brigatinib	16	Trametinib
8	Darolutamide	17	Ipilimumab
9	Toripalimab		

A. Entries for which BCD exemption date extended- Following S.nos. of Notification No. 45/2025-Customs are exempted are till **31st March 2028**:

- S. No. 111** Medical use fission Molybdenum-99 (Mo-99) for use in the manufacture of radio pharmaceuticals.
- S. No. 386** Raw materials, parts or accessories for the manufacture of Cochlear Implants.
- S. No. 382** Hospital Equipment for use in specified hospitals.
- S. No. 377** Medical and surgical instruments, apparatus and appliances including spare parts and accessories thereof.
- S. No. 376** Ostomy products for managing Colostomy, Ileostomy, Ureterostomy, Ileal Conduit Urostomy Stoma cases.
- S. No. 375** Stainless steel tube and wire, cobalt chromium tube, etc. required for manufacture of Coronary stents/coronary stent system and artificial heart valve.

C. Entries for which BCD exemption date extended- Following S.nos. of Notification No. 45/2025-Customs are lapsed **2nd February 2026**:

- S. No. 139** Medical Ethylene vinyl acetate (EVA).



Other SWS Changes

Item	From	To	Effective Date	Impact on Taxpayer
Compound alcoholic preparations (2106 90)	Notification No. 45/2025-Customs	First Schedule (making necessary changes under Notification No. 11/2018-Customs)	01-05-2026	Neutral
Spent catalyst and ash containing precious metals (7112)	Sl. No. 201 of Notification No. 45/2025-Customs	Sl. No. 54A of Notification 11/2018-Customs	01-04-2026	Neutral

Excise

- The government has introduced a strategic amendment to the excise framework by revising the National Calamity Contingent Duty (NCCD) on sin goods. Established under the Seventh Schedule to the Finance Act, 2001, the NCCD is a specialized excise duty levied on specific products

Tariff Item	Statutory Rate (Revised)	Effective Rate (Notified)	Impact on Consumer
Chewing Tobacco (2403 99 10)	60%	25%	Neutral (No price change)
Jarda Scented Tobacco (2403 99 30)	60%	25%	Neutral (No price change)
Other (2403 99 90)	60%	25%	Neutral (No price change)

**The effective rate will be maintained at 25% vide notification*

2. A pivotal change introduced in this Budget is the exclusion of the entire value of Biogas/CBG from the transaction value used to compute Central Excise duty on blended Compressed Natural Gas (CNG). Previously, under Notification No. 05/2023-Central Excise, the exemption was limited only to the GST amount paid on the biogas component, which often left a residual tax drag on the green portion of the fuel.

Effective February 2, 2026, the new Notification No. 02/2026-Central Excise suitably amends the parent Notification No. 11/2017-Central Excise to ensure that **both the intrinsic value of the biogas and the associated taxes (GST) are removed** from the excise net.

3. The Union Budget has deferred the levy of the proposed additional Central Excise duty of ₹2 per litre on unblended diesel till 31 March 2028 by amending Notification No. 11/2017–Central Excise through Notification No. 02/2026–Central Excise dated 1st February 2026.

The deferment avoids an immediate increase in fuel taxation, ensures price stability and cost certainty for the transport and logistics sectors, and provides additional time for scaling up bio-fuel blending infrastructure, reflecting a balanced approach towards clean energy transition without short-term cost pressures on consumers.



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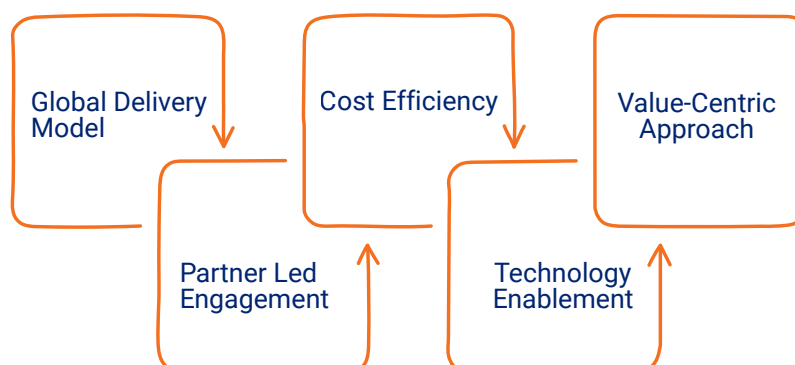


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